



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

13 January 2017

Dear Committee,

The Business Council of Co-operatives and Mutuals (BCCM) refers to its submission in relation to the Corporations Amendment (Crowd-Sourced Funding) Bill 2015 and welcomes the opportunity to make further comment in relation to the Corporations Amendment (Crowd-Sourced Funding) Bill 2016.

There are 2000 co-operative and mutual (CMEs) operating in Australia in diverse sectors of the economy including agriculture, health care, motoring services, banking and finance, housing, bulk purchasing and retail, social services and disability services. CMEs have over 29 million memberships and 8 out of 10 Australians are a member of at least one CME.

CMEs are an important part of the Australian economy. Their grounding in self-help and member benefit means profits are reinvested in Australia. The top 100 CMEs had a turnover of \$30.5 billion in FY2014/2015, representing a growth in turnover of 18% over the past five years. When the top 10 member-owned superannuation funds are included, CMEs had a turnover of \$132.9 billion in FY2014/2015.

There are many small to medium enterprise and 'start up' CMEs. Given the self-help and purpose driven nature of these entities, crowd funding from the community and supportive investors could be a vital source of capital for them. Indeed, the Senate Economics References Committee report into Cooperative, mutual and member-owned firms, attached to this submission, recommends the formalisation of innovative market-based approaches to raising capital for small and medium size CMEs.¹

Such CMEs (or prospective CMEs), where registered as a company under the Corporations Act, would be directly affected by the Crowd-Sourced Funding Bill 2016. The Bill would also impact on the issue of securities by co-operatives incorporated under state or territory law. BCCM has attached its submission in relation to the 2015 Bill, which makes comment on the Bill from the perspective of both organisational models.

The key points in the BCCM submission are as follows:

- The Bill does not serve the capital needs of small or start up enterprises, particularly those using co-operative or social enterprise models;
- The Bill imposes unwarranted disclosure requirements on offers of securities made by co-operatives governed by state or territory law;
- BCCM recommends that any crowd funding regime under Chapter 6D of the Corporations Act should:
 - Include relaxed conditions in relation to investor and shareholder limits and intermediary licensing requirements;
 - Provide disclosure standards, best practice guidelines and certification for crowd funding offers; and
 - Provide provisions for transition to public company status.
- BCCM recommends that section 708(20) of the Corporations Act be amended to exclude the operation of Chapter 6D to offers of securities by co-operatives governed by state or territory law.

The BCCM is happy to provide further information on any aspects of its submission.

¹ Senate Economics References Committee report into Cooperative, mutual and member-owned firms, Recommendation 15.