

Crowd pleaser? Equity Crowd Sourcing Bill finally passed

Holy Toledo Batman it happened, the *Corporations Amendment (Crowd-sourced Funding) Bill 2016* actually passed through the Senate.

After the initial bill lapsed following the double dissolution election last year, another was introduced in November which has officially been passed by the Senate (subject to one small change). The bill creates a framework for equity crowd source funding which currently does not exist.

What does this mean?

It means that small public (unlisted) companies can raise funds by issuing shares to a large pool of mum and dad investors. It gives regulatory relief to small public companies which would otherwise be required to comply with heavy regulatory burdens normally associated with being a public company. It means that start-ups will be able to raise capital through a diverse group of investors and will be able engage the community in their corporate journeys. Sounds great, right?

Is it useful?

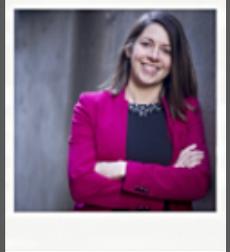
Well, let's just say it's a start. Parliament didn't really take on any of the industry feedback when drafting this second bill. The real issue is that most start-ups aren't public companies: start-ups generally opt to be a private company because it's cheaper and less regulated.

We know, we know, the new framework does help reduce the regulatory requirements of being a small public company – but what about all the companies that have already incorporated as private companies? Well they won't be able to participate – they will either be forced to convert their company type or incorporate a new entity (all of which is costly and an administrative hassle).

All in all, we think parliament could have stood out from the crowd and done better, but irrespective it provides new opportunities for companies to raise capital while providing the necessary protections to retail investors.

Questions? Want to equity crowd fund? Give us a call.

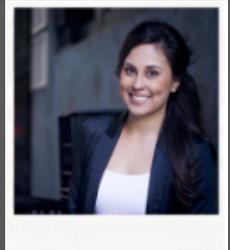
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