



PROSPECTORS &  
DEVELOPERS  
ASSOCIATION  
OF CANADA

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**Re: OSC Notice 11-771 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Financial Year to End March 31, 2016**

Dear Sir:

This letter is submitted on behalf of the Prospectors & Developers Association of Canada (PDAC) in response to the invitation to comment on OSC's Statement of Priorities (SoP).

The PDAC is the national voice of Canada's mineral exploration and development community. With a membership of over 9,000 individual and 1,200 corporate members the PDAC's mission is to promote a responsible, vibrant and sustainable Canadian mineral exploration and development sector. The PDAC encourages leading practices in technical, environmental, safety and social performance in Canada and internationally. The PDAC is also known worldwide for its annual convention that is regarded as the premier event for mineral industry professionals. The PDAC Convention has attracted over 30,000 people from 125 countries in recent years and will be held March 6 to 9, 2016, at the Metro Toronto Convention Centre (MTCC) in downtown Toronto.

The PDAC is advocating for regulatory reforms that accomplish the following key policy goals:

1. Facilitate capital raising from a broadened base of investors
2. Reduce the costs of compliance (by, for example, reducing duplicative regulations, eliminating complexity, using simpler format etc.)
3. Improve enforcement and criminal prosecution of fraud.

### **Comments on the Draft Statement of Priorities**

We are encouraged to see that the OSC's SoP includes goals focused on investor protection, responsive regulations and effective compliance. These areas are also a priority for the PDAC, as outlined above. However, we are concerned that the SoP Notice does not strike the right balance between investor protection and capital formation. We find the SoP includes several references to investor protection with limited emphasis on facilitating access to capital, particularly for small and medium-sized enterprises (SMEs), which is a key PDAC priority.



## Capital Formation and Access to Capital

In order to have fair and efficient capital markets, capital formation should be a cornerstone of securities regulations. More emphasis is needed on this front. Accordingly, we are recommending that the OSC adopt a standalone goal focused on increasing the levels of capital formation for SMEs.

Specifically, PDAC recommends that the OSC and the CSA enhance their efforts to monitor financing data in order to provide performance indicators about SME's capital formation (by sector and company size). Gathering these important capital formation statistics would in turn provide a benchmark for the success of the OSC and other Canadian securities regulators. SMEs pay considerable regulatory fees to maintain the regulatory system and as such SMEs should have some tangible evidence that the regulatory systems are fostering and delivering growth in SME capital formation. As an overarching theme, PDAC views SMEs as a distinct industry group (as compared to large capitalization companies) and as such should be given attention via tailored policy considerations.

## Compliance Costs

The OSC is proposing to raise fees by 13.9% in the upcoming year, which in our opinion is excessive given the current downturn in our industry. Furthermore, the Ontario government has a net zero wage and employee growth objective for public sector compensation and the double digit fee increase by the OSC is not in-line with this objective. There needs to be a clear articulation of a business case/value proposition when fees are increased at the proposed rate, which is missing from the SoP. More detail is needed apart from the short explanation provided in page 13.

PDAC appreciates this opportunity to provide our comments. If you have any questions regarding the foregoing, please do not hesitate to contact me.

Sincerely,

Rodney N. Thomas, P.Geo.  
President  
Prospectors & Developers Association of Canada (PDAC)

Cc:

Jim Borland: Co-Chair, PDAC Securities Committee  
Michael Marchand: Co-Chair, PDAC Securities Committee and Member, PDAC Board  
Andrew Cheatle: Executive Director, PDAC

*This submission was originally authored by Samad Uddin (Director, Capital Markets, PDAC) and James S. Hershaw (Member, PDAC Securities Committee).*