



Prospectors & Developers Association of Canada
Association canadienne des prospecteurs et entrepreneurs

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
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November 20, 2012

Re: REQUEST FOR COMMENTS - PROPOSED AMENDMENTS TO OSC RULE 13-503 (COMMODITY FUTURES ACT) FEES AND COMPANION POLICY 13-503CP (COMMODITY FUTURES ACT) FEES

Dear Secretary, Ontario Securities Commission:

The Prospectors and Developers Association of Canada (PDAC) is Canada's national mineral exploration industry association, with approximately 1,200 corporate members engaged in mineral exploration and mining activities throughout the world.

As of November 1, 2012, there were 1,646 exploration and mining companies listed on the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSX-V). Over 80% of all global mining equity financings are done on these two exchanges, with companies raising almost \$6 billion in 2011.

There is growing evidence to suggest that these companies are having difficulty financing their activities in 2012 due to the persisting global economic uncertainty. PwC noted recently that (as of June 29, 2012) equity financing raised by the top 100 TSXV listed mining companies had decreased by 41% over the same period a year earlier.

Regulators in Canada cannot take for granted that Canada will forever remain the predominant source of capital for mining and exploration companies. This is why the PDAC would like to express grave concern over the following fee increases being proposed by the OSC in its *Request for Comments - Proposed Amendments to OSC Rule 13-502 Fees and Companion Policy 13-502 CP Fees* (see Annex I):

- Corporate finance participation fees
- Capital markets participation fees
- Late fees for late filing of forms
- Four sets of activity fees

In our view, the proposed increase in fees, and the creation of a tiered fee structure, imposes an unfair burden on our members without providing any measurable improvement in investor confidence. In short, the fee increases add cost without demonstrably adding value. In particular, the PDAC does not support having the late fees for Forms 45-501F1 and 45-106F1 being increased to subject to an increase in the aggregate cap from the current \$1,000 to \$5,000.

The PDAC has no comment on the following proposed fee increases:

- Participation fees for specified regulated entities
- Participation fees for designated rating organizations

Our members have had to tighten their belts in response to the challenges they are facing in these uncertain economic times. It is our view that the OSC should demonstrate leadership on this issue and also 'tighten its belt', setting an example not only for issuers but the entire capital market.

We would be pleased to discuss our concerns further in order to ensure that the proposed changes are sensitive to the needs of our members.

Best regards,

A handwritten signature in black ink, appearing to read "Ross Gallinger". The signature is fluid and cursive, with a small superscript "r" above the final "y".

Ross Gallinger, P.Ag.,
Executive Director
Prospectors and Developers Association of Canada

Copy:
Barbara Hendrickson, Co-Chair PDAC Securities Committee
Bruce McLeod, Co-Chair PDAC Securities Committee

**ANNEX I
PDAC RESPONSE TO PROPOSED OSC FEE INCREASES**

TYPE OF FEE	OSC EXPLANATION OF PROPOSED FEE INCREASE	PDAC POSITION
<i>Corporate finance participation fees</i>	<p>One additional tier is proposed for reporting issuers with under \$10 million of capitalization, with a lower participation fee of \$800 initially being provided for this tier. Those reporting issuers with capitalization between \$10 million and \$25 million are initially proposed to remain subject to a \$960 participation fee. The \$800 and \$960 participation fees would be increased as shown in Appendix A of the Proposed Rule in the last two years of the three-year fee cycle. Participation fees for reporting issuers within higher tiers of capitalization would increase by 15.5% annually throughout the three-year fee cycle.</p>	<p>The PDAC does not agree with the proposals for increases in fees</p>
	<p>The capitalization on which participation fees are based for Class 1, Class 3B and Class 3C reporting issuers is generally determined as the average monthly closing price throughout the reference fiscal year. Under the Proposed Amendments, this amount is adjusted so that the closing prices at the month ends before an issuer becomes a reporting issuer are ignored in determining capitalization for this purpose. However, to provide relief in respect of its first full year as a reporting issuer, the Proposed Amendments also pro-rate the applicable participation fee to reflect the portion of the reference fiscal year during which the issuer was not a reporting issuer.</p> <p>The treatment of Class 3B issuers is clarified by the addition of Appendix B.1 in the Proposed Rule, which allows the text in subsection 2.2(3) of the Proposed Rule to be simplified.</p>	<p>The PDAC does not agree with this proposal for increases in fees.</p>
<i>Capital markets participation fees</i>	<p>One additional tier is proposed for participants with under \$250,000 of specified Ontario revenues, with a lower participation fee of \$800 initially being provided for this tier. Those participants with revenues between \$250,000 and \$500,000 are initially proposed to remain subject to a \$1,035 participation fee. The \$800 and \$1,035 participation fees would be increased as shown in Appendix B of the Proposed Rule in the last two years of the three-year fee cycle. Participation fees for participants within higher tiers of revenue would increase by 7.9% annually throughout the three-year fee cycle.</p>	<p>The PDAC does not agree with this proposal for increases in fees.</p>
<i>Late fees for late</i>	<p>Under the Current Rule, the \$100 per day fee for the late</p>	<p>The PDAC does</p>

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<i>filing of forms</i>	<p>filing of documents listed in section A of Appendix D is subject to a \$5,000 annual aggregate cap. Among the documents listed in that section, in relation to a reporting issuer, are Forms 45-501F1 and 45-106F1 (dealing with reports of prospectus-exempt distributions).</p> <p>New Forms 13-502F7 and 13-502F8 are proposed to be added to the list of forms specified in section A of Appendix D.</p> <p>Under the Proposed Amendments, the same daily \$100 late fee applies to all issuers for the late filing of these forms. However, Forms 45-501F1 and 45-106F1 would now be referred to in section A.1 (rather than section A) of Appendix D and would be subject to a separate \$5,000 annual aggregate cap.</p>	not agree with the proposals for increases in fees
<i>Activity fees</i>	Adjustments in Amounts of Existing Activity Fees	The PDAC does not agree with the proposals for increases in fees.
	<p>Changes in Fee Structure in Relation to Exchanges, Clearing Agencies and ATSS</p> <p>The Commission believes that, in the right circumstances, firms should pay for regulatory work that is performed where the benefit of that activity would primarily accrue to the fee payer concerned, rather than the work being paid for by other fee payers. Further, the fee payable should be consistent with the complexity of a filing.</p>	The PDAC does not agree with the proposals for increases in fees.
	<p>Exempt Distribution Reports</p> <p>The Current Rule provides an exemption from the \$500 fee otherwise applying in connection with the filing of Forms 45-501F1 and 45-106F1 for issuers that are subject to participation fees (Appendix C (B) 2). There is a similar exemption for investment funds if their investment fund managers are subject to participation fees. It is proposed to eliminate these exemptions in order to reflect the incremental cost to the Commission for the review of these forms.</p>	The PDAC does not agree with the proposals for increases in fees.
	Information Requests to the Commission	The PDAC does not agree with

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	<p>Section K of Appendix C sets out the fees that the Commission charges for retrieving and copying records, mostly of a public nature.</p> <p>It is proposed to update this section to refer to copies made in any format (rather than photocopies). It is proposed to express the \$0.50 charge as applying per image (rather than per page).</p> <p>It is also proposed to adjust the amount of fee charged for a search of the Commission's public records to reflect required retrieval time. The fee is proposed to be changed from a \$150 flat fee to a \$7.50 charge for each 15 minutes of search time.</p>	<p>the proposals for increases in fees.</p>
<p><i>Participation fees for specified regulated entities</i></p>	<p>New Part 3.1 and Appendix B.1 of the Proposed Rule will establish participation fees for specified market operators (including exchanges), ATs, clearing agencies and trade repositories. The fees vary from \$8,750 to \$500,000 per calendar year and are payable, beginning in 2013, on April 30. New entrants are only required to pay these fees for a calendar year if, on April 15 of that calendar year, they fit within the organizations described and carry on business in Ontario. Payments will be accompanied by a completed Form 13-502F7.</p>	<p>The PDAC has no comment on these increases.</p>
<p><i>Participation fees for designated rating organizations</i></p>	<p>Part 3.2 of the Proposed Rule will provide that designated rating organization must pay a \$15,000 annual participation fee. The payment is made after the completion of each financial year, at the time of the filing of the organization's Form 25-101F1 <i>Designated Rating Organization Application and Annual Filing</i>. The payment will be accompanied by a completed Form 13-502F8.</p>	<p>The PDAC has no comment on these increases.</p>