

Hello

My name is David Taylor and my firm is a Limited Market Dealer registered with the OSC. I would like to provide some background then our opinion on 31-103

I personally had a career as a manager for Canada's Thomson Corp (now Thomson Reuters). and then I began helping Canadian junior firms raise money as a finder. It was a small business, with nowhere near the income levels of even entry level stockbrokers, but I enjoyed the role I played in bringing capital to small startups. I later decided that I would like to be registered and spent over \$10,000, which was a considerable sum for me, and registered with the OSC as the BCSC didn't have a LMD category.

Since last August we have acted as an LMD without any hitches, but I am concerned about the proposals to change the structure. To begin with, I can see why so many people are dismayed with a legitimate role in society, business. It is a gargantuan effort for even someone like myself with what some consider as a strong career with a recognizable Canadian blue chip name, to get up and running, and just when you think you can focus on business then these curve balls come at you. For a large firm like Canaccord, they can throw a fulltime person or lawyer at the problem, but firms like mine have no chance, we can and will be trampled by the elephant herd as it moves to new ground.

This new ground, the 31-103, seems to change something which is not broken. In addition, the bar is set far too high. When you have individuals in roles of finders, and those individuals aren't registered, then the bar for registration shouldn't need to be that much higher.

However, if the LMA website is correct, I see the following:

http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part3/rule_20080229_31-103_rfc-reg-req.pdf

1. on capital requirements:

Market participants already view actions by firms such as Canaccord and others who will sell shares to drive a stock low and then pile back in cheap, as predatory and these actions should be illegal. Moreover, when an individual investor opens a brokerage account they are typically long and the broker shorts against their 'hand'. A LMD has no such structure,

no scale, to perform such actions. This regulation is misguided, the energy and time spent is focussed on breaking something not broken, while the commission would be better off spending time on serious problems such as these.

If the capital requirements are imposed we will have no choice but to exit the sector, we cannot afford this

2. bonding/insurance

This is another luxury we cannot afford, we would exit the industry.

I don't know what planet you folks are on, but in the private placement business we operate in, it is feast or famine much of the time. December/January, Summer are weak to start with, then we have slowdowns like the one currently, which leaves no room for the seemingly unnecessary extras you are piling into our cost structure, which already includes a bunch of fees to deal with the securities commissions. For example, when we want to do a placement we often consult regulations, but if we phone say the OSC to ask a question, the response is always "we don't know what that means, hire a lawyer"

The net result is we spend \$20,000 on legal just to understand the rules you have written. The changes in 31-103 make things worse.

We have brought a few million in to Canada from international investors to startups, juniors. When we exit the conduits will close. Your efforts do no add value.

I strongly hope there is reconsideration, as I think you don't understand the bottom end of the market. I worked in Silicon Valley and even at the biggest VCs when a startup is funded every penny is watched.

Canada's junior market is basically publicly listed startups that in Silicon Valley would be in a fund's portfolio, private, waiting to get bigger.

Those VCs don't operate in the draconian environment you are proposing, in fact if the environment was such perhaps the venture capital community wouldn't have started.

I am very concerned you will stifle industry and only when its too late will you recognize that and react. I don't know why this has to be a necessary function of topping markets, but overzealous regulators seem to be a hallmarks of topping markets.

Please focus your changes on parts of the Canadian industries that are responsible for much more egregious transgressions, such as ABCP, naked shorting, the Stelco ripoff, predatory actions by Canaccord in the junior market.

If you focus on us, we will most definitely exit, in disgust.

Sincerely

David Taylor

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