



Memorandum

To:	AASB members	Date:	18 August 2015
From:	Clark Anstis	Agenda Item:	23.1
Subject:	Crowd-sourced Equity Funding	Project Priority	Low
Project Status:	Potential submission on Government proposals	Decision-Making:	Low

Action

Review the Consultation Paper and the Briefing Paper and consider whether further action is required.

Attachments

- 23.2 Draft Briefing Paper – Financial Reporting by Small Proprietary Companies using Crowd-sourced Equity Funding
- 23.3 Australian Government, Consultation Paper “Facilitating Crowd-sourced Equity Funding and Reducing Compliance Costs for Small Businesses” (August 2015)

Overview

Submissions on the Australian Government’s Consultation Paper (CP) are due by 31 August, which is prior to the Board’s September meeting. The crowd-sourced equity funding (CSEF) proposals for small proprietary companies emphasise some additional transparency obligations, including the preparation of financial reports for online availability (see CP paragraph 72), and the application of large proprietary company obligations after five years (paragraph 74).

The Chair considered that a briefing paper should be provided to Treasury to address a number of financial reporting matters, but that otherwise a Board submission is not warranted. The draft briefing paper (agenda paper 23.2) is expected to be finalised prior to the Board meeting.

The question for Board members therefore is whether any further action should be undertaken by the Board in relation to the CSEF proposals.

Background

CSEF is an emerging form of funding that allows entities to raise funds online from a large number of small investors. The Australian Government published a Discussion Paper (DP) “Crowd-sourced Equity Funding” in December 2014. This DP focused on the issue of whether to allow public companies to engage in CSEF.

Memorandum

Early in August, the Government published its follow-up Consultation Paper. The CP outlines the Government's planned CSEF framework for public companies, and seeks feedback on whether proprietary companies should also be able to access CSEF. The potential model outlined addresses CSEF for proprietary companies with annual turnover and gross assets of less than \$5 million, to be consistent with the intended CSEF framework for public companies (see paragraphs 77-79). Therefore, the DP focuses on small proprietary companies.

The DP (section 4) also considers the possibility of relaxing regulatory restrictions (the limit of 50 on the number of non-employee shareholders and the small scale offering exemption) to make capital raising more flexible for small proprietary companies. It also addresses (in section 6) the scope for reducing a range of compliance costs for small proprietary companies.

Question to Board members

Q1 Does the Board consider that any further action is required at this stage?