

Crowd-sourced Equity Funding

Discussion Paper
December 2014

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ISBN 978-1-925220-17-9

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Consultation Process

Request for feedback and comments

A public consultation process will run from 8 December 2014 to 6 February 2015.

Closing date for submissions: 6 February 2015

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A request made under the *Freedom of Information Act 1982* (Commonwealth) for a submission marked 'confidential' to be made available will be determined in accordance with that Act.

Next steps following the public consultation process

Stakeholder feedback to the public consultation process will inform the Government's consideration of a future regulatory framework for crowd-sourced equity funding (CSEF) in Australia. Once the public consultation process is concluded, further targeted consultation may be necessary to clarify any issues or questions which arise from the initial consultation period.

This consultation paper also represents the Government's Early Assessment Regulation Impact Statement (RIS). The RIS process is part of the Government's commitment towards better regulation that delivers net benefits for businesses and the community. The objective of the Early Assessment RIS is to inform the Government's decision about how to proceed with CSEF based on evidence and feedback from stakeholders. This will underpin the subsequent Final Assessment RIS, which will build on this document by discussing the results of the consultation process, the evidence that has been gathered and how the final conclusion is reached.

Both the Early and Final Assessment stage RISs will be published on the Office of Best Practice Regulation's website.

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Foreword

The Government is committed to creating the right conditions to drive growth and create jobs.

As part of the Government's Economic Action Strategy, the recently released Industry Innovation and Competitiveness Agenda (IICA) brings together and builds on the Government's economic reform efforts to make the most of Australia's strengths and business opportunities. The IICA provides a framework for boosting Australian industries' competitiveness and driving greater innovation and investment.

Entrepreneurs and small businesses are crucial sources of innovative ideas and products. Ensuring small businesses are able to grow and thrive is vital to creating a dynamic, competitive Australian economy.

The Government has already taken steps to support innovative small businesses, including the recent announcement of reforms to the tax treatment of employee share schemes that will help start-up companies attract and retain high quality staff.

As part of the small business policy taken to the 2013 election, the Government is committed to helping small businesses access finance.

Crowd-sourced equity funding (CSEF) is an emerging form of funding that allows entrepreneurs to raise funds online from a large number of small investors. Along with other innovative finance options, including peer-to-peer lending, angel investing and venture capital, CSEF has the potential to increase small businesses and start-ups' access to funds to develop and implement their ideas and products.

However, current regulatory requirements present a barrier to the widespread use of CSEF in Australia. For this reason, one of the measures identified in the IICA is for the Government to consult on a potential regulatory framework to facilitate the use of CSEF in Australia.

This discussion paper forms the basis of the Government's consultation on CSEF. It seeks feedback on aspects of potential CSEF models, including a model recommended by the Corporations and Markets Advisory Committee in a report on CSEF released in June 2014, as well as a model similar to that recently implemented in New Zealand.

I encourage all those who have an interest in facilitating CSEF in Australia to comment on this discussion paper.

The deadline for submissions is 6 February 2015.

I look forward to working with the community and industry to ensure that the Government strikes the right balance between supporting investment, reducing compliance costs (including for small business) and maintaining an appropriate level of investor protection and confidence in CSEF.

Senator the Hon Mathias Cormann
Minister for Finance
Acting Assistant Treasurer

The Hon Bruce Billson
Minister for Small Business

1. Opportunities Presented by Crowd-Sourced Equity Funding (CSEF)

1.1 The Need for Innovation

Productivity growth has long been identified as a core driver of economic growth. The Australian Government has identified that fostering innovation is an important way of unlocking productivity, both through innovative products and ways of doing things. New funding models that flexibly support emerging firms have the potential to facilitate innovations and contribute to productivity growth. The Government has been considering possible measures to promote innovative activity through the

Industry Innovation and Competitiveness Agenda (IICA).

The IICA provides a framework for boosting Australian industries' competitiveness and driving greater innovation and investment. Through the IICA, the Government is working to achieve four overarching ambitions:

- a lower cost, business-friendly environment with less regulation, lower taxes and more competitive markets;
- a more skilled labour force;
- better economic infrastructure; and
- industry policy that fosters innovation and entrepreneurship.

One measure identified in the IICA is to consult on a possible regulatory regime for the implementation of crowd-sourced equity funding (CSEF). CSEF is an innovative type of online fundraising that allows a large number of individuals to make small financial contributions towards a company and take an equity stake in the company in return. It has the potential to provide finance for innovative business ideas that may struggle to attract funding under traditional models.

A number of other jurisdictions including New Zealand, the United States, the United Kingdom and Canada (Ontario) have already, or are in the process of, implementing regulatory regimes for CSEF. The introduction of an appropriate regulatory framework that would facilitate CSEF in Australia would ensure that Australia remains responsive the funding needs of innovative businesses.

1.2 The Need to Improve Small Business Access to Finance

Small businesses are a significant driver of productivity and economic growth. However, obtaining affordable finance to fund development of innovative new products is difficult in some cases. As part of its 2013 election commitments on small business, the Government is committed to improving small businesses' access to affordable finance to ensure they have the opportunity to establish and develop.

Difficulties in accessing debt finance can arise as a result of gaps in information between lenders and borrowers. As the provision of debt finance requires an assessment of a business' ability to service the debt, small businesses and start-ups that do not have adequate evidence of past performance or prospects for success can face particular challenges accessing credit. Similarly, lenders may not be willing to bear the cost of obtaining detailed credit-related information to assess the level of risk involved in lending to a smaller business.

Some banks have noted that they decline approximately twice as many loan applications for start-ups as for established small businesses (around 20 per cent compared with eight per cent for small businesses as a whole), at least in part because of the costs involved in assessing this risk. These businesses may also struggle to obtain finance from lenders due to insufficient security being provided in the event of default.

However where a bank loan can be obtained, it may not be well-suited to the business. Bank loans involve regular repayments starting almost immediately, and failure to meet these payments risks default of the loan. In reality the cash flows of start-up businesses can be volatile, making it difficult

to meet such regular repayments.

Equity finance may therefore be a more suitable option than debt for start-ups. Unlike debt finance, equity does not require immediate repayments and equity investors generally accept that returns are contingent on profits.

However, as noted in section 1.4, proprietary companies are subject to restrictions on making public offers of equity, while public companies must comply with a range of corporate governance requirements and are generally required to issue a disclosure document. These regulatory requirements for traditional equity sources can often be too burdensome for small businesses and start-ups and as a result the majority of external small business financing is currently obtained through debt finance.

1.3 The Role of CSEF

In recent years, a number of innovative financing mechanisms have emerged that draw on the crowd to expand the funding options available to small businesses including peer-to-peer lending, rewards-based crowdfunding and equity and debt crowdfunding. These mechanisms complement more established financing options by professional investors focused on start-up businesses such as angel investing and venture capital.

If appropriately regulated, CSEF may improve the ability of small businesses to access equity finance.

For small businesses, CSEF could be more useful than traditional equity markets as the compliance costs involved in traditional equity fundraising can be relatively expensive compared to the amount of funds that a small business would generally seek to raise.

Facilitating CSEF in Australia has the potential to provide a competing source of funds for small businesses, reducing their reliance upon bank debt and, potentially, at the margin driving down the cost of finance for small businesses overall. CSEF may be particularly beneficial for the types of businesses that find bank finance more difficult to obtain, such as start-ups and other firms with innovative products.

Facilitating CSEF would also provide additional investment opportunities to retail investors, who are generally unable to be directly involved in early-stage financing activities, such as angel investing, due to the size of investment required. CSEF would allow for retail investors to broaden their range of investments and to become involved in funding products and services that interest them.

However, start-ups generally present higher risks for investors compared to more established companies, particularly those listed on public exchanges, and retail investors would likely face the same information gaps as those faced by lenders. CSEF investments may also be largely illiquid, reducing the ability of investors to exit their investment and may be at greater risk of dilution from later capital raisings than investments in larger companies.

In order for CSEF to be sustainable, any regulatory framework needs to balance reducing the current barriers to CSEF with ensuring that investors continue to have an adequate level of protection from financial and other risks, including fraud, and sufficient information to allow investors to make informed decisions. While establishing a regime that works for issuers and intermediaries will be an important precursor to the success of CSEF, a high failure rate and large investor losses in the early stages of any CSEF regime may result in investors losing confidence in CSEF as an investment

mechanism.

1.4 Review of CSEF

Consideration of CSEF and whether it could be facilitated in Australia was referred to the Corporations and Markets Advisory Committee (CAMAC) in June 2013. CAMAC considered the potential of CSEF in Australia and the limitations preventing development of a CSEF regime under current conditions, and reported back in June 2014.

While CSEF has potentially large benefits to fundraisers and, potentially, investors, CAMAC identified significant regulatory barriers to the development of CSEF platforms in Australia. In particular, existing shareholder caps on proprietary companies, which do not allow proprietary companies to have more than 50 non-employee shareholders, limit the scope for small companies to raise funds from a large number of investors.

CAMAC also identified prohibitions on proprietary companies making public offers of equity as a factor preventing CSEF. This prohibition means that proprietary companies are not able to access the large number of small-scale investors that would typically be targeted under a CSEF campaign. There are a small number of exemptions to this restriction, including offering to professional, sophisticated or experienced investors only and 'small scale personal offers', where a personal offer is made and no more than \$2 million is raised in any 12-month period from no more than 20 Australian investors.

While operating under a public company structure may avoid these issues, this would come with increased costs and compliance requirements such as reporting and corporate governance obligations that may be too expensive to be an option for small businesses. Public companies making equity offers must use a prospectus (or an information statement in some cases), subject to certain exemptions including the professional, sophisticated, experienced and small scale personal offer exemptions. Disclosure documents can be costly and time consuming to prepare, and small businesses may not be able to use equity for fundraising as a result.

Overall, CAMAC formed the view that CSEF should be facilitated in Australia, but that existing legislation created a barrier. CAMAC recommended that a regulatory regime for CSEF be developed, as has been done in several overseas jurisdictions, so that equity fundraising may become available to wider range of companies.

Questions

1. Is the main barrier to the use of CSEF in Australia a lack of a CSEF regulatory structure, or are there other barriers, such as a lack of sustainable investor demand?

Answer: Confusing how “pledge-based” crowdfunding works compared to CSEF seems to be the main problem. There is little to no investor demand from the “crowd” for CSEF. From my over 25 years in CSEF, CSEF investors mainly come from the issuer’s inner circle of influence and 2 to 3 degrees out from that, it is a mistaken belief that the “crowd” at large that has never previously heard or known of the issuer, will invest in equity shares.

- 2 Do the existing mechanisms of the managed investment scheme regime and the small scale personal offer exemption sufficiently facilitate online offers of equity in small companies?

Answer: No, the Class Order 02/273 should have been 40/12/\$2 million from the outset. Not 20/12/\$5 million. Who ever thought that it would be easy to get 20 (retail) investors to each invest \$250k to raise \$5 million, would work??

3. Other than the restrictions identified above in relation to limitations on proprietary companies, public company compliance requirements and disclosure, are there any other barriers to the use of CSEF in Australia?

Answer: Yes, lack of taxation relief in Australia to encourage investors to invest in CSEF. We need a seed investment enterprise scheme like they have in Great Britain.

4. Should any CSEF regime focus on the financing needs of small businesses and start-ups only, or is there a broader fundraising role?

Answer: More broadly to cover start-ups as well as expansion capital needs of established early-stage businesses

2. Why is Government Action Needed?

The main barriers to widespread use of CSEF in Australia that CAMAC identified are regulatory in nature. These barriers are not easily able to be addressed by potential CSEF participants.

There are currently a small number of operators of online platforms offering investment in Australian start-ups. Under current legislation, none of the platforms are able to make its services available to all investors. Instead, they offer their services either only to wholesale investors via a managed investment scheme, or utilise the small scale personal offer exemption and an ASIC class order that provides relief from certain regulatory requirements. While these mechanisms may be suitable for some companies and investors, they do not comprehensively address the barriers to CSEF in Australia and in particular, do not allow offers to be made to the ‘crowd’.

3. Policy Options

The Government has considered the features of a number of models to address barriers to CSEF. Three options are outlined in this section in order to elicit stakeholder feedback and draw out the key elements of any potential model that may continue to present a barrier to effective facilitation of CSEF.

- option 1: regulatory framework based on the CAMAC model;
- option 2: regulatory framework based on the New Zealand model; and
- option 3: the status quo.

The Government has not made a final decision on its preferred CSEF framework, and is not limiting itself to implementing either the CAMAC or New Zealand models in full. Feedback from the consultation process will assist the Government in developing its preferred approach to CSEF.

The three options have been chosen for consultation as they represent a spectrum of approaches to CSEF. The model recommended by CAMAC draws on an extensive review of approaches implemented or proposed to be implemented by foreign jurisdictions, with a focus on reducing public company compliance costs and minimising risks to investors. As outlined in section 3.2, the model implemented by New Zealand takes a different approach to that of CAMAC in a number of key areas, including public company compliance costs, companies eligible to use CSEF, investor limits and certain intermediary requirements. The status quo option is included as a baseline against which to compare regulatory options, consistent with the Government's requirements for regulation impact statements.

The terminology used to refer to the various participants in CSEF reflects that used in CAMAC's report:

- issuer: a business registered as a company under the *Corporations Act 2001* ('Corporations Act') that wishes to offer its equity through an online intermediary;
- intermediary: an online platform that allows businesses to offer their equity to crowd investors, subject to the requirements of the Corporations Act; and
- investor: a member of the crowd seeking to invest in a CSEF issuer.

3.1 Option 1: CAMAC Model

Option 1 involves the implementation of a CSEF regime based on CAMAC's recommendations. CAMAC recommended the development of a separate legislative framework for CSEF to make it easier for CSEF to be used in Australia.

CAMAC recommended that CSEF issuers be required to be public companies. A new category of public company — the 'exempt public company' — would be created and would be relieved of some of the compliance requirements for public companies for a period of up to three to five years. Such companies would be exempt from requirements for continuous disclosure, holding an annual general meeting, executive remuneration reporting, half-yearly reporting, and appointing an independent auditor and having a financial report audited (unless certain financial thresholds are exceeded). CAMAC's recommendations focused on the *Corporations Act 2001*, and it did not propose any

changes to any other legislation, including to the tax treatment of exempt public companies.

CAMAC's proposed framework for CSEF fundraising includes:

- for issuers: limitation of the regime to certain small enterprises that have not already raised funds under the existing public offer arrangements, limitation of the regime to one class of fully paid ordinary shares, reduced disclosure requirements, a cap of \$2 million on the amount that can be raised through CSEF in any 12-month period (excluding funds raised under existing exemptions from the need to provide a prospectus to certain wholesale investors), restrictions on advertising of the equity offer and prohibitions on conflict of interest;
- for intermediaries: requirements for intermediaries to have an Australian Financial Services Licence (AFSL) including membership of an external dispute resolution scheme, requirements to undertake limited due diligence and provide risk warnings to investors, provisions to prevent certain conflicts of interest, prohibitions on offering investment advice and on lending to CSEF investors; and
- for investors: investment caps of \$2,500 per investor per 12-month period for any particular CSEF issuer and \$10,000 per investor per 12-month period in total CSEF investment, signature of risk acknowledgement statements prior to investment and cooling off and other withdrawal rights.

Further details on CAMAC's recommendations are included in the Appendix.

3.2 Option 2: Regulatory Framework Based on the New Zealand Model

Option 2 involves the implementation of the New Zealand model that came into force in April 2014. New Zealand's Financial Markets Authority issued the first financial licence to a CSEF platform in July 2014, with the first CSEF raising completed in mid-September 2014.

New Zealand's model has some broad similarities to CAMAC's proposed scheme, including:

- limitation of the regime to one class of fully paid ordinary shares;
- a cap of \$2 million on the amount that can be raised through CSEF disclosure relief in any 12-month period inclusive of any fundraising via the New Zealand equivalent of the small scale personal offer exemption but excluding investments by wholesale investors;
- requirements for intermediaries to be licensed and belong to an external dispute resolution scheme, undertake limited due diligence checks and provide disclosure statements and risk warnings to investors; and
- investors must sign risk acknowledgement statement.

Differences in the New Zealand model compared to CAMAC's recommended framework include:

- no CSEF-specific exemptions from public company compliance costs such as financial reporting and audit;
- the regime is not specifically limited to small enterprises;

- there are minimum disclosure requirements and investment caps are voluntary, with issuers and intermediaries to have in place arrangements to provide greater disclosure where there are no or high voluntary investor caps or the issuer is seeking to raise a significant amount of funds;
- there are no restrictions on intermediaries' fee structures, although fees paid by the issuer must be disclosed; and
- intermediaries are able to invest in issuers using their platform, although details of any investments must be disclosed.

Table 1 compares the key elements of the CAMAC and New Zealand models.

Table 1: Key elements of the CAMAC and New Zealand models

Issue	CAMAC model	New Zealand model
Issuers		
Eligible issuers	Australian-incorporated issuers that must be either a public company or an exempt public company. Limited to certain small enterprises that have not raised funds under the existing public offer arrangements.	New Zealand-incorporated companies.
Relief from public company compliance costs	Available to exempt public companies, with relief from a range of compliance requirements, including annual general meetings, and audit requirements (up to a certain threshold). Exempt status available for a period of up to three to five years, subject to turnover and capital thresholds.	No CSEF-specific exemptions.
Maximum funds an issuer may raise	Cap of \$2 million in any 12-month period, excluding funds raised under existing prospectus exemptions for wholesale investors.	Cap of \$2 million in any 12-month period, excluding funds raised under existing prospectus exemptions for wholesale investors.
Permitted securities	One class of fully paid ordinary shares.	One class of fully paid ordinary shares.
Disclosure requirements	Reduced disclosure requirements, including a template disclosure document.	Minimum disclosure requirements, with issuers and intermediaries to have in place arrangements to provide greater disclosure where there are no or high voluntary investor caps or the issuer is seeking to raise significant funds.
Intermediaries		
Licensing	Hold an AFSL and comply with licensing requirements, including membership of an external dispute resolution scheme.	Be licensed and comply with licensing requirements, including membership of an external dispute resolution scheme.
Due diligence	Undertake limited due diligence checks on the issuer.	Undertake limited due diligence checks on the issuer.
Risk warnings	Provide generic risk warnings to investors.	Provide disclosure statements and generic risk warnings to investors.
Fee structures	Prohibited from being remunerated according to the amount of funds raised by the issuer, or in the securities or other interest of the issuer.	No restrictions on fee structures, although fees paid by an issuer must be disclosed.
Interests in issuers	Prohibited from having a financial interest in an issuer using its website.	Permitted to invest in issuers using their platform, although details of any investments must be disclosed.
Provision of investment advice to investors	Prohibited.	Not specified in legislation.

Table 1: Key elements of the CAMAC and New Zealand models (continued)

Issue	CAMAC model	New Zealand model
Intermediaries (continued)		
Lending to CSEF investors	Prohibited.	Not specified in legislation.
Investors		
Investment caps	\$2,500 per issuer per 12-month period and \$10,000 in total CSEF investment per 12-month period.	Voluntary investor caps, with the level of disclosure dependent upon the level of any voluntary caps and the amount of funds the issuer is seeking to raise.
Risk acknowledgement	Signature of risk acknowledgement statements prior to investment.	Signature of risk acknowledgement statements prior to investment.

3.3 Option 3: Status Quo

Under option 3, there would be no change to the current requirements under the Corporations Act for proprietary companies, public companies and for public fundraisings. These include:

- the limit of 50 non-employee shareholders for proprietary companies, and prohibitions on making public offers of equity, subject to certain exemptions, including the small scale personal offer exemption;
- financial reporting and corporate governance requirements for public companies that are more onerous than those that apply to proprietary companies; and
- the requirement to provide disclosure statement when making public offers of equity.

Intermediaries would remain subject to a number of existing requirements, including:

- the need to hold an AFSL and comply with AFSL licensing obligations if they meet the definition of carrying on a financial services business or to hold an Australian Market Licence (AML) and comply with AML licensing obligations if they fall within the definition of conducting a financial market; and
- if a managed investment scheme (MIS) structure is used to facilitate online equity offers, the intermediary would need to comply with MIS requirements, including having a responsible entity that is a public company with an AFSL, disclosure and compliance obligations.

Under this option, CSEF would not be regulated as a specific form of investment. Small businesses and start-ups seeking to raise early stage capital would need to comply with the above existing requirements.

4. Impact Analysis

4.1 Option 1: Regulatory Framework Based on the CAMAC Model

A benefit of CAMAC's model is that it seeks to address the key elements of the current corporate and fundraising regimes that act as a hindrance to CSEF, such as requirements for public companies to appoint an auditor, have their financial statements audited and hold annual general meetings, and prepare extensive disclosure documents. This would make it easier for issuers to use CSEF, and

consequently make it more attractive for intermediaries to establish CSEF platforms. However, compared to the status quo, investors would have less access to information on which to make an investment decision and assess ongoing performance.

To balance these reductions in transparency and disclosure and address the higher risks that generally arise from investing in start-ups and small businesses, CAMAC's model seeks to protect investors by:

- situating the intermediary at the centre of the model, and in addition to being licensed, places a number of obligations on intermediaries and prohibits them from certain activities that may give rise to conflicts with the interests of investors; and
- limiting the amount of funds investors may invest via CSEF in any 12-month period, to compensate for reduced disclosure by issuers and the higher risks associated with investing in small businesses and start-ups that may not have an extensive history or customer base.

A further benefit of implementing the approach recommended by CAMAC, relative to retaining the status quo, is that Australia would keep pace with developments in overseas jurisdictions, reducing the incentive for Australian businesses and investors to leave Australia to access CSEF.

Compared to the status quo, issuers would continue to incur costs ensuring their compliance with issuer and shareholder caps, with an additional cost associated with assessing their continued eligibility to raise funds via CSEF and maintain exempt public company status (if applicable). Issuers would be required to operate as public companies (or exempt public companies), rather than use the proprietary company structure. This would result in issuers incurring additional compliance costs, particularly where they would otherwise meet the definition of a 'small proprietary company'.

Intermediaries would incur costs associated with performing limited due diligence on companies seeking to raise funds via their platforms, providing the template disclosure documents and risk disclosure documents to investors, receiving and recording acknowledgements of risk disclosure statements, monitoring investors' compliance with issuer caps and providing facilities for investors to communicate with issuer companies.

Investors would be limited in the amount they can invest in businesses, unless they were eligible for one of the existing wholesale investor exemptions. Investors would also be required to monitor compliance with investor caps and acknowledge a risk disclosure statement that intermediaries would be required to provide.

4.1.1 Issues Arising from CAMAC’s Recommendations

There are specific elements of CAMAC’s proposed framework that may result in an overly complex or restrictive system or otherwise continue to present a barrier to effective facilitation of CSEF in Australia.

The creation of a new category of public company would add complexity to the corporate governance framework and may increase risks of regulatory arbitrage compared to the status quo.

- Increasing complexity may mean that start-ups and small companies may have difficulty understanding their obligations.
- There may be an incentive for firms to structure themselves as exempt public companies to avoid costs associated with compliance requirements such as audited financial reporting and annual general meetings, without any genuine intention to raise funds via CSEF. This would result in a reduction in transparency without any offsetting increase in the ability for targeted firms to raise capital.

CAMAC proposed that a number of different caps and thresholds be implemented for different elements of its CSEF framework related to issuers (see table 2). These caps are intended to ensure that CSEF is targeted at small businesses and start-ups and reduce the potential for regulatory arbitrage. They are also intended to balance a reduction in compliance costs, such as preparation of a full disclosure document or audit processes, with maintaining investor protections.

Table 2: Caps and thresholds recommended by CAMAC

Category	Cap or threshold
Eligibility to conduct a CSEF issue	Limited to certain companies with simple structures, with a cap of \$10 million in capital
Eligibility to become or remain an exempt public company	Limit of \$5 million in turnover per annum and \$5 million in capital
Exempt public companies eligible for exemption from auditing requirements	Limited to companies that have raised up to \$1 million in funds via CSEF or any other prospectus exemption and cumulative expenses of \$500,000
Cap on the amount of funds that can be raised via CSEF or other exemptions from disclosure requirements	Limit of \$2 million per 12-month period for any individual or related group of companies

This compares to an existing ASIC class order that increases the cap on funds that may be raised under the small scale personal offer exemption from \$2 million to \$5 million per 12-month period under certain circumstances.

However, there are potential issues with the proposed caps:

- the interaction of the various caps and thresholds may be complex for issuers, intermediaries and investors to understand and monitor; and
- the level of the caps and thresholds is necessarily a matter of judgement. The caps proposed by CAMAC may not appropriately balance the funding needs of small businesses

and investor protection.

To reduce the risk of conflicts of interest arising between intermediaries and investors that could compromise intermediaries' neutral service provider role, CAMAC recommended that intermediaries be restricted from having an interest in an issuer and from being paid in the shares of the issuer or according to the amount of funds raised. However, costs of this approach include:

- a potential reduction the pool of potential intermediaries and/or investors;
- a restriction on paying intermediaries in shares may be a barrier for start-ups that are likely to have poor cash flow in the establishment phase; and
- the requirement for an issuer to pay a fee to the intermediary that is fixed at a set dollar amount, rather than a fee based on a percentage of the funds raised, may act as a disincentive for issuers raising relatively small amounts of funds.

CAMAC recommended caps on the amount investors could invest per issuer and in CSEF overall per 12-month period. While having an important investor protection role, implementing investor caps could make it difficult for issuers to raise funds via CSEF. Investor caps may also result in a large number of micro-investors, who may consequently have limited ability to exert discipline and control over the issuer.

Questions

5. Do you consider that, compared to existing public company compliance costs, the exempt public company structure is necessary to facilitate CSEF in Australia? **Answer: No.**
6. To what extent would the requirement for CSEF issuers to be a public company, including an exempt public company, and the associated compliance costs limit the attractiveness of CSEF for small businesses and start-ups? **Answer: I would say, very little. It's been said form many years that, "one of the lease valuable things to own in Australia is a minority shareholding in a proprietary company."**
7. Compared to the status quo, are there risks that companies will use the exempt public company structure for regulatory arbitrage, and do these risks outweigh the benefits of the structure in facilitating CSEF? **Answer: I think they do.**
8. Do you consider that the proposed caps and thresholds related to issuers are set at an appropriate level? Should any of the caps be aligned to be consistent with each other, and if so, which ones and at what level? **Answer: Not a realistic or appropriate level. Too much regulatory interference will inhibit investor freedoms.**
9. Do CAMAC's recommendations in relation to intermediary remuneration and investing in issuers present a significant barrier to intermediaries entering the CSEF market, or to companies seeking to raise relatively small amounts of funds using CSEF? **Answer: Yes and yes. Costs to intermediaries way too high - the average SME or start-up will not be able to afford to use them. Not enough SME clients out there with sufficient ready cash to pay the intermediary's costs for anyone to event warrant considering becoming a licensed intermediary.**
10. Do the proposed investor caps adequately balance protecting investors and limiting investor choice, including maintaining investor confidence in CSEF and therefore its sustainability as a fundraising model? **Answer: Investors in equity look for capital growth, not dividends. Few investors will be interested or even get excited about investing only \$2,500. Also issuers usually raise their target funding goal within 12 months - so how is this (\$2,500 each year up to \$10,000 maximum) going to work???**
11. Are there any other elements of CAMAC's proposed model that result in an imbalance between facilitating the use of CSEF by issuers and maintaining an appropriate level of investor protection, or any other elements that should be included? **Answer: Yes, but too numerous to mention now.**

4.2 Option 2: Regulatory Framework Based on the New Zealand Model

Similar to the CAMAC model, the New Zealand model has the benefits of placing the intermediary at the centre of the model as a gatekeeper and keeping pace with international developments. Additional benefits associated with the New Zealand model compared to the CAMAC model include:

- reduced complexity by removing exemptions from certain company compliance costs and fewer caps and thresholds for issuers;
- intermediaries are not restricted in fees they can charge or the interests they can acquire

in issuers using their platforms, potentially increasing the pool of CSEF investors and intermediaries;

- the ability for intermediaries to charge a fee proportional to the funds raised would be consistent with existing market practice for equity capital raisings and provide an incentive for intermediaries to only list issuers they consider will successfully raise funds;
- greater flexibility for issuers to trade off the level of voluntary investor caps with the level of disclosure, compared to mandatory caps and template disclosure requirements;
- consistency between the Australian and New Zealand CSEF frameworks would reduce the barriers to CSEF participants operating in both markets, although this may also be achieved via the Trans-Tasman mutual recognition framework.

A number of the costs associated with the New Zealand model are similar to the CAMAC model, including issuers needing to comply with fundraising caps and requirements for intermediaries to be licensed, undertake limited due diligence on issuers and provide disclosure statements and risk warnings to investors. Disadvantages of the New Zealand model include:

- as the regime is not limited to small companies, there is a potential for larger companies that have previously made public equity offers using CSEF to raise additional funds, circumventing the standard disclosure requirements for public equity offers;
- intermediary investment in CSEF issuers may raise investor expectations about the likelihood of success for companies the intermediary invests in, and may provide an incentive for intermediaries to present these issuers in a more favourable light than other issuers, including via less effective risk disclosure;
- issuers and intermediaries having less certainty on the level of disclosure necessary above minimum requirements, compared with the CAMAC approach of a template disclosure document applicable to all CSEF issues; and
- greater risk of investors losing larger amounts of funds in the absence of investor caps.

Questions

12. Do you consider it is important that the Australian and New Zealand CSEF models are aligned? If so, is it necessary for this to be achieved through the implementation of similar CSEF frameworks, or would it be more appropriate for CSEF to be considered under the Trans-Tasman mutual recognition framework? **Answer: Yes, once a workable model is achieved.**
13. Do you consider that voluntary investor caps and requiring increased disclosure where investors contribute larger amounts of funds appropriately balances investor protection against investor choice and flexibility for issuers? **Answer: Already covered in the Corporations act 2001 and exemptions.**
14. What level of direction should there be on the amount of disclosure required for different voluntary investor caps? **Answer: Same for all amounts invested.**

4.3 Option 3: Status Quo

For the intermediaries that currently provide online platforms for investing in start-up companies under the existing legislation, maintaining existing regulatory requirements would result in no additional costs.

Under the models operated by the existing intermediaries, some issuers are structured as proprietary companies and others are structured as public companies. These companies would continue to incur existing governance and compliance costs, with additional costs for large proprietary companies and public companies, compared to small proprietary companies, associated with requirements such as preparing annual financial reports and directors' reports, appointing an auditor and conducting an annual audit of the financial reports, and holding an annual general meeting.

Issuers would continue to have access to existing mechanisms to raise funds, including via the wholesale and small scale offer exemptions from the need to prepare a prospectus. These exemptions allow issuers to raise funds from angel investors and families and friends without incurring the costs of preparing a disclosure document. Where public companies wish to raise funds outside the exemptions, they would also continue to have access to the use of an offer information statement in certain circumstances. These mechanisms may continue to remain adequate for some issuers. Issuers would also continue to incur costs associated with monitoring their compliance with the wholesale and small scale personal offer exemptions, as well as monitoring the issuer shareholder caps, including the 50 non-employee shareholder cap for proprietary companies.

Under the status quo, investors would continue to benefit from existing investor protections, including the receipt of disclosure documents for public issues of equity, subject to the limited exemptions, and access to audited financial reports, directors' reports and annual general meetings when they invest in large proprietary or public companies. These protections assist investors to assess the risks associated with particular investments and to monitor ongoing performance.

However, relying on existing requirements would not address the funding challenges for start-ups and the barriers to CSEF in Australia. Start-ups and small businesses seeking to raise funds would not be able to make offers to the crowd, limiting potential sources of funds. Online intermediaries would remain limited in the business models they could adopt. Investors would have access to a limited number of start-ups and small businesses they could invest in via online platforms.

Regulatory regimes to facilitate CSEF are in the process of being implemented in a number of other jurisdictions. Relying on the status quo would also mean that Australia's position on CSEF would be markedly different from a number of other jurisdictions and could be perceived to be less supportive of innovative funding mechanisms. Innovative businesses and platform providers may also have an incentive to shift their operations to these jurisdictions to more easily access start-up and growth capital. This could also hinder the growth of the Australian entrepreneurial sector.

Questions

15. How likely is it that the obstacles to CSEF that exist under the status quo would drive potential issuers, intermediaries and investors to move to jurisdictions that have implemented CSEF regimes? **Answer: If status quo is left unchanged, there is a risk they will gravitate to the jurisdiction that "gets it right".**

5. Questions Comparing Models

Questions

16. What are the costs and benefits of each of the three options discussed in this consultation paper? **Answer: Costs are high, however I know from over 25 years of front-line experience in CSEF that a start-up or early stage business can be in a position to be ready to raise funds under the existing status quo for under \$10,000 in up-front costs. It appears to me that the CAMAC proposal will be more costly and restrictive for both issuers and their intermediaries.**
17. Are the estimated compliance costs for the CAMAC and New Zealand models presented in the appendix accurate? **Answer: I believe so.**
18. How many issuers, intermediaries and investors would be the expected take up online equity fundraising in Australia under the status quo, the CAMAC model and the New Zealand model? **Answer; Depends on how the intermediaries and platforms market their services.**
19. Are there particular elements of the New Zealand model that should be incorporated into the CAMAC model, or vice versa? **Answer: No.**
20. Are there particular elements of models implemented in other jurisdictions that would be desirable to incorporate into any final CSEF framework? **Answer: Each jurisdiction is unique and have different regulatory environments. Is has to be on a case-by-case basis. If you want full details on how to implement a workable model for CSEF in Australia, I am available to consult.**

6. Future Directions

CSEF is one of a number of emerging innovative financing mechanisms that utilise the internet to allow small businesses, and others, to access a wider pool of investor funds. Rewards-based funding, where an individual contributes to a project in return for a tangible reward, has seen substantial growth internationally and in Australia. Peer-to-peer (P2P) lending has become established in several countries, including the United States and the United Kingdom, and a small number of P2P platforms have commenced operations in Australia.

Equities and debt-based crowdfunding in other countries has required the implementation of specific regulatory frameworks to facilitate its use. Regimes being implemented in other jurisdictions, such as the United Kingdom, the United States and Canada (Ontario), cover both equity and debt fundraising, on the basis that the barriers and potential benefits that apply to equity crowdfunding also apply to debt crowdfunding. Following implementation of any CSEF regime in Australia, there may be an opportunity to examine whether it should be extended to cover debt crowdfunding.

This consultation paper has also focused on primary equity issuance, as a means of improving small business' access to finance. However, the development of a secondary market would have benefits for investors by creating liquidity and allowing them to exit investments. CAMAC recommended that, to avoid conflicts of interest, an intermediary would not be able to simultaneously conduct a primary CSEF offer of shares in an issuer and maintain a secondary market in the same class of previously issued shares of that issuer. In practice, CAMAC noted that this would require the issuer to utilise another intermediary to conduct the CSEF primary offer, or the intermediary suspending the secondary market on its website for the period of the primary offer. An intermediary offering secondary trading may also fall within the definition of operating a financial market, and therefore would need to obtain an AML and meet relevant licence requirements.

Questions

21. Do the issues outlined in this consultation paper also apply to crowd-sourced debt funding? Is there value in extending a CSEF regime to debt products? **Answer: Can do both equity and debt or hybrids under the status quo.**
22. To what extent would the frameworks for equity proposed in this discussion paper be consistent with debt products? **Answer: Would need to obtain legal advice on this question.**
23. Would any of the options discussed in this paper, or any other issues, impede the development of a secondary market for CSEF securities? **Answer: They should not, however in any case Section 708 of the Corps Act enables any (new) minority investor to make an offer to sell their securities so long as they don't exceed 20/12 or \$2 million.**

7. Consultation Plan

The purpose of this public consultation is to obtain stakeholder feedback on the appropriate regulatory framework to facilitate CSEF in Australia.

Feedback and views are sought from a range of stakeholders, including: intermediaries that offer equity and reward-based crowdfunding platforms; investors in the venture capital sector; the small business sector; and other government agencies.

The consultation paper will be open for public comment from 8 December 2014 to 6 February 2015. Stakeholders will be able to make submissions via the Treasury website.

This process could be supplemented by targeted consultations or roundtables, including in response to specific issues raised in submissions.

Should the Government proceed with legislation to facilitate CSEF, it would seek to conduct further consultations on the draft legislative package to ensure that it appropriately balances reducing the regulatory barriers to CSEF with maintaining adequate investor protections.

8. Appendix

8.1 Summary of CAMAC Report

CAMAC released its report on CSEF in June 2014. CAMAC found that the current law makes it difficult for CSEF to be used in Australia, and that change to the Corporations Act would be required if CSEF were to be facilitated in Australia.

CAMAC considered four options for facilitating CSEF in Australia.

8.1.1 Adjusting the regulatory structure for proprietary companies

This option would involve increasing or uncapping the number of permitted offers under the small scale personal offers exemption for public offers by proprietary companies and substantially increasing the number of permitted shareholders of a proprietary company.

There was support for both elements of this option from a number of stakeholders that made submissions to CAMAC's discussion paper.

However, CAMAC did not support this option, as it would involve a shift away from the purpose of proprietary companies as closely held entities, with consequently lower compliance requirements.

8.1.2 Confine CSEF to limited classes of investors

This option would involve limiting the classes of investors that could invest in CSEF, for example, to sophisticated, experienced and professional investors, as currently defined in the Corporations Act. The definition of sophisticated investors could also be changed to a self-certification system, similar to that used in the United Kingdom.

Stakeholders did not support this option. CAMAC also noted that this option would 'deliver crowd funding without the crowd', and may not allow many businesses to raise a meaningful level of capital.

8.1.3 Amend the fundraising provisions for public companies

This option would involve amending the fundraising requirements for public companies contained in Chapter 6D of the Corporations Act, including the required level of disclosure.

Many stakeholders were of the view that this option would leave in place substantial governance and compliance requirements for public companies that would be overly burdensome for start-ups and small enterprises likely to use CSEF. CAMAC concurred with this view.

8.1.4 Introduce a new legislative regime for CSEF

CAMAC recommended the creation of a specific regulatory structure for CSEF, with the following key elements.

Corporate form

CAMAC recommended the creation of a new category of public company, to be known as an 'exempt public company'. Exempt public companies would be relieved of some of the compliance requirements of public companies for a period of up to three to five years. Such companies would be exempt from the following requirements:

- continuous disclosure;
- holding an annual general meeting;
- executive remuneration reporting;
- half-yearly reporting; and
- appointing an independent auditor and having their financial report audited, until the company has raised more than \$1 million through CSEF or any other prospectus exemption and expended \$500,000. On expiry of its exempt status, the company would be required to have a full audit, covering any period where its financial affairs were not audited.

CAMAC recommended that eligibility to become, and to remain, an exempt public company be limited to companies with turnover below \$5 million per annum and capital of less than \$5 million. Exempt status would also expire automatically after three years, subject to a limited exception that may extend the exempt status for up to two further 12-month periods. Shareholders would be required to agree to the proposal via a special resolution. CAMAC's rationale for limiting the period a company could retain exempt status was to balance the benefits of reducing compliance costs with the costs to investors of reduced transparency.

Existing companies seeking to become an exempt public company would also need to be eligible to conduct a CSEF offer. CAMAC proposed that companies that are complex or listed, have already conducted a regulated offer under Chapter 6D, blind pools and companies with substantial capital (with a suggested cap of \$10 million), should not be eligible to conduct a CSEF offer.

Fundraising

CAMAC proposed a framework for CSEF fundraising that included a number of specific requirements for issuers, online intermediaries and investors.

Issuers

Issuers would be required to be a public company or exempt public company offering new, fully paid shares, with the following requirements:

- eligible issuers could not be complex or listed companies, have already conducted a regulated offer under Chapter 6D, a blind pool or a company with substantial capital (with a suggested cap of \$10 million);
- comply with template disclosure requirements that would be less onerous than existing requirements;

- comply with a cap of \$2 million on the amount that could be raised via CSEF or the small scale personal offer exemption in any 12-month period;
- issuers and intermediaries, and their respective directors and officers would not be able to lend to investors to acquire the issuer's shares via CSEF;
- issuers would be prohibited from paying any fees in connection with the offer, except to the intermediary and professional service providers;
- investor funds would not be able to be transferred to the issuer until the offer is completed, including reaching the subscription threshold outlined in the disclosure document, and the expiration of a cooling off period for investors and opt out rights where there is a material adverse change in the issuer's circumstances while the offer is open; and
- comply with existing material adverse change provisions for regulated public offers, including the ability for investors to opt-out of previously accepted offers, and advise the intermediary of the corrected information.

Intermediaries

CAMAC proposed that intermediaries would be required to:

- hold an AFSL and meet licensing obligations, including membership of an external dispute resolution scheme and insurance requirements;
- undertake limited due diligence on issuers who use the intermediary's platform;
- provide generic risk warnings to investors;
- check compliance with the proposed investor cap per issuer;
- provide facilities for communication between issuers and investors;
- where they have been notified by an issuer of a material adverse change, notify that change to all investors who have previously accepted the offer, and publish the corrected information on its website; and
- would be required to hold investor funds until the issuer's offer has been completed, and hold the funds in accordance with existing client monies requirements.

Intermediaries would be prohibited from:

- having a financial interest in any issuer that is undertaking CSEF raising on its website;
- being remunerated according to the funds raised by an issuer conducting a CSEF raising on its website, or in securities or other interests in the issuer;
- offering investment advice or lending to CSEF investors; and
- soliciting crowd investors, with the exception of the intermediary advertising its existence and displaying key details relating to each capital raising, but including 'showcasing' particular offers on its website.

Investors

CAMAC also made the following recommendations in relation to investors:

- investor caps of \$2,500 per investor per 12-month period for any one CSEF issuer and \$10,000 per investor per 12-month period in total CSEF investments;
- CSEF issuers could raise funds under the small-scale personal offers exemption, with any funds raised to count towards the proposed \$2 million per 12-month period issuer cap;
- no investor caps for investors meeting the definition of a sophisticated investor, and any funds raised from such investors would not count towards the proposed \$2 million per 12-month period issuer cap;
- acknowledgement of a risk disclosure statement;
- access to cooling off rights for a period of 5 working days; and
- bans on directors and other associates of the issuer selling a significant proportion of their holdings within 12 months of any CSEF offer by that issuer.

8.2 Regulatory Burden and Cost Offset Estimates

8.2.1 CAMAC model

Table A1 includes estimates of compliance costs associated with implementing the model recommended by CAMAC.

The compliance costs are estimated by modelling the cost for issuers, intermediaries and investors of key relevant elements of the current regulatory framework for small businesses that currently use online platforms to raise equity, and comparing these status quo costs to the expected costs under CAMAC's framework. This approach makes assumptions about the number of CSEF issuers, intermediaries and investors over the next 10 years under both the status quo and CAMAC options.

CAMAC's proposal is expected to reduce the overall 'per business' compliance costs for issuers that participate. However, given the likely growth in the number of businesses raising funds via online intermediaries under the CSEF arrangements, the aggregate compliance burden across the economy over the next 10 years is expected to increase.

- Costs per issuer are expected to fall in net terms by \$8,900 per year, driven largely by temporary exemptions from audit and annual general meeting requirements and reductions in disclosure costs.
- Compliance costs for intermediaries are expected to increase in line with the expected increase in businesses raising funds via CSEF. Intermediary costs that vary with the number of issuers raising funds are expected to increase by \$1,500 per fundraising campaign.
- Costs per investor are expected to increase by \$70 per year as a result of investors being to monitor their compliance with investment caps and acknowledge risk disclosure statements prior to each investment.

Table A1: Regulatory burden and cost offset estimate table

Average annual regulatory costs (from business as usual)				
Change in costs (\$million)	Business	Community Organisations	Individuals	Total change in cost
Total, by sector	\$53.8 million	\$0	\$1.5 million	\$55.3 million

Cost offset (\$ million)	Business	Community organisations	Individuals	Total, by source
Agency	\$55.3 million	\$0	\$0	\$55.3 million
Are all new costs offset?				
Yes, costs are offset No, costs are not offset Deregulatory – no offsets required				
Total (Change in costs — Cost offset) (\$million) = \$0				

Regulatory offsets have been identified from within the Treasury portfolio relating to cost savings from the Australian Taxation Office MyTax measure and the Foreign Account Tax Compliance Act.

The Government is seeking views on whether the compliance costs estimates, and the underlying assumptions that have been used to estimate them are accurate; and if they are not, what the appropriate cost categories and assumptions should be.

The following key assumptions underlie the compliance cost estimates in the above table.

Table A2: Assumptions used in estimating compliance costs

Compliance cost	Query	Estimate
Costs for public companies		
Preparation and lodgement of annual report	Cost of preparing annual report for a start-up or small business.	\$4,000
Audit	Cost of having the financial statements of a start-up or small business audited on an annual basis.	\$20,000
Annual general meeting	Cost of a start-up or small business holding an annual general meeting.	\$7,500
Issuers		
Labour cost associated with an issuer monitoring compliance with fundraising limits for disclosure exemptions under the status quo or the issuer cap under the CAMAC model.	Hours per year spent on monitoring.	4 hours
	Hourly rate of the staff member that would undertake the monitoring.	\$34.20 per hour.
Development of databases and systems to monitor amounts issuers have raised	Cost involved in an issuer establishing any systems and processes to monitor the funds it has raised under various disclosure exemptions.	\$10,000
Costs of preparing an information statement for investors	Total cost of preparing an information statement for issuers using current online equity fundraising platforms.	\$7,500
	Total cost of preparing a template disclosure document under CSEF regime.	\$5,000
Intermediaries		
Applying for and obtaining an AFSL	Cost of applying for and obtaining an AFSL.	\$100,000

Table A2: Assumptions used in estimating compliance costs (continued)

Compliance cost	Query	Estimate
Intermediaries (continued)		
Annual labour costs to comply with an AFSL	Staff hours per year.	104 hours
	Hourly rate of staff members responsible for compliance.	\$112.82
Other annual costs:	Annual costs associated with ongoing compliance with licensing requirements.	
professional indemnity insurance;		\$15,000
annual return audit;		\$4,000
annual licensee review;		\$3,000
client file reviews;		\$5,000
ongoing training for responsible managers;		\$2,000
maintaining compliance plans, procedures and systems; and		\$16,500
various memberships and lodgements		\$1,000
Provision of application form and disclosure statements	Average time to complete per issuer.	0.5 hours
	Hourly rate of the staff member undertaking the process.	\$34.20
	Putting in place systems and processes.	\$10,000
Monitoring of issuer and investor caps	Hours per year spent on monitoring per issuer using the platform.	4 hours
	Hourly rate of the staff member that would undertake the monitoring.	\$34.20
	Cost of establishing systems and processes.	\$10,000
Due diligence on issuers and management	Average time to complete per issuer.	5 hours
	Hourly rate of the staff member that would complete the due diligence.	\$34.20
	Number of associates of the issuer on whom due diligence would need to be completed.	4 people
Provision of facilities for issuers and investors to communicate	Average time to monitor communications facility per issuer.	4 hours
	Hourly rate of the staff member that would undertake the monitoring.	\$34.20
	Cost of establishing the facility and associated monitoring processes, per issuer.	\$1,000
Investors		
Monitoring compliance with investor caps	Average time to complete prior to each investment.	0.5 hours
Consideration and signature of risk acknowledgement statement	Average time to complete prior to each investment.	0.15 hours

8.2.2 New Zealand model

Table A3 includes estimates of compliance costs associated with implementing a model similar to that implemented by New Zealand, using the same costing approach as used for estimating the CAMAC model compliance costs.

A model similar to that implemented in New Zealand is expected to reduce the overall ‘per business’ compliance costs for issuers that participate. However, given the likely growth in the number of businesses raising funds via online intermediaries under the CSEF arrangements, the aggregate compliance burden across the economy over the next 10 years is expected to increase.

- Costs per issuer are expected to fall in net terms by \$1,750 per year. The key difference in issuer costs between the CAMAC and New Zealand model is the absence of CSEF specific exemptions from public company compliance costs.
- Compliance costs for intermediaries are expected to increase in line with the expected increase in businesses raising funds via CSEF. Intermediary costs that vary with the number of issuers raising funds are expected to increase by \$1,600 per fundraising campaign.
- Costs per investor are expected to increase by \$15 per year as a result of investors being required to acknowledge risk disclosure statements prior to each investment.

Table A3: Regulatory burden and cost offset estimate table

Average annual regulatory costs (from business as usual)				
Change in costs (\$million)	Business	Community Organisations	Individuals	Total change in cost
Total, by sector	\$71.9 million	\$0	\$0.3 million	\$72.2 million
Cost offset (\$ million)				
Agency	Business	Community organisations	Individuals	Total, by source
	\$72.2 million	\$0	\$0	\$72.2 million
Are all new costs offset?				
Yes, costs are offset		No, costs are not offset		Deregulatory – no offsets required
Total (Change in costs — Cost offset) (\$million) = \$0				

Regulatory offsets have been identified from within the Treasury portfolio relating to cost savings from the Australian Taxation Office MyTax measure and the Foreign Account Tax Compliance Act.

The Government is seeking views on whether the compliance costs estimates, and the underlying assumptions that have been used to estimate them are accurate; and if they are not, what the appropriate cost categories and assumptions should be.

The key difference between the estimated compliance costs of the CAMAC model and the New Zealand model is the absence in the New Zealand model of the exempt public company structure.

Other key assumptions underlying the compliance cost estimate for this option that differ from those used for the CAMAC model are outlined in table A4.

Table A4: Assumptions used in estimating compliance costs

Compliance cost	Query	Estimate
Intermediaries		
Disclosure of fee structures and interests in issuers	Average time to complete per issuer.	2 hours
	Labour cost.	\$34.20
	Cost of establishing systems and processes.	\$10,000
Putting in place mechanisms to ensure appropriate disclosures depending on the level of any voluntary investor caps	Average time to complete per issuer.	8 hours
	Labour cost.	\$34.20
	Cost of establishing systems and processes.	\$20,000