



9th January 2017

Committee Secretary
Senate Standing Committees on Economics

Equitise Submission: Inquiry into the Corporations Amendment (Crowd-sourced Funding) Bill 2016 [Provisions]

Dear Committee Secretary,

1. We welcome the opportunity to make a submission to the Committee for what is a crucial piece of legislation and continue to push all parties to implement a framework that allows Australia to catch up with our global peers in allowing for equity crowdfunding (ECF) to be legislated.
2. Equitise is an established equity crowdfunding platform licensed and operating in New Zealand. We have also followed the global changes in legislation and have interacted with academics, lawyers, regulators and platforms from around the world. We have learnt a great deal about what is effective and what we can apply in Australia to have an effective policy that balances out the risk and reward for all parties.
3. To date, we have reviewed hundreds of companies in Australia and New Zealand interested in utilising equity crowdfunding as a source of capital for their operations. We have spent considerable time walking many interested founders and Directors through equity crowdfunding and what it means for their company. As a result of this, and interaction with already successful UK platforms, we have an extremely good gauge of how equity crowdfunding functions in a practical sense once operational. We have been preparing our platform and consulting with all stakeholders in anticipation of the Australian legislation coming into play.
4. We have been interacting with government and opposition throughout the past three years and have actively participated in the review process.
5. We previously participated in the 2015 Senate Inquiry and presented before the committee on the 23 February 2016 and would encourage you to reference our previous submissions.
6. We are currently consulting with Treasury around a proprietary company framework for equity crowdfunding and believe that this Bill and the provisions for proprietary companies will be essential to a well functioning equity crowdfunding market in Australia. The Government and Treasury have shown good speed and there is momentum to having the complementary proprietary framework come through in the first half of 2017.
7. We encourage the all Parties and Independents to come together and support of this Bill so as we do not further complicate or delay this essential policy.



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Corporations Amendment (Crowd-sourced Funding) Bill 2016

8. Eligibility for companies has been adjusted to those which had Assets and Turnover of less than \$25million. We welcome this change and encourage the Government to monitor this with it being reviewed in 12months and ideally removed at a future date.
9. The current Bill only deals with a new form of Public Company and misses out on the 2m SMEs who are mostly Proprietary Companies. The practical solution to this would be to allow all Australian Incorporated Companies (Proprietary and Public) to raise capital through an Australian Financial Service Licensed (AFSL) equity crowdfunding provider, as long as they meet the other eligibility requirements and do not exceed the \$5 million issuance cap. On the basis that Treasury are currently preparing a piece of legislation to cater for Proprietary Companies we are happy in supporting this current Bill.
10. We believe that one of the greatest potential threats to the fair and orderly operation of the market will be by introducing Cooling Off periods. The Bill misses the fundamental tenant of equity crowdfunding, it occurs in an open and transparent fashion where all investors have the same access and opportunity to invest without and form of duress. Cooling Off or the ability to rescind an investment will create opportunities for manipulation and will result in the unwinding of successful transactions or even the success of those which would have otherwise failed. None of the established and functioning equity crowdfunding markets utilise Cooling-Off periods and the pragmatic approach would be to allow platforms to apply their own discretion for the cancelling of trades in situations where it is appropriate. This is how we operate in New Zealand and it has proven to be effective. We would encourage the Government to review and ideally remove Cooling-Off periods in the future.
11. The current Bill will only take affect with 6 months from Royal Assent, *“The new laws will commence six months after the Bill receives Royal Assent. This will allow time for industry to consider the new laws and adjust their business models, including obtaining the necessary AFSL or AML licences if required.”* This is not necessary as all the businesses who will be applying for licences are already aware of their business models and how they will need to adapt. ASIC already have a licencing framework setup and will issues licences as soon as they can and feel is practical, to delay this even further is starving the start-up industry of much needed funding. We believe the laws should take effect the day after Royal Assent and encourage for this amendment to the Bill.
12. In order for a well-functioning market that is fair, orderly and transparent we need to ensure we have a framework that will work for all stakeholders without implementing any undue restrictions or distortions on the Investors, Issuers and Intermediaries. Only then will we have an innovative and effective early stage market for private companies that drives growth and employment in the economy while providing returns to investors.
13. Equitise is supportive of the **Corporations Amendment (Crowd-sourced Funding) Bill 2016** on the proviso that the Government conducts a review and looks to remove some of the restrictions that look to limit the market and most importantly that Treasury are currently working to create an appropriate Proprietary Company framework that will be passed in the first half of 2017.





14. We would relish the opportunity to discuss our submission, and provide feedback on the Bill.

As always I am most happy to field any questions.

Kind regards,

Jonny Wilkinson
Managing Director

