



PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA

September 5, 2014

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 20th Floor
Toronto, ON, M5H 3S8
Email: marketregulation@osc.gov.on.ca

Re: OSC notice and request for comment regarding application for recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. as an exchange

Dear Sirs/Mesdames:

This letter is submitted on behalf of the Prospectors & Developers Association of Canada ("PDAC") in response to the invitation to comment on the application for recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. as an exchange (Aequitas).

The Prospectors & Developers Association of Canada (PDAC) is the national voice of the Canadian 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. A critical component of that mission is maintaining Canada's status as the premier jurisdiction in which to raise equity capital for the mining industry.

During the summer of 2013, PDAC conducted consultations with PDAC members¹, which highlighted five risks to maintaining Canada's status as the world's #1 jurisdiction for raising mining equity capital. They are:

- a) Exempt market rules that limit access to a broad base of investors
- b) The ever-increasing costs of regulatory compliance for publicly listed companies due to duplication and complexity of regulations
- c) Concerns about the adverse effects of market fragmentation and technology
- d) A regulatory structure that is heavy-handed on regulatory requirements but light on enforcement and criminal prosecutions of fraud
- e) A regulatory system that is slow to react to market changes

¹ <http://www.pdac.ca/public-affairs/securities/public-affairs/2013/04/23/member-consultation-on-securities-regulatory-reform>



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We encourage the OSC to take into consideration the above risks (in particular risks a, b and c) when considering the proposed Recognition Order.

The majority of PDAC members fall into the venture issuers category and the current application for recognition specifies that listed issuers will be treated as “non-venture issuers”. In our view, the direct impact to PDAC venture members could be minimal from Aequitas Innovations Inc. and Aequitas Neo Exchange Inc.’s potential future participation in the capital markets as outlined in the current application. Therefore, our response in this submission is general in nature and echoes comments raised in our previous submission on this matter.²

General Comments

The PDAC is cautiously optimistic about the potential of the new exchange to facilitate capital raising, reduce costs and offer more choice to issuers and investors. The PDAC supports the application by Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. to be recognized as an exchange.

Increase Competition

We believe that increased competition in the Canadian capital markets is healthy and a step in the right direction to reducing listing fees for junior issuers that graduate to the senior exchanges. As stated in the proposal, “the intent of the Aequitas Neo Exchange to pursue a fee approach which is consistent with its strategy for trading and data fees: competitive fees providing stakeholders with choice.”

Negative Impact of Technology

As we state in the past (see footnote 2), Aequitas has proposed some innovative design elements to respond to the perceived concerns (on the part of investors and issuers) about predatory high frequency trading (HFT) practices. While HFT activity accounts for a relatively small volume of all trades on the TSX-V, where most junior exploration companies are listed, PDAC members have repeatedly raised concerns about HFT practices and the potentially negative impact they may be having. If there are negative impacts arising from certain HFT

² “Notice on proposed structure of trading facilities of a new exchange proposed to be established by Aequitas Innovations” submitted on September 27, 2013.



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practices, and the proposals being put forward by Aequitas can address them, then this would be of value to the PDAC and its members.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rodney N. Thomas". The signature is written in a cursive style and is positioned above a horizontal line.

~~Rodney N. Thomas~~
President
Prospectors & Developers Association of Canada

Cc:

Jim Borland: Co-Chair, PDAC Securities Committee

Michael Marchand: Co-Chair, PDAC Securities Committee and Member, PDAC Board

This submission was originally authored by Samad Uddin (Director, Capital Markets, PDAC) with comments from Jim Borland (Co-Chair, PDAC Securities Committee) and Nadim Kara (Senior Program Director, PDAC)