

118TH CONGRESS
2D SESSION

S. 5416

To amend the Securities Exchange Act of 1934 to address the disclosure of payments by resource extraction issuers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

DECEMBER 3, 2024

Mr. CARDIN introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Securities Exchange Act of 1934 to address the disclosure of payments by resource extraction issuers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “1504 Modernization
5 Act”.

6 **SEC. 2. SENSE OF CONGRESS; PURPOSE.**

7 (a) DEFINITIONS.—In this section:

8 (1) AMENDED PROVISION.—The term “amend-
9 ed provision” means section 13(q) of the Securities

1 Exchange Act of 1934 (15 U.S.C. 78m(q)), as
2 amended by this Act.

3 (2) COMMERCIAL EXTRACTIVE INDUSTRY AC-
4 TIVITY; FOREIGN GOVERNMENT; PAYMENT; RE-
5 SOURCE EXTRACTION ISSUER.—The terms “commer-
6 cial extractive industry activity”, “foreign govern-
7 ment”, “payment”, and “resource extraction issuer”
8 have the meanings given those terms in the amended
9 provision.

10 (3) COMMISSION.—The term “Commission”
11 means the Securities and Exchange Commission.

12 (4) EXISTING PROVISION.—The term “existing
13 provision” means section 13(q) of the Securities Ex-
14 change Act of 1934 (15 U.S.C. 78m(q)), as in effect
15 on the day before the date of enactment of this Act.

16 (b) SENSE OF CONGRESS.—It is the sense of Con-
17 gress that—

18 (1) the United States should be a global leader
19 with respect to the principles of transparency, good
20 governance, and fighting corruption;

21 (2) increased transparency with respect to pay-
22 ments by resource extraction issuers reduces risks
23 for investors in the United States and allows citizens
24 in resource-rich countries to hold their leaders ac-
25 countable;

1 (3) under the existing provision, the Commis-
2 sion—

3 (A) has the authority to promulgate highly
4 effective rules; and

5 (B) should require resource extraction
6 issuers to disclose payments and other informa-
7 tion that would be most useful to combating
8 corruption abroad;

9 (4) the Commission should enforce the intent
10 behind the existing provision to cover all commercial
11 extractive industry activities and not only activities
12 relating to oil and natural gas;

13 (5) this Act, and the amendments made by this
14 Act, serve only to clarify, for the avoidance of doubt,
15 the intent of the existing provision and to broaden
16 compliance requirements under the amended provi-
17 sion to include all commercial extractive industry ac-
18 tivities;

19 (6) even if this Act, and the amendments made
20 by this Act, were not enacted into law, the Commis-
21 sion would have the ability to exercise the rule-
22 making authority of the Commission to achieve the
23 intent behind the existing provision, including, in
24 particular, to promulgate rules requiring project-by-

1 project reporting while prohibiting reporting based
2 on the aggregation of contracts; and

3 (7) the Commission should ensure that inves-
4 tors, and the public at-large, have the most detailed,
5 complete, and timely information disaggregated for
6 each commercial extractive industry activity carried
7 out by a resource extraction issuer for which a pay-
8 ment has been made to a foreign government in a
9 given fiscal year.

10 (c) PURPOSES.—The purposes of this Act, and the
11 amendments made by this Act, are to—

12 (1) clarify that the authorities provided by, and
13 the scope of, the existing provision include requiring
14 the disclosure of disaggregated payments, informa-
15 tion, or contracts on a project-by-project basis;

16 (2) under the amended provision—

17 (A) broaden the scope of resource extrac-
18 tion issuers and forms of payment that are sub-
19 ject to the requirements of the amended provi-
20 sion; and

21 (B) require the disclosure of payments
22 made to criminal networks or other illicit actors
23 that do not have legitimate governance claims
24 over the resources resulting from, or with re-
25 spect to the regulation of, commercial extractive

1 industry activities that are conducted outside
 2 the United States; and

3 (3) improve the security of critical supply
 4 chains, provide investor confidence in the foreign
 5 business operations of all resource extraction issuers,
 6 and support the ability of stakeholders in the United
 7 States, and citizens of the United States, to under-
 8 stand the revenues received by foreign governments
 9 so as to increase accountability and ensure that the
 10 public in foreign countries receives benefits from
 11 those payments for the exploitation of the natural
 12 resources of those foreign countries.

13 **SEC. 3. DISCLOSURE OF PAYMENTS BY RESOURCE EXTRAC-**
 14 **TION ISSUERS.**

15 Section 13(q) of the Securities Exchange Act of 1934
 16 (15 U.S.C. 78m(q)) is amended to read as follows:

17 “(q) DISCLOSURE OF PAYMENTS BY RESOURCE EX-
 18 TRACTION ISSUERS.—

19 “(1) DEFINITIONS.—In this subsection:

20 “(A) COMMERCIAL EXTRACTIVE INDUSTRY
 21 ACTIVITY.—The term ‘commercial extractive in-
 22 dustry activity’ includes commercial develop-
 23 ment, exploration, extraction, processing, ex-
 24 porting, and any other significant action relat-
 25 ing to oil, natural gas, minerals, logging and

1 timber harvesting, or the conversion of natural
2 forested lands for agricultural production (in-
3 cluding livestock forage), or the acquisition of a
4 license for any such activity, as determined by
5 the Commission.

6 “(B) FOREIGN GOVERNMENT.—The term
7 ‘foreign government’ means, as determined by
8 the Commission—

9 “(i) a foreign central government, in-
10 cluding any department, agency, instru-
11 mentality, State-owned enterprise or com-
12 pany that is wholly or partially State-
13 owned, central bank, or financial institu-
14 tion under the control of a foreign central
15 government; or

16 “(ii) a subnational government or re-
17 gional authority, including any instrumen-
18 tality, department, agency, or authority op-
19 erated and controlled by a subnational gov-
20 ernment or regional authority.

21 “(C) INTERACTIVE DATA FORMAT.—The
22 term ‘interactive data format’ means an elec-
23 tronic data format in which pieces of informa-
24 tion are identified using an interactive data
25 standard.

“(D) INTERACTIVE DATA STANDARD.—The term ‘interactive data standard’ means a standardized list of electronic tags that mark information included in the annual report of a resource extraction issuer.

“(E) PAYMENT.—The term ‘payment’—

“(i) means a payment that is—

“(I) made to further a commercial extractive industry activity; and

“(II) not de minimis; and

“(ii) includes—

“(I) taxes, royalties, fees (including license fees), production entitlements, bonuses, inducements, services, securities, and other material benefits that the Commission, consistent with the guidelines of the Extractive Industries Transparency Initiative (to the extent practicable), determines are part of the commonly recognized revenue stream for a commercial extractive industry activity;

“(II) a payment processed in cryptocurrency; and

1 “(III) in-kind services or other
 2 non-monetary exchanges between a re-
 3 source extraction issuer and a foreign
 4 government.

5 “(F) RESOURCE EXTRACTION ISSUER.—
 6 The term ‘resource extraction issuer’ means an
 7 issuer that—

8 “(i) is required to file an annual re-
 9 port with the Commission; and

10 “(ii) engages in a commercial extrac-
 11 tive industry activity.

12 “(2) DISCLOSURE.—

13 “(A) INFORMATION REQUIRED.—

14 “(i) IN GENERAL.—Not later than
 15 270 days after the date of enactment of
 16 the 1504 Modernization Act, and subject
 17 to the other provisions of this paragraph,
 18 the Commission shall issue final rules that
 19 require each resource extraction issuer to
 20 include in an annual report of the resource
 21 extraction issuer information relating to
 22 any payment made by the resource extrac-
 23 tion issuer, a subsidiary of the resource ex-
 24 traction issuer, or an entity under the con-
 25 trol of the resource extraction issuer to a

foreign government, the Federal Government, or any other recipient, including any bribe, ransom, or other payment paid to a foreign criminal network, local warlord, or chief that may not have legitimate governance claims, for the purpose of carrying out a commercial extractive industry activity, including—

“(I) the type and total amount of such payments made for each project of the resource extraction issuer relating to those commercial extractive industry activities; and

“(II) the type and total amount of such payments made to each such entity or person.

“(ii) ELEMENTS.—

“(I) DEFINITION.—In this clause, the term ‘project’ means as a contract, lease, or license that forms the basis of liability for a payment, consistent with the definition for that term used in other markets and by the Extractive Industries Transparency Initiative.

1 “(II) REQUIREMENT.—The final
2 rules issued under clause (i) shall—

3 “(aa) require disclosures to
4 be made on a per commercial ex-
5 tractive industry activity basis
6 for a given fiscal year;

7 “(bb) require the
8 disaggregation of payments made
9 by a resource extraction issuer on
10 a per-commercial extractive in-
11 dustry activity basis, for the pe-
12 riod covered by the report in
13 which the applicable disclosure is
14 made; and

15 “(cc) require that reports be
16 filed and that furnished reports
17 shall not be sufficient.

18 “(iii) LIMITED EXEMPTIONS.—The
19 final rules issued under clause (i) shall
20 only permit limited exemptions from those
21 rules, each of which—

22 “(I) shall be justified and noti-
23 fied to Congress before any exemption
24 is granted with respect to any such
25 rule; and

1 “(II) may not permit the exclu-
2 sion of the disclosure of—

3 “(aa) any conflict of a re-
4 source extraction issuer with for-
5 eign laws or contract terms; or

6 “(bb) the commercial extrac-
7 tive industry activities of smaller
8 reporting companies or emerging
9 growth companies.

10 “(B) CONSULTATION IN RULEMAKING.—In
11 issuing rules under subparagraph (A), the Com-
12 mission may consult with any agency or entity
13 that the Commission determines is relevant.

14 “(C) INTERACTIVE DATA FORMAT.—The
15 rules issued under subparagraph (A) shall re-
16 quire that the information included in the an-
17 nual report of a resource extraction issuer be
18 submitted in an interactive data format.

19 “(D) INTERACTIVE DATA STANDARD.—

20 “(i) IN GENERAL.—The rules issued
21 under subparagraph (A) shall establish an
22 interactive data standard for the informa-
23 tion included in the annual report of a re-
24 source extraction issuer.

1 “(ii) ELECTRONIC TAGS.—The inter-
2 active data standard described in clause (i)
3 shall include electronic tags that identify,
4 for any payments made by a resource ex-
5 traction issuer to a foreign government or
6 the Federal Government—

7 “(I) the total amounts of the
8 payments, by category;

9 “(II) the currency, which may in-
10 clude cryptocurrencies, used to make
11 the payments;

12 “(III) the financial period in
13 which the payments were made;

14 “(IV) the business segment of
15 the resource extraction issuer that
16 made the payments;

17 “(V) the recipient of the pay-
18 ments, and the country in which the
19 recipient is located;

20 “(VI) the project of the resource
21 extraction issuer to which the pay-
22 ments relate; and

23 “(VII) such other information as
24 the Commission may determine is nec-
25 essary or appropriate in the public in-

1 terest or for the protection of inves-
2 tors.

3 “(E) INTERNATIONAL TRANSPARENCY EF-
4 FORTS.—To the extent practicable, the rules
5 issued under subparagraph (A) shall support
6 the commitment of the Federal Government to
7 international transparency promotion efforts re-
8 lating to commercial extractive industry activi-
9 ties.

10 “(F) EFFECTIVE DATE.—With respect to
11 each resource extraction issuer, the final rules
12 issued under subparagraph (A) shall take effect
13 on the date on which the resource extraction
14 issuer is required to submit an annual report
15 relating to the fiscal year of the resource ex-
16 traction issuer that ends not earlier than 1 year
17 after the date on which the Commission issues
18 final rules under subparagraph (A).

19 “(3) PUBLIC AVAILABILITY OF INFORMATION.—

20 “(A) IN GENERAL.—To the extent prac-
21 ticable, the Commission shall make available
22 online, to the public, a compilation of the infor-
23 mation required to be submitted under the rules
24 issued under paragraph (2)(A).

1 “(B) OTHER INFORMATION.—Nothing in
2 this paragraph shall require the Commission to
3 make available online information other than
4 the information required to be submitted under
5 the rules issued under paragraph (2)(A).

6 “(4) AUTHORIZATION OF APPROPRIATIONS.—
7 There are authorized to be appropriated to the Com-
8 mission such sums as may be necessary to carry out
9 this subsection.”.

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