

**TEMPLATE FOR SUBMISSION OF TEXTUAL PROPOSALS DURING THE 28TH SESSION: COUNCIL -
PART III**

Please fill out one form for each textual proposal which your delegation(s) wish(es) to amend, add or delete and send to council@isa.org.jm.

1. Name of Working Group:

President's Text

2. Name(s) of Delegation(s) making the proposal:

The Pew Charitable Trusts

3. Please indicate the relevant provision to which the textual proposal refers.

DR 22

*Blue font are proposed amendments by the Council President.

*Pew's amendments are indicated as in-line edits in red font.

4. Kindly provide the proposed amendments to the regulation or standard or guideline in the text box below, using the "track changes" function in Microsoft Word. Please only reproduce the parts of the text that are being amended or deleted.

1. The Contractor may, [solely for the purpose of raising financing to effect its obligations under an exploitation contract and only with the prior consent ~~of the Sponsoring State or States and~~ of the Council acting in accordance with the relevant Standard, [which consent shall not be unreasonably withheld or delayed], based on the recommendations of the Commission], mortgage, pledge, lien, charge or otherwise encumber all or part of its interest under an exploitation contract

2. ~~[In seeking consent under this regulation,]~~ Tthe Contractor shall, in its application for consent [and in its annual reports submitted in accordance with regulation 38,] disclose to the Council and Commission the terms and conditions of any such encumbrance referred to in paragraph 1 above and its potential impact on the activities under the exploitation contract in the event of any default by the Contractor.

6. The Authority shall **not be obliged to** provide any funds or issue any guarantees or otherwise become liable directly or indirectly in the financing of the Contractor's obligations under an exploitation contract.

5. Please indicate the rationale for the proposal. [150-word limit]

For paragraph 1, while the Convention does not contain limitations on a Contractor's ability to use the exploitation contract as a security, we believe this addition of 'solely...' seems sensible, to prevent a

contract being used to raise funds which are then put towards another project, leaving the Contractor too thinly capitalised to deliver on its exploitation contract. This is in keeping with the ISA's duty to maintain control over activities in the Area, including ensuring the contractor's technical and financial capabilities to deliver on its Plan of Work. We also agree that this should only be done with the prior consent of the Council, but note that it is not clear from this regulation how the Contractor would apply for such consent. As such, we recommend the process for obtaining consent be added to this regulation or this be contained in a Standard which is cross-referred here.