

Australian Parliament approves Crowd-sourced Funding Bill

27 March 2017

Following in the footsteps of countries including the UK, US, Germany, Canada, NZ and China, the Commonwealth Senate on Monday 20 March 2017, approved the *Corporations Amendment (Crowd-sourced Funding) Bill 2016* (Cth) to enable eligible companies to raise equity capital via a Crowd Sourced Funding ("CSF") Offer document. Whilst in most countries this type of funding is referred to as equity crowd funding, in Australia the terminology is Crowd Sourced Funding. The Government approval comes after three years of drafting, roundtable sessions and industry feedback.

Key Point Summary	
<p>What companies are eligible to proceed with a CSF Offer?</p> <p>Conversion from a Pty Ltd status to public company status is not cost prohibitive but does need careful planning.</p>	<ul style="list-style-type: none"> • The company must be a public company limited by shares. • Principal place of business and majority of directors in Australia. • Company must satisfy the gross assets and revenue caps. • Neither the company, nor any related party, is a listed corporation. • Neither the company, nor any related party, has a substantial purpose of investing in securities or interests in other entities or managed investment schemes.
<p>What are the assets and revenue tests?</p> <p>Note: it is a GROSS assets test.</p>	<ul style="list-style-type: none"> • Consolidated annual revenue of less than \$25 million ('turnover test'); and • Value of the consolidated gross assets of the issuer and any related parties must be less than \$25 million at the time the company is determining its eligibility to crowd fund ('gross assets test').
<p>What is the cap on a CSF raising?</p>	<ul style="list-style-type: none"> • \$5 million in any 12 month period - the issuer cap disregards amounts raised from offers that are exempt from disclosure, such as offers to sophisticated investors (S708(8)) or professional investors S708(11)).
<p>What document does a CSF eligible company issue?</p>	<ul style="list-style-type: none"> • CSF Offer document should contain sufficient information to enable a retail investor to make an informed decision to invest or not. • A CSF Offer document needs to comply with regulations (being finalised).

Who uploads the CSF Offer to a public platform?	<ul style="list-style-type: none"> • An ASIC approved AFSL licensed Intermediary.
How much can a retail investor invest into a CSF Offer company?	<ul style="list-style-type: none"> • \$10,000 per issuer company within a 12 month period.
Any cooling off period for retail investors?	<ul style="list-style-type: none"> • A retail investor has an unconditional right to withdraw from a CSF offer within five business days of making the application.
Is a CSF company relieved from any public company requirements normally applicable?	<ul style="list-style-type: none"> • Yes. A company that is eligible for the corporate governance and reporting concessions is not required to hold an AGM under section 250N and is only required to provide financial reports to shareholders online. Likewise, a company that is eligible for the corporate governance and reporting concessions is not required to appoint an auditor or have audited financial reports until more than \$1 million has been raised from CSF offer or other offers requiring disclosure.
How long does a company have to complete a CSF issue?	<ul style="list-style-type: none"> • Within 12 months of registration as, or conversion to, a public company.
What is the maximum time a CSF Offer can be open for?	<ul style="list-style-type: none"> • Three months.