



Regional
Development
Australia

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6 February 2015

Manager
C/o Kurt Hockey
Financial System Assessment Unit
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Mr Hockey,

Re: Crowd-sourced Equity Funding Discussion Paper

Regional Development Australia (RDA) Sunshine Coast is one of 55 RDAs that have been set up across Australia to assist in the economic development of our communities.

Part of our role is to consult with all key stakeholder groups in order to develop a Regional Roadmap that lists the key priorities the region is facing and importantly, to communicate these priorities to all three levels of government in Australia.

RDA Sunshine Coast has now been operating for more than five years and undertaken numerous community consultation exercises. One of the key challenges that it has focused on is youth employment as this is a significant issue in the region. To assist youth in the region and more broadly people who are unemployed, RDA Sunshine Coast has been a key supporter of entrepreneur programs aimed at enabling people with ideas to turn them into reality.

One of the programs RDA Sunshine Coast supports is Start-up Weekend Sunshine Coast, where over the duration of a weekend several ideas are 'pitched' by people (youth receive specialised assistance via the University of the Sunshine Coast) who would like to turn their idea into a business.

During this weekend participants create a business from scratch. Some even get to the point of creating an actual product or service and taking it to the market. However, one of the main issues facing these people is an inability to raise funds.

The discussion paper that we have been asked to comment upon does not provide clarity on how it will assist this market, ie micro-businesses and entrepreneurs.

RDA Sunshine Coast recommends that this area is considered in the final recommendations and that flexibility is built into the framework that allows for rapid crowdfunding systems using internet-based platforms.

RDA Sunshine Coast has provided comments on the specific questions raised in the discussion paper, which are listed in Attachment 1.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Russell Mason'.

Russell Mason
CEO



Attachment 1 – Responses to discussion paper questions

- Q1. Is the main barrier to the use of CSEF in Australia a lack of a CSEF regulatory structure, or are there other barriers, such as a lack of sustainable investor demand?

RDA Sunshine Coast believes there is sustainable investor demand available in Australia, however the regulatory framework is not flexible enough for small start-ups and entrepreneurs to access necessary funding.

- Q2. Do the existing mechanisms of the managed investment scheme regime and the small-scale personal offer exemption sufficiently facilitate online offers of equity in small companies?

No, the existing mechanism is not sufficient. Disruptive technology has created opportunities that are available to start-ups and entrepreneurs in other countries which are not available to Australian companies. This has led to Australian companies taking their ideas overseas because they are at a major competitive disadvantage by being located in Australia. Other implications are the loss of Australian talent overseas and the loss of job opportunities for Australians.

- Q3. Other than the restrictions identified above in relation to limitations on proprietary companies, public company compliance requirements and disclosure, are there any other barriers to the use of CSEF in Australia?

Access to equity is available globally now and Australian residents are able to fund international project overseas via mechanisms such as www.kickstarter.com and www.indigogo.com. These funds could have been available to Australian companies, however due to Australia's regulatory limitations these funds are being spent overseas – this is an opportunity cost to Australia and is leading to more jobs and ideas being exported.

- Q4. Should any CSEF regime focus on the financing needs of small businesses and start-ups only, or is there a broader fundraising role?

No. Based on feedback received by RDA Sunshine Coast there is a need for this CSEF to be available to the broader business sector however small business and start-ups should be a key focus of this review.

- Q5. Do you consider that, compared to existing public company compliance costs, the exempt public company structure is necessary to facilitate CSEF in Australia?

RDA Sunshine Coast believes that Australian companies should be provided with a regulatory scheme that will allow them to compete globally in a fair and equitable way. This provides a mechanism to do this and should be considered one of the tools.

- Q6. To what extent would the requirement for CSEF issuers to be a public company, including an exempt public company, and the associated compliance costs limit the attractiveness of CSEF for small businesses and start-ups?

This would be extremely detrimental to small companies and start-ups as it would generally mean that only very well funded small companies and start-ups could afford to use this method of funding.

- Q7. Compared to the status quo, are there risks that companies will use the exempt public company structure for regulatory arbitrage, and do these risks outweigh the benefits of the structure in facilitating CSEF?

RDA Sunshine Coast is not in a position to comment on this question.



Attachment 1 – Responses to discussion paper questions

- Q8. Do you consider that the proposed caps and thresholds related to issuers are set at an appropriate level? Should any of the caps be aligned to be consistent with each other, and if so, which ones and at what level?

RDA Sunshine Coast is not in a position to comment on this question. However it would be appropriate for Australian limits to be in line with international benchmarks.

- Q9. Do CAMAC's recommendations in relation to intermediary remuneration and investing in issuers present a significant barrier to intermediaries entering the CSEF market, or to companies seeking to raise relatively small amounts of funds using CSEF?

RDA Sunshine Coast is not in a position to comment on this question.

- Q10. Do the proposed investor caps adequately balance protecting investors and limiting investor choice, including maintaining investor confidence in CSEF and therefore its sustainability as a fundraising model?

RDA Sunshine Coast is not in a position to comment on this question. However it would be appropriate for Australian limits to be in line with international benchmarks.

- Q11. Are there any other elements of CAMAC's proposed model that result in an imbalance between facilitating the use of CSEF by issuers and maintaining an appropriate level of investor protection, or any other elements that should be included?

RDA Sunshine Coast is not in a position to comment on this question. However it would be appropriate for Australian limits to be in line with international benchmarks.

- Q12. Do you consider it is important that the Australian and New Zealand CSEF models are aligned? If so, is it necessary for this to be achieved through the implementation of similar CSEF frameworks, or would it be more appropriate for CSEF to be considered under the Trans-Tasman mutual recognition framework?

RDA Sunshine Coast believes that Australia should have a system that enables companies to compete globally without being disadvantaged.

- Q13. Do you consider that voluntary investor caps and requiring increased disclosure where investors contribute larger amounts of funds appropriately balances investor protection against investor choice and flexibility for issuers?

RDA Sunshine Coast is not in a position to comment on this question.

- Q14. What level of direction should there be on the amount of disclosure required for different voluntary investor caps?

RDA Sunshine Coast is not in a position to comment on this question.

- Q15. How likely is it that the obstacles to CSEF that exist under the status quo would drive potential issuers, intermediaries and investors to move to jurisdictions that have implemented CSEF regimes?

Very likely.

- Q16. What are the costs and benefits of each of the three options discussed in this consultation paper?

RDA Sunshine Coast is not in a position to comment on this question.



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Q17. Are the estimated compliance costs for the CAMAC and New Zealand models presented in the appendix accurate?

RDA Sunshine Coast is not in a position to comment on this question.

Q18. How many issuers, intermediaries and investors would be the expected take up online equity fundraising in Australia under the status quo, the CAMAC model and the New Zealand model?

RDA Sunshine Coast is not in a position to comment on this question.

Q19. Are there particular elements of the New Zealand model that should be incorporated into the CAMAC model, or vice versa?

RDA Sunshine Coast is not in a position to comment on this question.

Q20. Are there particular elements of models implemented in other jurisdictions that would be desirable to incorporate into any final CSEF framework?

RDA Sunshine Coast is not in a position to comment on this Question.

Q21. Do the issues outlined in this consultation paper also apply to crowd-sourced debt funding? Is there value in extending a CSEF regime to debt products?

RDA Sunshine Coast is not in a position to comment on this question.

Q22. To what extent would the frameworks for equity proposed in this discussion paper be consistent with debt products?

RDA Sunshine Coast is not in a position to comment on this question.

Q23. Would any of the options discussed in this paper, or any other issues, impede the development of a secondary market for CSEF securities?

RDA Sunshine Coast is not in a position to comment on this question.

