**BAS5005**

**Crowd-Sourced Funding Summary Article**

**What is Crowd-Sourced Funding?**

* 1. **Capital Raising**

A type of corporate capital raising whereby a company seeks funds in small amounts from a large number of individual investors in return for the issue of securities (shares) in the company.

* 1. **Key Participants**

Crowd-Source Funding (CSF) involves companies (that are referred to as “Issuers” in the legislation) that will propose to raise funds. “Intermediaries” (also referred to as “Gatekeepers”) have a significant role to play checking that a Issuer has complied with the legislation and the Gatekeeper then hosts the platform (on the Gatekeeper’s web site) through which offers are made to “crowd investors”.

* 1. **Crowd Investors**
* An offer will be eligible to be made under the CSF regime where:
* the offer is for the issue of securities of the company making the offer;
* the company making the offer is an “eligible CSF company” at the time of the offer;
* the securities satisfy the eligibility conditions specified in the Regulations;
* the offer complies with the “Issuer Cap”; and
* the company does not intend the funds sought under the offer to be used by the company or a related party of the company to any extent to invest in securities or interests in other entities or managed investment schemes.
* A CSF offer is an offer that is expressly stated to be made under the CSF regime and that is eligible to be made under the regime by meeting all of the relevant requirements.
* The following entities are ineligible to access the CSF regime as they will not satisfy the definition of a “public company limited by shares”:
* proprietary companies, as they are explicitly excluded from the definition of “public company”;
* foreign companies and registrable Australian bodies that are registered under part 5B.2 of the *Corporations Act*, as they will not meet the definition of a “company” under Section 9.
  1. **Place of Business**

A company seeking to access funding as a crowd-sourced funding entity must have its principal place of business in Australia at the time it is determining its eligibility to raise equity via crowd funding.

* 1. **Directors**

A company wishing to raise capital from the crowd must have a majority of directors (not counting alternative directors) that ordinarily reside in Australia.

* 1. **Gross Assets**

The value of the consolidated gross assets of the Issuer and any related parties must be less than $25 million at the time the company is determining its eligibility to crowd fund.

* 1. **Annual Revenue**

The company and any related parties must also have consolidated annual revenue of less than $25 million.

* 1. **Not a Listed Corporation**

To be eligible for the CSF regime neither the company nor any related parties can be a listed corporation.

* 1. **Not an Investment Company**

Neither the company, nor its related parties, can have a “substantial purpose” of investing in securities or interests in other entities or managed investment schemes.

* 1. **Issuer Cap**

The maximum amount that a company can raise under the “Issuer Cap” is $5 million in any twelve month period.

* 1. **CSF Offer Document**

A “CSF offer document” must be prepared for a CSF offer. The offer document must be worded and presented in a clear concise and effective manner.

* 1. **Publishing of an Offer Document**

A CSF offer of a company’s securities must be made by publishing, on a platform of a single CSF intermediary, a CSF offer document.

* 1. **CSF Intermediary**

The intermediary is a business holding an Australian Financial Services Industry License who acts as the “Gatekeeper” and is required to check all documentation before it is lodged on the Gatekeeper’s website.

The intermediary is required to ensure that the documentation that is being prepared by the Issuer is accurate and that a “communication facility” is available for potential investors to ask questions of the directors and management team of the Issuer.

The intermediary has a wide range of responsibilities under the legislation. More detailed comments on the intermediaries responsibilities are outlined in [BAS5025](http://www.essbiztools.com.au/index.php?option=com_docman&view=list&slug=bas5025-csf-intermediary&Itemid=324&layout=table).

The intermediary is required to determine whether a person who is proposing to invest is a “retail client”. If so the intermediary is required to monitor a retail client’s investment in the Issuer over the preceding twelve months to ensure that the retail client has invested no more than $10,000 into the Issuer.

Intermediaries must not financially assist a retail client to acquire securities.

([Refer to BAS5025](http://www.essbiztools.com.au/index.php?option=com_docman&view=list&slug=bas5025-csf-intermediary&Itemid=324&layout=table))

* 1. **Retail Investors**

Retail investors have a cooling off period of five business days.

The intermediaries need to ensure that retail investors are aware of the risks of investing in a CSF entity.

The intermediary has to ensure that they have prominently displayed on the platform the “CSF risk warning”, information on “cooling off rights”, and fees charged to and interests in an Issuer company.

* 1. **Companies Making a CSF Offer**

Must not “financially assist” retail clients to acquire securities.

Must not make/prepare an offer that relates to a company that has not been formed or does not exist.