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Crowdsourcing Week is committed to help organizations transition into a more open, connected, and socially productive society. We focus on how crowdsourcing can address the needs of today's leaders to bring about meaningful change. Our big, ambitious goal is to get everyone thinking about collaborating with their stakeholders to create shared value.

Crowdsourcing Week was founded in 2012 and since then produced three flagship global conferences, organized crowdsourcing summits across three continents, and built excitement around a global movement.

Table 1: Key elements of CSEF framework for public companies

Issuers	Intermediaries	Investors
Issuers must be incorporated as a public company in Australia. Limited to certain small enterprises that have not raised funds under existing public offer arrangements. All 320 equity raises on the ASSOB platform involving retail investors were in **Public companies**. This suited established companies with revenue but did not suit companies (startups) with no revenue. Most didn't bother staying as Public companies after the raise as the compliance costs and reporting responsibilities were too high. Many didn't bother to proceed to a raise once they learnt of the commitment they needed to make when being a public company. Traction in volume Crowdfunding will never happen with public companies. This we have learnt the hard way over 8 years. It is unattractive to the capital raiser and will result in seldom-used legislation like in New Zealand.	Must hold an Australian Financial Services Licence. In my experience of a couple of hundred raises, AFSL holders would not start a raise unless there was around $20k up front or a retainer of $5k a month. This chops out around 90% of companies seeking funds. Again as evidenced in New Zealand regulating rather than **registering** platforms like Malaysia is a low volume low traction path that is not viable financially.	Investment caps for retail investors of: • $10,000 per offer per 12-month period; and • $25,000 in aggregate CSEF investment per 12-month period, self-certified by investors. Intermediaries would be responsible for monitoring compliance for investments made via their platform. Lets say a furniture company wants to raise A$600,000. What you are saying is they have to find 60 people with $10,000 at a minimum. As the average investment is probably nearer $3000 they will have to find perhaps 300 investors. Looking around the world it is very apparent that the average number of investors for equity Crowdfunding raises lies between 20 and 120. Putting ceilings on

Issuers	Intermediaries	Investors
New Zealand is trumpeted as a success. However 21 raises in 15 months is not economically viable for 5 platforms and has resulted in very few jobs. Even the Australian platform Equitise that has had considerable media play and support, and has pushed the New Zealand option for Australia publically has had only 3 raises with the third raise being a portion of an ASX raise. A detailed analysis of the previous two will also show learning's. The NZ regulations result in investor led financial service incumbent platforms that cherry pick raises rather than entrepreneur driven platforms where a broader cross section of society get a chance to crowdfund raises. And new jobs result.		investment will further impact the low traction already from having an AFSL and a Public Company requirement. The items in these first three columns are traction killers and may look good on paper but there is strong evidence both in Australia and worldwide that they will not work.
Relief from certain public company compliance costs would be available to newly registered or converted public companies. Reliefs include: • Exemptions from disclosing entity rules; • Allowing annual reports to be only provided online; • Exemption from holding an annual general meeting (AGM); and • Exemptions from the need to appoint an auditor and have financial accounts audited, subject to a cap of $1 million raised from CSEF or under a disclosure exemption. Exemptions will be available for a period of up to five years, subject to annual turnover and gross assets thresholds of $5 million (excepting the audit exemption). Shareholders deserve and should receive regular updates. It is wrong to take their money and not keep them updated. Regulatory reporting is no replacement for keeping your	Must undertake prescribed checks on the issuer. Agreed	Signature of risk acknowledgement statements prior to investment, including that: • Investing in early stage companies is risky and the investor may lose the entirety of their investment; • Investors may not be able to sell their shares; • The value of the investment may be diluted over time; and • Investors have complied with the investor caps. Agreed

Issuers	Intermediaries	Investors
investors updated.		
Issuer may raise up to $5 million in any 12-month period, inclusive of any raisings under the small scale offerings exception but excluding funds raised under existing prospectus exemptions for wholesale investors. Agreed	Must provide generic risk warnings to investors. Agreed	Unconditional right to withdraw for 5 days after accepting offer. Additional rights in relation to material adverse changes during the offer period. Agreed
Permitted securities are one class of fully paid ordinary shares per CSEF offer. All shares in a particular CSEF offer must have the same price, terms and conditions. Disagree. These raisings are not IPO's. People that invest first need to be rewarded for the risk they take. Investment rounds should be allowed in each raise where a discount for early investment is permitted. If you start a raise at 600,000 shares at $1 each most investors will wait until the end to invest, as there is no advantage to being first. There is no incentive to invest early and get the raise started, so again a traction killer.	No restrictions on fee structures; however, fees paid by an issuer must be disclosed. Agreed	
Reduced disclosure requirements, including a tailored CSEF disclosure document. Required disclosures will relate to: • facts about the company and its structure, including financial statements; • facts about the CSEF raising; and • mandatory risk warnings. Agreed	Permitted to invest in issuers using their platform; however, details of any investments must be disclosed. Agreed	
	Prohibition on the provision of investment advice and lending to CSEF investors. I agree with this but if you take this line what is the	

Issuers	Intermediaries	Investors
	point of mandating an AFSL holder? At the moment existing legislation allows AFSL's now to operate Crowdfunding platforms and to aggregate retail investors through managed investment schemes. All of the prescriptions above just add to the ability to have direct retail investors. Surely it is better if you take the AFSL route that professionals actually guide and advise the ignorant. Otherwise what is the point of mandating the AFSL. The $20k minimum issuers have to pay up front to get started because of the AFSL must be for some purpose? If it is just because they have paid for a license it is misplaced thinking.	

Consultation questions — appropriateness of the shareholder limit	
1	Should the law be amended to increase the permitted number of non-employee shareholders in a proprietary company and what would be an appropriate limit? Or do companies with more than 50 non-employee shareholders have a sufficiently diverse ownership base with limited access to information or ability to influence the affairs of the company to justify the greater governance requirements currently placed on them? Looking internationally the average number of investors in a Crowdcube raise is around 100. In Seedrs it is around 180. In other countries figures vary between 50 and 200. Either 100, 150 or 200 would suffice. If it is one share one vote then normal corporations law will apply as to influence. Mandating one independent Director can strengthen governance.
2	What are the benefits and risks? For example, would raising the limit expose risks to shareholder protection? The biggest killer to traction under the 300 or so 20/12 retail raises on the ASSOB platform was that if you wanted to raise $600,000 you had to find 20 retail investors with $30,000 each. The average ASX transaction is just $5,000. People no longer pay up front for cars, CRM software, computer storage etc etc, everything is going to smaller amounts and subscriptions and more people involved. The 50-shareholder limit is a hangover from paper share certificates and manual paper-based transactions. How it can still be a stumbling block in prescribing Internet based crowdfinance is mind-boggling. The regulators are trying to adapt todays and tomorrows requirements to structures and rules that were created in the 1930's. Where is the future in that? The fact remains that the crowd around an entity is probably around 200 and the entity needs to be matched to this full stop. That crowd will keep themselves informed by ways other than standard reporting as dictated by the corporations act. How much do you really learn by reading an annual report of a company that lodges it with ASIC?
3	Have there been changes to market practice or the broader operating environment such that shareholders and investors now have greater access to management or information about a company's performance? What are the ways by which management now remains accountable to shareholders or shareholders otherwise have access to information about a company? The crowd will highlight and stop a bad actor long before ASIC does. This will get more and more evident in the next few years. PR people word compliance reporting and often it is really difficult to know the real story. Employees, suppliers, investors etc get to know the real story through sharing visa the crowd. We live in a different world now. If we wait for standard reporting as dictated by ASIC then shareholders will wait forever for the true picture of the company. They will have already learnt about it from the crowd around the entity that care. Not the crowd in the word "Crowdsourced" in CSEF but the entities crowd. The 200 or so people around the entity that care.

Consultation questions — appropriateness of the shareholder limit	
4	If the shareholder limit were increased, how should the law treat public companies which become eligible to be registered as proprietary companies but have issued shares under a disclosure document? Do not understand the question.

Consultation questions — small scale offerings and other exceptions to the disclosure requirements	
5	Should the law be amended to increase the 20 investor limit and/or the $2 million cap? What would be an appropriate limit? Should the $2 million cap be linked to increase in line with the consumer price index (CPI)? The 20 investor limit as detailed above no longer matches how people invest. Friends, Fans, Family and Followers is a far more diverse group these days and for a $600,000 raise restricting them to $30,000 each is ludicrous. If the entity it driving the 20/12 raise themselves then $2 million is sufficient. If they are using an intermediary then the existing $5 million would suffice. As above irrespective of whether a raise is under 20/12 or CSEF there needs to be provision for between 100 and 200 investors.
6	What are the benefits and risks of increasing the 20 investor limit and/or the $2 million cap? Who would benefit or bear the risk? Could there be unintended consequences from altering these limits, for example in terms of the definition of a sophisticated investor? The risk as I understood it is the 20 is to stop a raise getting out of control and hundreds of people investing before the “authorities” find out it is shonky. After thousands of raises worldwide there is more fraud in regulated intermediary transactions than in crowdfunded transactions. The crowd is always watching and talking and communicating. Long before a raise reached its targeted amount people have sniffed out if it is kosher or not. The 20 is a hangover to the days before the internet, social media and a communicating crowd. Ask yourself. What makes you decide which AirBNB do you stay in? Which hotel? Which eBay seller to choose? The one that the crowd that resonates with you likes. Same here. The 20 is hanging on to the 1930’s investment environment and is so totally out of sync that it is no longer an attractive capital raising path for most companies. Just make it 100 already.
7	Could other exceptions to the requirement to issue a disclosure document provide benefits to small proprietary companies if amended? Australia led the world in creating a structure where “mates” could invest in a “mates” company without issuing a disclosure document. Problem was Section 708 wasn’t updated to match the changes the internet made to small business finance. Only the 20 is at issue and the ability to promote the offer by sending a link through social media where the risks statement needs to be acknowledged before seeing more than basic details. So 20 to 100 and you can say you are raising capital in the public domain but any details can only be revealed once a risk warning is acknowledged.

Consultation question — increasing flexibility in capital raising	
8	Would increasing the shareholder limit for proprietary companies and/or expanding the small scale offerings exception to the disclosure requirements provide small proprietary companies with sufficient additional flexibility to raise capital? Needs to be at least 100 or 150 or 200. Shareholders still need to be updated so there should be mandatory communications with investors. ASSOB had mandatory quarterly solvency statements and company updates. Simple, standard form but valuable.

Consultation questions — crowd-sourced equity funding	
9	Should proprietary companies be able to access CSEF? What are the implications for the corporate law framework of permitting proprietary companies to do so? In reality, if you want job growth and traction in small business funding, it will only come from proprietary companies. It will not come from AFSL controlled, capped, public companies. So, yes it is obvious they are the ones any legislation should assist and raising funds **should be as easy as contributing to a Kickstarter campaign**. Otherwise why bother? Why have new regulations? The proposals for AFSL holders and pubic companies will make even less of an impact that the regs have in New Zealand. They are just not targeting where the rubber hits the road. This question is framed the wrong way …. The question you ask is … What are the implications for the corporate law framework of permitting proprietary companies to do so? It should be "**How can we change the corporate law framework to make investing in dynamic future paced Australian businesses that will create our jobs and our future as easy as contributing to a Kickstarter campaign"** Anything short of this will end up with mediocrity. Everyone is saying we need more jobs, we need to support innovation, we need to make funding easier etc etc but nothing in the suggested regulations will do this. Again. …. The question above is framed the wrong way …. (regulations focussed) This reflects how far off the track we are: The question is … What are the implications for the corporate law framework of permitting proprietary companies to do so? It should be "**How can we change the corporate law framework to make investing in dynamic future paced Australian small businesses that will create our jobs and our future as easy as contributing to a Kickstarter campaign"** Maybe some things to answer this question and support equity Crowdfunding and proprietary companies are • Centralised SME registers driven by the blockchain so that even ASIC can

Consultation questions — crowd-sourced equity funding	
	receive alerts if an entity is issuing more shares per day than is normal. And of course it would be share registry at zero cost. There is a transparent evidential record in the blockchain. • Put shares on the pending shelf and consider a more appropriate security form like an Enabler Bonds or SME Bond or Y Combinators SAFE instrument so that when the entity grows up and has a serious share raise they can transition to being managed by corporations law. Shares are also an old fashioned form of ownership that will transition into coloured encrypted currencies and other digital forms that map revenue sharing and royalty splits etc.
10	If the shareholder limit is not changed for all proprietary companies, should proprietary companies be able to access CSEF? AFSL holders aggregate investors from lists, contacts etc. These are investor led raises. They invest larger amounts and can manage with a 50 ceiling but very few companies will be cherry picked by them. Ask any of them they don't want more than 50 shareholders in a startup raise. Crowdfunding companies are Issuer led raises that attract investment from friends, fans, family and followers and the crowd around these. If the 50 is not changed I doubt they will try to raise under the regs. That's my experience. If so, should the shareholder limit be changed specifically for proprietary companies using CSEF? Again back to the question. "**How can we change the corporate law framework to make investing in dynamic future paced Australian businesses that will create our jobs and our future as easy as contributing to a Kickstarter campaign"** If you are trying to match a requirement to existing legislation there will be no win win there. Crowdfunding as a word will disappear just like eCommerce, Internet Marketing and Online Banking will disappear as these are just transitional terms. CSEF is not a separate category. It shouldn't be separate legislation. In the end all capital raising will be done like this. So really all corporate forms should be modified to match Crowd finance or internet based funding transactions. It is the wrong approach to make changes in legislation just for CSEF. Yes it is a quick fix and will score points but it is short term. What are the benefits and risks of this approach? Would the benefits outweigh the additional complexity of increasing the shareholder limit for a subset of proprietary companies? Question is irrelevant when considering the answer above. Grasp reality, the clock

Consultation questions — crowd-sourced equity funding	
	is not going to turn back! If the shareholder limit were to be increased only for proprietary companies using CSEF, is 100 non-employee shareholders an appropriate cap? Yes. 100, 150 but better still 200 based in international figures to date. Anymore than that they can use managed investment scheme legislation.

Consultation questions — crowd-sourced equity funding	
11	Should any increase in the shareholder limit solely for proprietary companies using CSEF be temporary, based on time and size limits? What are the benefits and risks of this approach? Not sure how you would get rid of shareholders to comply but reality is reality. Investors are there for a long time and are not easily got rid of. If the increased shareholder limit is temporary, what arrangements should apply when a company is no longer eligible for the higher shareholder limit (owing either to the expiry of the time limit or exceeding the caps on company size)? Should it be required to convert to a public company? Or should it have the option to conform with the general proprietary company obligations, including the non-employee shareholder limit? How can accepting investors money be temporary? Which ones do you ask to leave? And how do they leave? Seriously the existing corporate forms no longer match how businesses develop, grow, get funded and exit. The old fashioned view that a proprietary company is one share for mum and one for dad doesn't take into account outsourcing, sweat equity, incubators, accelerators etc etc just raise it to 100 or 200 and recognise that there are a lot more people involved in a startup than 50 years ago.
12	If permitted to access CSEF, should proprietary companies using CSEF be subject to additional transparency obligations when raising funds via CSEF? They should regularly let investors know how things are going including accounts prepared by a registered accountant. Audit not necessary. Lodging accounts with authorities other than the ATO serves no purpose. Do you agree with the proposals for annual reporting and audit? Should these be implemented by requiring proprietary companies that have used CSEF to comply with the obligations of large proprietary companies? Should any other obligations apply? As above anything more than this is intrusive by authorities and draconian. They should regularly let investors know how things are going including accounts prepared by a registered accountant. Audit not necessary. Lodging accounts with authorities other than the ATO serves no purpose. Given the Government has committed to introducing a CSEF framework for public companies that will include certain reporting exemptions, what are the benefits of permitting proprietary companies to use CSEF when they would be subject to

Consultation questions — crowd-sourced equity funding	
	additional transparency obligations? Do you agree that these obligations should be permanent? Shareholders need to be communicated more in the first 3 years than the last three years so I do not agree with anything that restricts this. The CSEF framework for public companies will be a non-event and unused legislation so I am not fussed about the requirements there.
13	Do you consider that an annual fundraising cap of $5 million, and eligibility caps of $5 million in annual turnover and gross assets, are appropriate for proprietary companies using CSEF? If not, what do you consider would be appropriate fundraising caps and eligibility criteria? They are appropriate.
14	Are there any other elements of the CSEF framework for public companies that should be amended if proprietary companies were permitted to use CSEF? Again … The CSEF framework for public companies will be a non-event and unused legislation so I am not fussed about the requirements there. This will be the domain of AFSL holders and their clients. These handpicked raises, though low volume will be cherry picked and in my booked that is recommending offerings rather than just publishing so they AFSL holder will need all the protection they can get.

Consultation questions — the solvency resolution	
15	Should the requirement to make a solvency resolution be removed or modified? Is there a more effective way to remind directors of their obligations? For example, would aligning the timing of the resolution with tax or other obligations with fixed timing reduce the regulatory burden? Quarterly cash situation statements and business updates should be mandatory. They should have integrity standards and not have to be lodged with authorities as they are stakeholder updates. They should not be coupled with regulatory burdens.
16	What is the extent of the burden imposed on small proprietary companies to make the resolution, in terms of time and/or financial cost? It takes 10 minutes and is online how hard is that? A series of yes no questions with a cash on hand figure.
17	What is the value to directors of the annual solvency resolution in reminding them of their ongoing solvency obligations? That is perfunctory. Not useful. 3 monthly updates essential so if the entity needs cash investors can respond when they get updates.
18	Would removing the requirement to make a solvency resolution be likely to increase rates of insolvency or business failure among small proprietary companies? Would unsecured creditors be exposed to increased risk? Are there other risks associated with removing the requirement? If three monthly communications were included it would probably lessen rates of insolvency. Anything that is directed at a government department as an obligation is less effective than something personal to an investor. Could the risks be mitigated adequately by ASIC reminding directors periodically (say, annually) of their duty to prevent insolvent trading by the company? Are there other ways to mitigate the risks? No. Direct shareholder communications is best. ASIC forms are perfunctory and can hide the real truth. At this level it should have nothing to do with ASIC. They should have a legal commitment in their offer document to receive 3 monthly updates. If they don't the investors should have a clear channel like an ombudsman not a regulator.

Table 2: Changes to be notified to ASIC

	Notice of change to shareholder details	Notice of change to share structure
Proprietary company with up to 20 shareholders **See below**	Yes — in respect of each shareholder. See below	Yes — if the change to shareholder details causes the information about the shareholder previously held by ASIC to change. See below
Proprietary company with more than 20 shareholders	Yes — only in relation to persons who are (or as a result of the change will become) one of the 'top 20' shareholders of a class of shareholders. All the above are based on an old fashioned view of how information is recorded and conveyed in the internet age. It is a total waste of time having ASIC records, Share Registry Records, Company Records, Accountants Records, Shareholder records. Duplication and inaccuracy abound. A centralised share register, not as difficult to work like ASIC Connect, preferably blockchain powered should be easily accessible by all stakeholders. Anything short of this will cost each entity a lot of money and have no transparency. Authorities all around the world are building blockchain ledgers why regulate something on historic manual recording beliefs.	Yes — if the notifiable change to shareholder details causes the information about the shareholder previously held by ASIC to change.

Consultation questions — the share register	
19	What is the extent of the burden imposed on small proprietary companies to establish and maintain a share register, in terms of time and/or financial cost? There would be zero cost in a universally shared blockchain register. A transitional system could be developed until the blockchain is built which may involve using a standard excel spreadsheet formatted for uploading into an eventual blockchain.
20	What is the value to small proprietary companies of maintaining a share register? Would companies need to maintain similar records even if the law did not require them to? They need to know who their shareholders are and the shareholders need to know what shares they have. It should be available on an APP. Value? Well they didnt mind taking the money off investors surely they can record it.
21	Should the requirement to maintain a share register be removed for small proprietary companies with up to 20 shareholders, given that ASIC's records duplicate the information in the share register of such companies? Again, why should ASIC be involved at this level. They should have access to the information but have you ever tried as a small company to log into ASIC to update shareholder information? Not an easy experience so this needs to be a small business register NOT run by the regulator and NOT accessed through their portal with the objective of getting it into the blockchain as soon as possible.
22	If the requirement were removed for small proprietary companies with up to 20 shareholders: • how could share ownership be transferred?[1] Could transfer take effect via a different mechanism, such as on notification to ASIC or on acknowledgment from the company? • how would shareholders be able to ascertain the identity of the other shareholders of a company? Would it be reasonable to require shareholders to obtain the information from ASIC (including paying the required fee)? Are there other situations or circumstances where small proprietary companies with up to 20 shareholders need to have an up-to-date share register? Technology exists to make this easy. If they have received money for investors it needs to be transparently recorded and easily accessible. Imagine if you contributed to a kickstarter campaign and you couldn't see where you contributed. Drrrrr.

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Consultation questions — the share register	
23	Alternatively, should the requirement for small proprietary companies to maintain a share register be modified? If so, how? For example, should small proprietary companies with up to 20 shareholders continue to retain a share register but no longer be required to notify ASIC each time shareholder details change? Again why do ASIC need to manage this. A centralised stakeholder driven solution is the way the collaborative world is going. The question is old fashioned.
24	Would removing/modifying the requirement to maintain a share register be likely to increase the risk of minority shareholder or property rights disputes for small proprietary companies? Are there other risks associated with removing the requirement? Well … they didnt mind taking the money off investors surely they can record it. This is the only evidence of investment! There should be no lenience here. They should value the investment they have received.

1.

Consultation questions — execution of documents	
25	Does the current law cause problems and/or increase compliance costs for sole director/no secretary companies and their counterparties in executing documents? What is the extent of the burden imposed on sole director/no secretary small proprietary companies in terms of time and/or financial cost? Companies receiving funds from retail investors need at least two directors, one independent. I don't see any extra cost here.
26	Is it appropriate to amend the law to specify that a company with a sole director and no company secretary may execute a document without using a common seal if the document is signed by the director or with a company seal if the fixing of the seal is witnessed by the director? Are there any risks associated with this approach? Are there any alternative approaches? If they have outside retail shareholders two directors should be needed for execution. It is ridiculous to have one person in charge of retail investor's money.
27	Is there an issue regarding split execution? What is the extent of the burden imposed on small proprietary companies in terms of time and/or financial cost? What are the benefits and risks of specifying in the law that split execution is acceptable? Split execution is fine and accepted internationally
28	Is there an issue regarding the execution of deeds by foreign companies? What is the extent of the burden imposed on small proprietary companies in terms of time and/or financial cost? Should the UK approach be adopted in the Corporations Act? Should a similar approach be taken to other bodies corporate? What are the benefits and risks? Don't understand the relevance of the question. Equity Crowdfunding is a local issue and raisings can't be marketed in other jurisdictions.

2.

Consultation questions — ASIC forms	
29	Could any forms which are used by small proprietary companies and prescribed by the Corporations Act or Corporations Regulations be removed, amended or streamlined to reduce the compliance burden? How much time/money would it save you? The annual return can be generated by the blockchain after sending an automatic email like domain registries do. ASIC do not need to be involved. It is a burden to pay $270 a year for a small business plus what their accountant charges just to say their address details etc are correct. It costs nothing to update the same details with domain registers, why should ASIC charge for this? Put it in the blockchain.

3.

Consultation questions — other ways to reduce compliance costs	
30	Are there any other requirements under the Corporations Act which impose unnecessary compliance burdens on small proprietary companies? What is the extent of the burden in terms of time and/or financial cost? How could the burden be reduced? None I know of.