



**Prospectors & Developers Association of Canada**  
**L'Association Canadienne des Prospecteurs et Entrepreneurs**

June 26, 2007

Alberta Securities Commission  
British Columbia Securities Commission  
Manitoba Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Nunavut  
Registrar of Securities, Yukon Territory  
Saskatchewan Financial Services Commission  
Securities Commission of Newfoundland and Labrador  
Securities Office, Prince Edward Island

**C/o Mr. John Stevenson, Secretary**

Ontario Securities Commission  
20 Queen Street West  
Suite 1903, Box 55  
Toronto, Ontario, M5H 3S8

And/et

**Madame Anne-Marie Beaudoin**

Directrice du secrétariat  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, Tour de la Bourse  
Montréal, Quebec H4Z 1G3

Dear Mr. Stevenson and Madame Beaudoin:

**Re: Proposed National Instrument 31-103 (Registration Requirements)**

This submission is made on behalf of the 7000 members of the Prospectors and Developers Association of Canada ("PDAC") in reply to the request for comments published February 23, 2007 (the "Request for Comments") on proposed National Instrument 31-103 ("NI 31-103") and its Companion Policy. Our comments will focus exclusively on NI-31-103's proposed Exempt Market Dealer ("EMD") registration requirements.

The association works to ensure a robust mineral industry in Canada, and encourage the highest standards of technical, environmental, safety and social practices in Canada and internationally. Seventy-five years after its founding, the PDAC represents all members of the diverse exploration community, including junior and senior companies, prospectors and geoscientists; industry executives and students; members of the financial, legal and academic communities; and suppliers to the mineral industry.

We agree with NI-31-103's aims of harmonizing, streamlining, and modernizing the registration regime and creating an effective regime with a reduced regulatory burden. However, we believe that the proposed EMD registration requirements are inconsistent with both aims insofar as 1) the requirements are onerous to the extent that they may not be accepted by all CSA members and 2) the EMD requirements will increase the regulatory burden. PDAC members rely extensively on Exempt Market Dealers and are unhappy with the prospect of increased costs to raising capital. PDAC hereby requests that EMDs be removed from NI 31-103 and, in the alternative, requests that EMDs be exempted from the requirements discussed below.

**1. Exempt Market Dealers should not be required to have completed a designated course or at a minimum be adequately grand parented**

Exempt Market Dealers operate in a very focused area of expertise. Neither investors nor issuers will be served by a requirement that EMDs complete an all-encompassing course. The course requirement will inevitably be captured in heightened, and unnecessary, transaction costs imposed on the investor and the issuer. PDAC is unaware of evidence that supports such a course requirement. In the event the CSA determines that EMDs should be subject to proficiency requirements, a grandfathering system should be in place to ensure that the credentials and experience of the existing participants be recognized and/or there be a phase in period where individuals who cannot be grand parented can acquire these credentials without business interruption.

**2. Exempt Market Dealers should not be subject to working capital requirements**

Such minimum capital requirements as those proposed in NI 31-103 will create barriers to entry and will stifle the development of Canada's capital markets. Prospectus exemptions are available precisely because of the costs that follow from becoming a reporting issuer. Minimum capital requirements are a step backward. Working capital requirements are especially inappropriate where, as is often the case, no client assets are held by the EMD.

**3. Exempt Market Dealers should not be subject to insurance and bonding requirements**

Prospectus exemptions are rooted in existing relationships of trust and the heightened level of sophistication of certain investors. Participants in exempt markets are sufficiently sophisticated to independently determine when they required a bonded and insured EMD. It is PDAC's position that any malfeasance on the part of an EMD would be more efficiently resolved through existing civil liability mechanisms.

**Conclusion**

While the PDAC has chosen to focus on the above three points, it also has concerns about a number of other aspects of proposed EMD registration requirements. These include the extensive

client financial reporting and relationship disclosure requirements for what are often isolated transactions. NI 31-103 overshoots the mark. The registration requirements it imposes on EMDs generally exceed those found in the two jurisdictions that currently have similar requirements. PDAC requests that EMDs be removed from the registration requirements contained in NI 31-103. In the alternative, EMDs should be exempted from those particular requirements specified above.

Yours truly,

A handwritten signature in black ink, appearing to read "Patricia Dillon". The signature is fluid and cursive, with the first name being more prominent.

Patricia Dillon  
President