August 15, 2012

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro and Members of the Commission,

The undersigned organizations would like to draw your attention to the critical issue of the treatment of scrap and recycled materials in your forthcoming rule on conflict minerals. The recycling of metals, in addition to being a legitimate activity in itself, is one that ought to be encouraged as it leads to more efficient use of the world’s resources and limits demand for the mining of raw ore. It is imperative that the SEC does not undercut the U.S. government’s strong and consistent support for recycling by adding significant regulatory burdens to the use of recycled and scrap conflict minerals. We respectfully urge the SEC not to require a Conflict Minerals Report (CMR) for issuers using conflict minerals from recycled or scrap sources. Indeed an exemption will incentivize the use of recycled and scrap materials, leading to less mining in the Congo and furthering the intent of Congress in passing Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

We remain deeply concerned that the approach proposed by the Commission in its December 2010 Proposed Rule presents unnecessary compliance burdens, and we therefore urge the Commission to adopt an alternate approach for conflict minerals from recycled or scrap sources. Specifically, we recommend that the Commission adopt the alternate approach detailed in Question 64 of the proposed rule, which would “require issuers with recycled or scrapped conflict minerals to undertake reasonable inquiry to determine they are recycled or scrapped and to disclose the basis for their belief that their minerals are, in fact, from these sources.” This represents a more rational and measured outcome, especially given that the Proposed Rule acknowledges that, “given the difficulty of looking through the recycling or scrap process, we expect that issuers generally will not know the origins of their recycled or scrap conflict minerals…” (Proposed Rule at page 63 (Dec. 23, 2010)).

We believe that recycled or scrapped sources should be subjected to a reasonable inquiry, rather than the due diligence or CMR requirements, as we believe this alternative approach is sufficient to provide investors with adequate information for informed decision making. We recommend that the SEC direct an issuer to perform a reasonable inquiry to determine whether necessary conflict minerals in its products came from a recycled or reused origin. The issuer would be required to disclose its determination that the conflict minerals are of recycled or scrap origin and the reasonable inquiry it used in reaching this conclusion, but would not be required to take any further action.

This alternate approach is consistent with the smelter audit protocol developed by the Electronic Industry Citizenship Coalition (EICC) and the Global eSustainability Initiative (GeSI). It is also consistent with the OECD Due Diligence Guidance for responsible supply chains of minerals from conflict-affected and high-risk areas, which clarifies that, “Metals reasonably assumed to be recycled are excluded from the scope of this Guidance.”
It is neither useful to investors nor consistent with the intent of the statute to require a CMR for these minerals, since such a report would provide no further actionable information and would impose a significant burden on the use of recycled materials. The imposition of overly burdensome regulations on recycled and scrap materials would discourage their reuse, likely leading to increasing disposal and abandonment of scrap metals and concurrent increases in demand for raw ores from outside the DRC region that would not trigger a CMR.

Furthermore, global smelters process significant quantities of recycled or scrap metals in addition to raw ores, meaning that recycled content is ubiquitous in refined tantalum, tin, tungsten, gold and in the products containing these metals. Therefore, under the Commission’s proposed approach to addressing recycled and scrap minerals, 100% of issuers subject to the provision would be required to furnish a CMR – even issuers that can establish that they did not source from the DRC region.

We urge the SEC to finalize a regulatory approach which would provide for reasonable inquiry and verification of recycled or scrapped conflict minerals without unduly burdening and therefore discouraging the reuse of these metal sources.

Thank you for your consideration of this critical issue.

Sincerely,

Aerospace Industries Association
Information Technology Industry Council
IPC – Association Connecting Electronics Industries
U.S. Chamber of Commerce