Crowd Sourced Equity Funding

Submission in response to the Treasury Discussion Paper issued on 16 December 2014 which addresses the Corporations and Markets Advisory Committee Report (CAMAC) Report of 26 May 2014

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The Australian economy

Equity crowd funding may comprise pre-seed funding, seed funding, mezzanine funding, series A funding etc ï effectively raising risk capital for innovative and sometimes disruptive ventures. In concept it is distinguished from capital for usual businesses, eg a restaurant, and distinguished from capital raised later in the life of a company, when it is less a start-up and more a small medium enterprise. In both the latter cases there is less ñriskò involved for the investor, the provider of the capital, and consequently more secure but less reward for the amount invested. It must however be accepted that traditional and older businesses could avail themselves of equity crowd funding. It is simply a mean of funding utilising developments in Internet and ñcloudò technology. Thus the real difference from an equity crowd funding point of view is the relaxation of regulation restraints on the issuing company.

The start-up regime has a creative ñstart-up eco-cycleò comprising a number of different facets such as education, research privately and in universities or specialist research entities, private sector competitions and grants, co-working space, incubators and accelerators, angel organisations, intellectual property registration, government support (in the form of grants for a range of activities such as commercialisation, R & D, export assistance and the like, taxation assistance and venture capital support) through to public capital raised through IPO or capital by way of trade sale.

It is important to keep this eco-cycle vibrant and growing as it is reflective of employment opportunity and exports, which is the life blood of the economy.

This eco-cycle can then facilitate the education, health, manufacturing, services and government eco-cycles. In the latter sense it is very much a catalyst and an accelerator. We ignore the start-up sector at our peril.

Competitive position in other countries

There is repeated example of Australians having to seek overseas capital and government support because it is not available in Australia, or if available has barriers to its provision. Alibaba is a company which elected to list in the USA and not on the Hong Kong exchange, supposedly because Alibaba wished to avoid the Hong Kong requirement of one share one vote. Australian Bitcoin operations in other countries is an example of it happening at the micro-level. The recent registration of Equitise Pty Ltd under the New Zealand regime reflects my view expressed in early 2014. Limits on proprietary company shareholding numbers make it less attractive to Australian issuers but it may well be possible for Australians to incorporate New Zealand companies which hold Australian assets to remove this limitation.

If a New Zealand company having Australian assets, offers securities in New Zealand, and Australian investors purchase shares there is no Australian regulation of that purchase. It is the same if the reverse occurs and an Australian company holding New Zealand assets offers shares in Australia which are purchased by New Zealand investors. The joint guidance on financial products in New Zealand and Australia under mutual recognition of 18 December, 2014 has no application in this circumstance. And neither it should. Were the Australian and New Zealand governments to attempt to regulate such activity it would be counter-productive and serve no useful purpose to either government. Not only would there be no benefit but it may then cause a similar event to happen in Singapore or Malaysia.

For this reason Australia should match the New Zealand basic provisions ï New Zealand is the benchmark in this aspect of corporate regulation.

What is the significant change – is it crowd or cloud?

"Crowd" has been around for a long time, if previously described as "members of the public".

The "crowd" has come to prominence because of services such as Indiegogo and Kickstarter even though these services are gifts and not equity crowd funding models. The real change has been technical improvements in the ability of hosted software to be accessed on the Internet by numbers of persons at the same time. In addition the public has also become more accustomed to using SAAS which is a relatively common service for a host of applications, the most common being e-mail and search.

It is for this reason that the principles applicable to crowd funding remain much the same even though the increasing use and sophistication of the Internet channel, has led to a revision of those principles and services which operate under them.

Review of private placement – contrast with matching service

We are principally considering the area of "matching services". This applies to use of a platform on which issuers seeking to raise capital are listed. A market is created where a number of investments may be considered at the same time. However, for a range of reasons including cost, start-ups or issuers may prefer to use their own website as a means of issuing shares in themselves. In that case there will be no intermediary platform and the rules which apply to "private placement" need to be observed. These are set out in section 708 of the Corporations Act 2001, whereas the matching service provisions are set out in Class Order 02/273.

It is apparent that there is a lack of uniformity between these two sets of provisions, although there is clearly some uniformity, for example both specify 20 shareholders and a period of 12 months. The section 708 quantum is however $2,000,000 and the class order quantum is $5,000,000. It is readily apparent that the issue which arises is principally the limitation of the number 20 which seems entirely arbitrary. One could be forgiven for thinking that a small number is chosen because if a small number gets into difficulty there will be less flack than if it is a large number which comes unstuck. A large number is illustrated by the immense difficulties faced by investors with the Great Southern Limitedôs and Timbercorp Limitedôs collapse.

However two points must be made. The private placement provisions need to be considered at the same time as the intermediary matching service provisions. Secondly, the two sets of provisions should not be considered in isolation but should where it is convenient, have some uniformity.

The private placement ñ708 provisionsò can and do still operate notwithstanding the use of the Class Order exemptions as noted in Class Order itself.

Confusion in the ranks on nomenclature – sophisticated, professional, wholesale, retail, qualified by advice, unqualified?

The nomenclature should be uniform right across the Corporations Act 2001. Differences usually arise because the Corporations Act 2001 is amended in respect of different provisions at different times. As a result of this process over a number of years there is increasing diversity in the pattern and flow of the legislation, requiring at reasonable intervals some reassessment and reworking of those provisions. It is apparent that in respect of private placement and class order matching service, that there should be uniformity and that the requirements in terms of the investor need be simply explained. In respect however of the New Zealand matching service provisions, it must be recognised that there are no caps on the investor or other restrictions, and therefore the problem does not arise. It raises the question as to why, if there are no restraints on the investors in terms of the matching service, there should be any restrictions on the investor for the private placement provisions. That is, the restraints on the issuer are sufficient.

Similarly in the area of products and services the terms used for the types of investor, namely "wholesale" and "retail", should be made to align with those used in the private placement and class order matching service.

It is also apparent that the terms of the Class Order while appropriately drawn, were drawn in some haste. Clause 2(e) of the second exemption is a case in point using quadruple negatives. It has caused some confusion.

Clause 2(e) of the second exemption:

> *In counting 20 persons for paragraph (b), do <u>not</u> count a person to whom <u>no</u> offer was made <u>other than</u>: …………………..*
>
> *(c) an offer which is exempted under subparagraph 2(a) of this Second Exemption or under subparagraph 2(a) of the Third Exemption or the corresponding exemptions in former Class Order [00/192];*
>
> *(d) an offer which did not need disclosure to investors because of a provision of section 708 of the Act other than subsection 708(1); or*

(e) an offer of a financial product other than a security which did not need a Product Disclosure Statement (other than because of this instrument or section 1012E of the Act).

Protection of investor – should this be a concern?

A significant difference between the CAMAC Report and the New Zealand legislation is that the CAMAC Report recommends restraints on the investor which appear illogical and extremely difficult to enforce. It has often been said that a person may lose his life savings by gambling, for example using poker machines or horse races ï there are absolutely no restraints. Similarly monies raised by charities may be used as the charity decides fit ï the charity is not responsible for the use of funds even though there is some regulation in terms of it being able to give taxation benefits to the "investor". In fact, it appears that the only difference between "gambling" and "investing" is the investor's perception of what he is doing and the background of the third party who is classifying the activity. For example, an investment on the ASX in a five cent mining company against one of the top four banks differs in our perspective because of the degree of government protection given to banks and the far greater likelihood of a return from a large existing protected business. It is still however, an investment on the ASX.

When considered in the light of these observations, it is readily apparent that the New Zealand position is far better than the CAMAC position. The protection of the investor should not in this respect, be a matter of concern.

Proprietary company – numbers and maximum investors

It is readily apparent that under the Corporations Act 2001 the position of "proprietary" companies has been relatively anomalous. This is partly because proprietary companies may have assets of several billions (that is be significantly larger than "public" companies) and they have thousands of employees (that is have significantly more employees than public companies). Further the limit on the number of shareholders of 50 seems entirely arbitrary. The fact that one may seek to regulate "public" companies on a different basis to small companies simply means that one should have one class of companies, a proportion of which if they meet certain conditions, may have other requirements akin to our public company regulation.

It is also apparent when one is considering the "crowd" that any restraint on the numbers in the "crowd" defeats the purpose of providing a specific regime which is a "crowd" environment.

Platform conflict of interest

The CAMAC Report is diametrically opposed to the New Zealand position in terms of the platformõs "conflict of interest". This supports the current position in the Class Order which has as a requirement that the platform cannot invest in any of the companies which are issuers on its platform seeking moneys from investors. There are a number of arguments for and against. If the platform were to invest in some companies which are listed on it, it may then give favourable treatment to such companies as opposed to treating equally, all companies which are on its platform. In addition if there was a requirement that a specific quantum should be raised in default of which all money should be returned to investors, a platform may wish to invest to close the gap between the target for quantum and the amount raised over the required period, simply to obtain the fee which it would receive on a successful capital raising. However, one answer to this scenario is "so what".

I should observe here that there is a significant difference between Indiegogo and Kickstarter in that the Indiegogo platform allows those seeking to raise funds to keep that which they raise even if they do not reach the desired objective. Kickstarter on the other hand, requires monies to be refunded if the target amount is not met. The argument in favour of the latter practice is that an issuer decides on a particular business plan which is part of the information memorandum given to investors, and that particular investment plan to be successful requires a certain amount of capital to be raised. It can be readily seen if there are no requirements to achieve a particular monetary goal, that those investors who have invested may lose their funds simply because the required amount of capital is not there to fulfil the business plan.

The New Zealand position is that this issue is relevant and a factor which should be dealt with by the licensed intermediary. Effectively the New Zealand government is outsourcing its regulation of small capital raising, the only sanction being that the licence of the intermediary will be at risk if situations arise on its platform where investors unnecessarily lose their investment.

The same argument applies in respect of conflict of interest ï that should be the intermediaryôs concern and not one which is subject to regulation. On balance the New Zealand position appears preferable. That is, it is not possible for a government to have its cake and eat it too. If it decides to outsource this area of regulation by licensing intermediaries, it cannot remain with one hand on the wheel.

Platform costs

Issue platform costs or intermediary costs is somewhat similar. CAMAC suggests a fixed fee as being more appropriate because this will give a greater resemblance of order to any matching service market. On the other hand New Zealand has left this issue to the intermediary. The going rate is currently between 7% and 9% of funds raised ï that is the same cost as is normally charged for brokers to raise money for companies independent of any Internet service. In addition some of the intermediary or matching platforms charge other fees on top of the 7%. In summary the use of such platforms can be relatively expensive. It also suggests given the relatively small number of well-qualified issuers that the larger the number of platforms the lower will be the quality of investment.

This issue is relatively similar to the issue of financial advisers obtaining fixed commissions (sometimes on a trailing basis) and those who are paid on the basis of an hourly charge. The fixed commission basis has given rise to all manner of calamities, the greatest being that the investment adviser is likely to suggest those products which give him a percentage return as opposed to those products which do not. In this context it may be preferable for the intermediary to charge on an hourly basis. However it must readily be conceded that over a number of issuers, such hourly base charge may well equate to the 7%. In summary, it does not appear that a fixed rate should be charged, as this may well affect the solvency of the platform, and that the most efficient mechanism would be market forces. The latter is more logical, when one considers, that the whole concept of equity crowd funding is market-based.

Outsourcing due diligence – platform licence at risk if there is poor issuer performance?

I have already mentioned that the primary concept in the New Zealand legislation appears to be the outsource of government regulation of the quality of the issuerõs offering and the quality of information which the issuer provides to the investing public. This is somewhat at odds with the position under the Class Order, where for example, ASSOB is at pains to make very obvious that any information about companies on its platform is that produced by the issuer itself and that ASSOB has no responsibility. This is partly because ASSOB has no licence of any kind under the Corporations Act 2001 ï if it were to take a hands-on approach in terms of the information memorandum it may well be providing a financial service to investors which would require it to have an AFSL. In practice however, ASSOB is aware that a ñhands offò approach would lead to circumstances where it loses its quality reputation. Therefore, it has significant processes in place which require the issuer to have a quality approach in terms of the accuracy of information provided to the public and the manner in which it is presented.

The New Zealand position is that this whole area is not capable of regulation other than licence requirements which must be met by the intermediary. The New Zealand legislation suggests, poor issuer performance in terms of investor outcomes, will reflect on the quality of the intermediaries practices and procedures. If you have poor investor outcomes, the intermediaryõs licence to be a crowd-based platform is under threat. This appears to be a logical and preferable approach.

A point which should be made is that there is some suggestion in the New Zealand legislation that there should be increased due diligence of issuers by the intermediary, if the amount to be raised is relatively high or the minimum amount of investment required is relatively high. It suggests that the level of due diligence for a $1,000,000 raising as against a $500,000 raising should be higher for the issuer seeking the larger sum ï surely one level of disclosure is required regardless of the quantum being raised. Similarly, the level of due diligence and disclosure required for a minimum $30,000 tranche investment should be the same as that required for a $5,000 tranche investment. Put another way, what would an issuer not disclose for the lower sum?

Is there protection with prospectus and ASX?

The "elephant in the room" is the subliminal suggestion in the CAMAC report that a prospectus and investment by way of capital raising on the ASX provides investors with much greater protection than would be available on an information memorandum issued by the issuer or intermediary in a crowd funding platform circumstance. It is true that under the Corporations Act 2001 there are significant sanctions for misleading and deceptive conduct and errors made in prospectuses or offer information statements. However, the whole objective with equity crowd funding is to remove those sanctions from the issuer, because seed capital necessarily involves risk. That is, it is the objective of the start-up to use the funds which it has raised, so that nothing is left in the bank. It is of course a predicate that the use of the funds will be such that the start-up will be more attractive to investors who will provide further capital by way of mezzanine, series A or series B funding.

Clearly when prospectuses are issued for an IPO (initial public offering) there is a significant difference between a company which is raising $20,000,000 and one which is raising $2,000,000. In the former case there may be an existing business which has significant cash flow resulting from significant sales to a clearly defined market which seeks its product. However in that case it is not a start-up and needs to be distinguished from an IPO where those circumstances do not exist.

Unfortunately, it has been my experience, that the risk which attaches to small IPOs and ASICôs practice in registration, provide a false sense of security to investors. One such IPO in which I was involved had a statutory demand for non-payment of fees provided to ASICôs registration of prospectus division. ASICôs position was that such a document "did not require registration"!

There are numerous other examples including a range of situations where investors have lost funds regardless of the size of the business listed on the ASX. ASIC takes no responsibility on the registration of prospectus other than to state that it conforms with a number of regulatory requirements ï it takes no responsibility in respect of the quality of the issuer and the likelihood of the investor to obtain a return. In this regard the factors surrounding a start-up on an intermediary crowd-based platform may well be significantly more informative than that available from a registered prospectus. This is because the energy required for a start-up is such that there is usually little incentive for the promoter to do other than his best in terms of management and outcomes. In addition the promoter takes greater responsibility for informing the investor as in the absence of that step there is no "crowd" to invest. Prospectuses on the other hand, may have a range of intermediaries who benefit from investors taking up shares in the company making the IPO.

Questions Raised in the Australian Treasury Discussion Paper

There are a number of questions raised in the Discussion Paper which I have paraphrased to simplify the objective behind the questions. In some cases this exercise was difficult, because the underlying rationale was not readily apparent.

1. What are the external barriers to CSEF?

The external barriers to CSEF are principally the environment in which the intermediaries and the issuers are permitted to operate. If the external eco-cycle is conducive to investment generally, then CSEF is likely to be far more successful. Those parameters are discussed in the first paragraph above.

2. Is the small scale personal offer exemption sufficient?

It is the case that the "small-scale personal offer exemption" may apply both on the intermediary environment and outside of any intermediary exercise. The significant difference is of course the fee which must be paid by the issuer to the intermediary. That is, the "small-scale personal offer exemption" may apply to companies which are on the intermediary platform, even though the wording of that exemption suggests that the necessary relationship has come about as a result of the issuer's efforts as opposed to those of a third party.

The question of sufficiency relates to the nature of the relationship required on the one hand and the number of persons who could fall within that category on the other. It is axiomatic with crowd that the 20 investors is far too small a number and it may be that $2,000,000 is too small a capital sum. Currently $5,000,000 is permitted.

The question more addresses the nature of the relationship. It is the only ñsoftò requirement, in the sense that the sophisticated and professional investor requirements are far more black and white. It is likely that the soft requirement is more likely to be met as a result of mentor directors (even though the insolvency risks of mentor directors are much greater in Australia than in other countries), or as a result of a start-up being in a co-working, incubation, or accelerator environment.

3. What are the internal barriers to CSEF?

The internal barriers are the restriction on the number of shareholders permitted in a proprietary company, the limit on the number of investors who may invest in any particular company, the restriction on the platform being unable to invest in companies which are listed on the platform, and the qualifications for the investor. There are other internal barriers to CSEF, however these barriers are important, such as the limit on the amount of capital which can be raised, the period of 12 months (which should be for each financial year rather than the commencement of the fundraising process) and the requirement (i.e. in New Zealand) of only having ordinary shares issued.

4. Is there a broader fundraising role for CSEF than small companies?

There is no reason why CSEF should not apply to large companies as well as small companies, for companies which are not disruptive and for companies which are not start-ups but which have been in operation for a number of years. In addition, there is a broader role (which should not be explored now lest it slow down the innovation to which the CAMAC report is directed) because of the need to consider fundraising generally and the totality of chapter 6D and chapter 7 of the Corporations Act 2001. A draft classification of relevant provisions is attached.

There is also a broader fundraising role in that the activity generated by such funds is a significant driver of concomitant industry direction and innovation and has a multiplier effect on SME activity and the economy as a whole. It enables a range of skills particularly in the engineering, financial and management areas to reach a higher level of proficiency as against other Eastern and Western countries. This should provide a long-term benefit to Australia and Australians.

5. Are exempt public companies necessary for CSEF?
No. In fact a system should be simplified to one class of company which could have different attributes. One may recall when Australia had "no liability" or NL companies specifically for the mining sector. Their abolition caused no concern and reduced the amount of the company regulation required by the Government and ASIC.

6. Would a public company structure be limiting to CSEF?
The CAMAC Report correctly identifies a number of factors particular to public companies which are cumbersome, expensive and require more administration than proprietary companies. The requirement for public companies as an ingredient in CSEF somewhat defeats the purpose of CSEF in that CSEF predicates nimble companies which are able to pivot without shareholder concern. It is a given that innovation requires risk and that action needs to be taken to change direction in the event that the proposed result, no longer seems likely from the direction proposed when the capital was raised. From a shareholder perspective, the investor wants two things. Firstly, he wants the company to succeed so that his investment pays dividends. Secondly, he wants there to be some benefit to the public not otherwise available without the start-up succeeding. That is, the element of altruism evident in companies which have innovative products as opposed to simply commencing business along established lines, needs to be fostered and encouraged.

7. Would exempt public companies give rise to regulatory arbitrage?
In my opinion this would be a likely result.

8. What should be the caps and thresholds for issuers?
I consider that the maximum capital to be raised within the time period of 12 months should be $5,000,000 as set out in Class Order 02/273, as opposed to the $2,000,000 permitted under section 708. The 12 month restraint should be retained as should the requirement for ordinary shares each having one vote. There are normal company restrictions which will require directors to act in the interests of the company and there should be the right to carry out an audit of the company's books where 20 shareholders consider such a course is warranted because of the limited success in the company's direction and governance.

It is preferable that money is refunded if a particular raising is not successful however this is logically left up to the platform concerned. In my opinion this process is effectively an outsourcing of the government regulation to the platform. The risk of licence renewal for inefficient management should be sufficient incentive for the platform to carefully approve any company business plan and financials, which wishes to list on it. This is mostly to be accommodated by having a non-mandatory code of conduct prepared by ASIC or an independent committee. There should be regular review of funding practice and procedure.

9. Should the platform have restrictions outside normal AFSL requirements?
The normal AFSL requirements, which are essentially integrity in management, sufficient capital and good management systems, should be maintained. To some extent the addition of further requirements would be counter-productive. The code of conduct by way of self-regulation referred to above should be sufficient given that the endeavour is to reduce regulation.

10. Do investor caps protect investors – is investor confidence an issue?

I do not believe investor caps protect investors. An investor who is likely to lose his investment as a result of imprudent actions, could well suffer the same fate by investing on the ASX although some other folly. I do not believe that investor confidence is an issue. The most the Government can do is provide enabling legislation; it is then up to those members of the public who have the necessary expertise to use the added facility for raising capital in such a way that it will generate further investment.

11. Does the CAMAC model present imbalance? Is there sufficient attraction to issuers and investors?

I believe the CAMAC model is too unwieldy to be attractive to either issuers or investors.

12. Should the Australian and New Zealand position be aligned or covered by Trans-Tasman arrangements?

In my opinion Trans-Tasman arrangements are an unsatisfactory means of regulating disparities between the two countries corporate systems. Reciprocity appears to me to be a clumsy methodology to be used in this corporate environment and alignment of regulation methodology is a far more appropriate and successful method of dealing with arbitrage between jurisdictions.

13. Is voluntary investor caps appropriate and can one link level of disclosure to quantum being invested?

Voluntary investor caps are appropriate. I do not believe one can link level of disclosure to quantum being invested. It seems illogical to have one level of disclosure for $500,000 and a another level of disclosure for $1,000,000. The level or quality of disclosure should be the same no matter what amount is being raised.

14. Should there be direction on the degree of disclosure related to minimum quantity invested?

Investors will usually make investments on the quality and track record of management, the degree of direction indicated by the information memorandum and their belief in the description of the market and the likelihood of success of the solution in which the capital is to be used. It is difficult to envisage how there could be direction on the degree of disclosure let alone supporting logic for a different minimum level of disclosure for an investment of say $5,000, as opposed to a minimum investment of $100,000.

15. Would the status quo give rise to jurisdictional arbitrage?

The status quo has given rise to jurisdictional arbitrage in the sense that Equitise Pty Ltd, an Australian company obtaining a platform license in New Zealand, has said that it has taken this step because of the lack of a similar regulatory environment in Australia.

Similarly, given the ability of Australians to invest on New Zealand platforms, there appears no reason why an issuer incorporated in Australia should not register as a foreign company in New Zealand and then seek to raise capital on a New Zealand licensed platform.

The difficulties faced by a New Zealand company having only assets in Australia listed on the NZX and ASX, namely Broken Hill Prospecting Limited caused it to relinquish its NZX listing. In essence not even the notice of days for meetings was common. The ASX rules prevailed because of the Corporations Act 2001, the

Foreign Corporations (Application of Laws) Act 1989 having no application in that circumstance. Jurisdictional arbitrage is a requirement of company operations.

16. What are the costs and benefits of the 3 options proposed?

It is not clear from this question whether the question is directed towards the costs and benefits available to the Australian public, the investors, the issuers, or the licensed intermediary. In the event, costs and benefits can only be particularised for a given model, and the discussion paper is predicated on the fact that a particular model has yet to be chosen. The question cannot be sensibly answered without modelling unless the question is directed towards a table format summary of this submission.

17. Are the estimated costs in the appendix for CAMAC and New Zealand accurate?

I do not believe that the estimated costs in the appendix for CAMAC and New Zealand are accurate. My understanding is that the licensing process takes four months in New Zealand and costs significantly less than $100,000. Further the intermediary platform must have as a set-up and a continuing cost, a significant investment in software which is not expressed in the appendix figures. For an investor, a particular cost is likely to be balance in the investor's portfolio which would normally require external advice. A prudent investor may also seek advice from a third party adviser on the quality and likely outcome from figures provided in the information memorandum. A prudent investor may also seek further information from the issuer concerned. These costs are not expressed for the investor. There appears no appropriate formulation for the costs relevant to an issuer. These are significant as the major difference between the information memorandum and a prospectus, is that an information memorandum should present appropriate information both from the issuer and investorâs point of view, under appropriate supervision by the intermediary license platform. This may be contrasted to the greater stipulation of the contents of a prospectus and the sanction where some aspect of the prospectus is considered to be misleading and deceptive.

18. Can the quantum of intermediaries, issuers and investors be quantified for the different models?

The quantum of intermediaries, given this role is an investment decision, will depend on the quality of issuers and number of issuers who use such platforms. Any estimates appear difficult ï the numbers are likely to be low if the regulatory regime is unduly restrictive. The reality is that Singapore is emerging as a financial centre which is proactive in providing regulatory environment to ensure that appropriate levels of corporate activity take place on their island. There has already been a significant amount of material published on the need for major stock exchanges in the same time zone, for example, Sydney, Singapore, Hong Kong and Shanghai, to be competitive lest one or more of them go into decline because of the regulatory environment. Quantum should not be a factor in CSEF regulation direction.

19. Are there features of CAMAC and New Zealand which could be used in the solution?

This is definitely the case. For example, the New Zealand approach of providing no restriction on the licensed intermediary in investing on companies which are listed on its platform, seems preferable to the CAMAC approach which is to place an embargo on such investment. The New Zealand requirement that there be one class of share in the issuer, more of which are then made available to investors, seems a healthy protection for investors. It is the contrast of with the Delaware model, where those who control the company by share voting, may hold a small proportion of the issued capital.

20. Are there features of other jurisdictions' regulations which should be incorporated in any Australian CSEF framework?

I think this is the case. One of the deficiencies of the CAMAC Report is that there was insufficient detail on the USA, UK, Indian, the Middle East and Asian positions. Such summaries as were there were relatively bland and lacking in detail. The reality is that proficiency in this area requires significant study of the different models, which are surprisingly different in each country. While this does require significant resources, in my view such an approach is justified and would be worthwhile.

21. Should crowd sourced debt funding be considered and, if so, should it be considered in the same light as for issues of shares?

Crowd sourced debt funding should be considered. This should only be on the peer-to-peer model. It is noted that the New Zealand legislation provides for both and that already there are companies licensed for peer-to-peer funding and least one company which is licensed for both peer-to-peer funding and equity issues. There were in Australia a number of law firms which operated peer-to-peer lending models with no default, for example Teece Hodgson and Ward, before the advent of a large defalcations in Victoria led to ASIC requiring an AFSL to be held by entities engaged in such activities. This means of debt funding is unlikely to become large as against the bank model, even though there have been two major successes in the UK, one of which is now registered in Australia.

22. To what extent could the framework for equity be used for debt?

There are significant differences between debt and equity so the two are not on all fours. In particular the debt model requires an obligation to arise between the lender and the borrower which obligation is only satisfied by repayment. On the other hand with the equity transaction there is an exchange of assets, the issuer receiving funds and the investor receiving equity. The licensed intermediary platform is however similar. It is extremely important that Australia keeps pace with changes in lending, not only with peer-to-peer funding but also in the area of crypto currencies. And hybrid debt equity, ie, convertible notes, is an important tool for both issuer and investor.

23. Would the framework options or constraints impede the development of a secondary market for CSEF securities?

The framework options or constraints will have a major effect on the development of a secondary market. If the issuing market is healthy, a secondary market is likely to arise which can be useful in the total ecosystem. I note that ASSOB does have the makings of an "under the radar" secondary market. It will be interesting to see how that market develops. One would only seek to restrict it if there were significant downsides for its operation. The major difficulty is that the cost of a market exchange licence may be too high for it to be regulated in that manner. It is difficult to see much downside from an "over the counter" market operating in proprietary company issuer shares.

Macpherson Greenleaf
Andrew Macpherson - 6 February 2014

CORPORATIONS ACT 2001 (CTH)

A Draft Analysis of Chapter 6D and Chapter 7

PROSPECTUSES

Ch6D – Fundraising	
705	Types of disclosure document.
708	Offers of securities that do not need disclosure.
709(1)	Prospectus must be used unless offer information statement may be used instead.
710	Prospectus content – general disclosure test.
711	Prospectus content – specific disclosures
712	Prospectus content – short form prospectuses
713	Special prospectus content rules for continuously quoted securities
721(1)	Offer must be made in or accompanied by the prospectus.
727(2)	Offer form must be included in or accompanied by prospectus.
734	Restrictions on advertising and publicity
Ch7 – Financial Services and Markets	

OFFER INFORMATION STATEMENTS

Ch6D – Fundraising	
705	Types of disclosure document.
709(4)	When offer information statement may be used.
715	Contents of offer information statement
721(4)	Offer must be made in or accompanied by the offer information statement.
727(2)	Offer form must be included in or accompanied by offer information statement.
734	Restrictions on advertising and publicity
Ch7 – Financial Services and Markets	

FINANCIAL PRODUCTS

Ch7 – Financial Services and Markets	
761A	Definition – financial product (Div3). Definition – financial product advice (s766B). Definition –managed investment product (764A(1)(b)). Definition – product disclosure statement.
761C	Meaning of carry on a financial services business.
761CA	Meaning of class and kind of financial products and financial services.
761E	Meaning of issued, issuer, acquire and provide in relation to financial products.
763A	General definition of financial product.
762A	Overview of approach to defining what a financial product is.
762B	What if a financial product is part of a broader facility?
763E	What if a financial product is only incidental?
764A	Specific things that are financial products.
765A	Specific things that are not financial products.
766B	Meaning of financial product advice.
766C	Meaning of dealing.

766D	Meaning of makes a market for a financial product.

PRODUCT DISCLOSURE STATEMENT

Ch7 – Financial Services and Markets	
992A	Prohibition on hawking of certain financial products.
992AA	Prohibitions on hawking of managed investment products.
1010A	Part 7.9 (financial product disclosure – issue, sale and purchase) generally does not apply to securities.
1010B	Part 7.9 does not apply to financial products not issued in the course of a business.
1010C	Special provisions about meaning of sale and offer.
1011A	Jurisdictional scope of Part 7.9 Division 2 (product disclosure statements).
1011B	Definitions.
1011C	Treatment of offers of options over financial products.
1012A	Obligation to give product disclosure statement – personal advice recommending particular financial product.
1012B	Obligation to give product disclosure statement –situations related to issue of financial products.
1012C	Obligation to give product disclosure statement – offers related to sale of financial products.
1012D	Situations in which product disclosure statement is not required.
1012AA	Rights issues for which product disclosure statement is not required.
1012DA	Product disclosure statement not required for sale amounting to indirect issue.
1012E	Small scale offerings of managed investment and other prescribed financial products (20 issues or sales in 12 months).
1012G	Product disclosure statement may sometimes be provided later.
1012H	Obligation to take reasonable steps to ensure that product disclosure statement is given to person electing to be covered by group financial product.
1012J	Information must be up to date.
1013A	Who must prepare product disclosure statement.
1013B	Title of product disclosure statement.
1013C	Product disclosure statement content requirements.
1013D	Product disclosure statement content – main requirements.
1013E	General obligation to include other information that might influence a decision to acquire.
1013F	General limitations on extent to which information is required to be included.
1013G	Product disclosure statement must be dated.
1013H	Requirements if product disclosure statement states or implies that financial product will be traded.
1013I	Extra requirements if product disclosure statement relates to managed investment products that are ED securities.
1013K	Requirements relating to consents to certain statements.
1013L	Product disclosure statement may consist of 2 more separate documents given at same time.
1013M	Combining a product disclosure statement and financial services guide in a single document.
Pt 7.9 Div2 Subdiv D	Supplementary product disclosure statements.
1017A	Obligations to give additional information on request.

1017B	Ongoing disclosure of material changes and significant events.
1017D	Periodic statements for retail clients for financial products that have an investment component.
1017E	Dealing with money received for financial product before the product is issued.
1017F	Confirming transactions.
1017G	Certain product issuers and regulated persons must meet appropriate dispute resolution requirements.
1018A	Advertising or other promotional material for financial product must refer to product disclosure statement.
1018B	Prohibition on advertising personal offers covered by s1012E.
1019A	Situations in which part 7.9 Division 5 (cooling-off periods) applies.
1019B	Cooling-off period for return of financial product.
1019C	Definitions (unsolicited offers to purchase financial products off-market).
1019D	Offers to which part 7.9 Division 5A (unsolicited offers to purchase financial products off-market) applies.
1019E	How offers are to be made.
1019F	Prohibition on inviting offers to sell.
1019G	Duration and withdrawal of offers.
1019H	Terms of offer cannot be varied.
1019I	Contents of offer document.
1019J	Obligation to update market value.
1020AA	Definitions – disclosure etc. in relation to short sales covered by securities lending arrangement of listed s1020B products.
1020AB	Seller disclosure.
1020AC	Licensee disclosure.
1020AD	Public disclosure of information.
1020AE	Licensee's obligation to ask seller about short sale.
1020A	Offers, etc. relating to certain managed investment schemes not to be made in certain circumstances.
1020B	Prohibition of certain short sales of securities, managed investment products and other financial products.

FINANCIAL SERVICES

Ch7 – Financial Services and Markets	
761A	Definition – Australian financial services licence (s913B). Definition – authorised representative. Definition – financial service (Div4). Definition – financial services business. Definition – financial services licensee. Definition –issue/issuer (s761E).
761C	Meaning of carry on a financial services business.
761CA	Meaning of class and kind of financial products and financial services.
766A	When does a person provide a financial service?
911A	Need for an Australian financial services licence.
911B	Providing financial services on behalf of a person who carries on a financial services business.
911C	Prohibition on holding out – Australian financial services licence.
911D	When a financial services business is taken to be carried on in this jurisdiction.
912A	General obligations of financial services licensees.

912CA	Regulations may require financial services licensee to provide ASIC with specific information.
912D	Obligation to notify ASIC of certain matters.
913A	Applying for an Australian financial services licence.
913B	When a licence may be granted.
914A	The conditions on the licence.
923A	Restriction on use of certain words or expressions in providing financial services.
923B	Restriction on use of certain words or expressions in providing a financial service unless authorised in licence conditions.

FINANCIAL SERVICES GUIDE

Ch7 – Financial Services and Markets	
940A	How Part 7.7 (financial services disclosure) applies if a financial services licensee is acting as authorised representative.
940B	What if there is no reasonable opportunity to give a document, information or statement required by Part 7.7?
940C	How documents, information and statements are to be given.
941A	Obligation on financial services licensee to give a Financial Services Guide if financial service provided to person as a retail client.
941B	Obligation on authorised representative to give a Financial Services Guide if financial service provided to person as a retail client.
941C	Situations in which a Financial Services Guide is not required.
941D	Timing of giving Financial Services Guide.
941E	Information in the Financial Services Guide must be up to date.
941F	Obligation to give updated Financial Services Guide.
942A	Title of Financial Services Guide.
942B	Financial Services Guide given by financial services licensee – main requirements.
942C	Financial Services Guide given by authorised representative – main requirements.
942D	Financial Services Guide may consist of 2 or more separate documents given at same time.
942DA	Combining a Financial Services Guide and a Product Disclosure Statement in a single document.
942E	Altering a Financial Services Guide after its preparation and before giving it to a person.
943A	What a Supplementary Financial Services Guide is.
943B	Title of Supplementary Financial Services Guide.
943C	Form of Supplementary Financial Services Guide.
943D	Effect of giving a person a Supplementary Financial Services Guide.
943E	Situation in which only a Supplementary Financial Services Guide need be given.
943F	Altering a Supplementary Financial Services Guide after its preparation and before giving it to a person.

FINANCIAL ADVICE

Ch7 – Financial Services and Markets	
944A	Situation in which Part 7.7 Division 3 (additional requirements for personal advice provided to a retail client) applies.
946A	Obligation to give client a Statement of Advice.
946AA	Small investments – Statement of Advice not required.

946B	Other situations in which a Statement of Advice is not required.
946C	Timing of giving a Statement of Advice.
947A	Title of Statement of Advice.
947B	Statement of Advice given by financial services licensee – main requirements.
947C	Statement of Advice given by authorised representative – main requirements.
947D	Additional requirements when advice recommends replacement of one product with another.
947E	Statement of Advice not to be combined with Financial Services Guide or Product Disclosure Statement.
948A	Qualified privilege if providing entity complies with Part 7.7 Division 3.
949A	General advice provided to retail client – obligation to warn client that advice does not take account of client's objectives, financial situation or needs.
949B	Regulations may impose disclosure requirements in certain situations.
961	Application of Part 7.7A Division 2 (Best interests obligations).
961A	Application of Part 7.7A Division 2 to a financial services licensee acting as an authorised representative.
961B	Provider must act in the best interests of the client.
961C	When is something reasonable apparent?
961D	What is a reasonable investigation?
961E	What would reasonable be regarded as in the best interests of the client?
961G	Resulting advice must be appropriate to the client.
961J	Conflict between client's interest and those of a provider, licensee, authorised representative or associates.
963A	Conflicted remuneration.
963B	Monetary benefit given in certain circumstances not conflicted remuneration.
963C	Non-monetary benefit given in certain circumstances not conflicted remuneration.
963E	Licensee must not accept conflicted remuneration.
963F	Licensee must ensure compliance.
963K	Product issuer or seller must not give conflicted remuneration.
963L	Volume-based benefits presumed to be conflicted remuneration.
964	Application of Division 5 (other banned remuneration)
964A	Platform operator must not accept volume-based shelf-space fees.
964D	Financial services licensees must not charge asset-based fees on borrowed amounts.

MANAGED INVESTMENT SCHEMES

Ch7 – Financial Services and Markets	
761A	Definition –managed investment product (764A(1)(b)).
992AA	Prohibitions on hawking of managed investment products.
1012E	Small scale offerings of managed investment and other prescribed financial products (20 issues or sales in 12 months).
1013I	Extra requirements if product disclosure statement relates to managed investment products that are ED securities.
1020A	Offers, etc. relating to certain managed investment schemes not to be made in certain circumstances.
1020A	Offers, etc. relating to certain managed investment schemes not to be made in certain circumstances.
1020B	Prohibition of certain short sales of securities, managed investment products and other financial products.

MARKETS

Ch7 – Financial Services and Markets	
761A	Definition – Australian market licence (s795B). Definition – financial market (Div5). Definition – licensed market Definition – makes a market (s766D) Definition – market licensee. Definition – participant in relation to a financial market.
766D	Meaning of makes a market for a financial product.
767A	What is a financial market?
791A	Need for a licence – financial market.
791B	Other prohibitions on holding out – licence – financial markets.
791D	When a market is taken to be operated in this jurisdiction. (Ch2A)
792A	General obligations of market licensee.
792B	Obligation to notify ASIC of certain matters.
792H	Change of country by foreign licensee.
793A	Content of the market operating rules and procedures.
793B	Legal effect of the market operating rules.
795A	How to apply for an Australian market licence.
795B	When an Australian market licence.
795D	More than one market licence in the same document.
795E	More than one market covered by the same licence.
796A	The conditions on the market licence.
798A	Matters to be taken into account by the Minister in granting, varying, etc. a market licence.
798B	ASIC may give advice to Minister on above.
798C	Market licensee or related body corporate, etc. listing on market.
798D	Exemptions and modifications for self-listing licensees or related bodies corporate.
798DA	Market licensee, related body corporate etc. or competitor participating in the market.
798E	Other potential conflict situations.
S798F	ASIC to supervise financial markets.
S798G	Market integrity rules.
798H	Complying with market integrity rules.
1041A	Market manipulation.
1041B	False trading and market rigging – creating a false or misleading appearance of active trading etc.
1041C	False trading and market rigging – artificially maintaining etc. trading price.

PUBLIC AND PRIVATE PROPRIETARY COMPANIES

113(3)	A proprietary company must not engage in anything that would require disclosure under Ch6D except offer of shares to existing shareholders/employees/subsidiary.

WHOLESALE AND RETAIL CLIENTS

Ch6D – Fundraising	
S708(10)	Exception to disclosure for offers made through a financial services licensee (with conditions)
Ch7 – Financial Services and Markets	
761A	Definition – retail client (s761G and s761GA). Definition – wholesale client (s761G).
761G	Meaning of retail client and wholesale client.
761GA	Meaning of retail client – sophisticated investors.
941A	Obligation on financial services licensee to give a Financial Services Guide if financial service provided to person as a retail client.
941B	Obligation on authorised representative to give a Financial Services Guide if financial service provided to person as a retail client.
944A	Situation in which Part 7.7 Division 3 (additional requirements for personal advice provided to a retail client) applies.
946A	Obligation to give client a Statement of Advice.
946AA	Small investments – Statement of Advice not required.
946B	Other situations in which a Statement of Advice is not required.
946C	Timing of giving a Statement of Advice.
949A	General advice provided to retail client – obligation to warn client that advice does not take account of client's objectives, financial situation or needs.
961	Application of Part 7.7A Division 2 (Best interests obligations).
961A	Application of Part 7.7A Division 2 to a financial services licensee acting as an authorised representative.
961B	Provider must act in the best interests of the client.
961C	When is something reasonable apparent?
961D	What is a reasonable investigation?
961E	What would reasonable be regarded as in the best interests of the client?
961G	Resulting advice must be appropriate to the client.
961J	Conflict between client's interest and those of a provider, licensee, authorised representative or associates.
963A	Conflicted remuneration.
963B	Monetary benefit given in certain circumstances not conflicted remuneration.
963C	Non-monetary benefit given in certain circumstances not conflicted remuneration.
963E	Licensee must not accept conflicted remuneration.
963F	Licensee must ensure compliance.
963K	Product issuer or seller must not give conflicted remuneration.
963L	Volume-based benefits presumed to be conflicted remuneration.
964	Application of Division 5 (other banned remuneration)
964A	Platform operator must not accept volume-based shelf-space fees.
964D	Financial services licensees must not charge asset-based fees on borrowed amounts.
Pt 7.8 Div4A	Special provisions relating to margin lending facilities.
1017D	Periodic statements for retail clients for financial products that have an investment component.
1017E	Dealing with money received for financial product before the product is issued.
1017F	Confirming transactions.
1017G	Certain product issuers and regulated persons must meet appropriate dispute resolution requirements.
1018A	Advertising or other promotional material for financial product must refer to product

	disclosure statement.
1018B	Prohibition on advertising personal offers covered by s1012E.

SOPHISTICATED AND PROFESSIONAL INVESTORS

Ch6D – Fundraising	
S708(8)	Exception to disclosure for sophisticated investors
S708(11)	Exception to disclosure for professional investors
761GA	Meaning of retail client – sophisticated investors.

EXCLUDED SECTIONS

Ch6D – Fundraising	
700	Definition of securities.
701	Repealed.
702	Treatment of offers of options over securities.
703	Chapter 6D may not be contracted out of.
703A	Operating a clearing and settlement facility is not offering securities
706	Offer of securities for issue needs disclosure.
707	Sale offers (of securities) that need disclosure.
708A	Rights issues that do not need disclosure.
708A	Sale offers that do not need disclosure.
714	Content of a profile statement.
715A	Presentation, etc. of disclosure documents.
716	Disclosure document date and consents.
717	Overview of procedure for offering securities.
718	Lodging of disclosure document.
719	Lodging of supplementary or replacement document.
720	Consents needed for lodgement.
722	Application money to be held on trust.
723	Issuing or transferring the securities under a disclosure statement.
724	Choices open to person making the offer if disclosure document condition not met or disclosure document defective.
725	Expiration of disclosure document.
Part 6D.3	Prohibitions, liabilities and remedies
Part 6D.4	ASIC's powers.
Part 6D.5	Miscellaneous.
Ch7 – Financial Services and Markets	
760	Repealed.
760A	Object of Chapter.
760B	Outline of Chapter.
761	Repealed.
761B	Meaning of arrangement.
761D	Meaning of derivative.
761EA	Meaning of margin lending facility, margin call and associated expressions.
761F	Meaning of person – generally includes a partnership.
761FA	Meaning of person – generally includes multiple trustees.
761H	References to this Chapter include references to regulations or other instruments made for the purposes of Ch7.
762	Repealed.
762C	Meaning of facility.

763	Repealed.
763B	When a person makes a financial investment.
763C	When a person manages financial risk.
763D	When a person makes non-cash payments.
764	Repealed.
765	Repealed.
766	Trading in securities.
766E	Meaning of provide a custodial or depository service.
Pt 7.1 Div6	What is a clearing and settlement facility?
Pt 7.1 Div7	General provisions relating to civil and criminal liability.
790A	Definition of clearing and settlement arrangement.
791	Repealed.
791C	Exemptions – financial markets.
792	Repealed.
792C	Giving ASIC information about a listed disclosing entity.
792D	Obligation to assist ASIC.
792E	Obligation to give ASIC access to market facilities.
792F	Annual report.
792G	Obligations to notify people about clearing and settlement arrangements in certain circumstances.
792I	Making information about compensation arrangements publicly available.
793	Repealed.
793C	Enforcement of market operating rules.
793D	Changing the operating rules.
793E	Disallowance of changes to operating rules.
794	Repealed.
Pt 7.2 Div3 Subdiv. C	Powers of the minister and ASIC.
795C	Publication of notice of licence grant.
Pt 7.2 Div4 Subdiv. C	When a licence can be varied, suspended or cancelled.
798J	Directions by ASIC.
798K	Alternatives to civil proceedings.
798L	Exemptions and modifications by regulations.
Pt 7.3	Licensing of clearing and settlement facilities.
Pt 7.4	Limits on involvement with licensees.
Pt 7.5	Compensation regimes for financial markets.
Pt 7.5A	Regulation of derivative transactions and derivative trade repositories.
910A	Definitions (licensing of providers of financial services).
911	Repealed.
912	Repealed.
912B	Compensation arrangements if financial services provided to persons as retail clients.
912C	ASIC direction to provide a statement.
912E	Surveillance checks by ASIC
912F	Obligation to cite licence number in documents.
913	Repealed.

913C	Licence numbers.
914	Repealed.
915	Repealed.
Pt 7.6 Div4 Subdiv C	When an Australian financial services licence can be varied, suspended or cancelled.
916	Repealed.
Pt 7.6 Div5	Authorised representatives.
Pt 7.6 Div6	Liability of financial services licensees for representatives.
Pt 7.6 Div8	Banning or disqualification from providing financial services.
Pt 7.6 Div9	Registers relating to financial services.
924	Repealed.
Pt 7.6 Div11	Agreements with unlicensed persons relating to the provision of financial services.
Pt 7.6 Div12	Miscellaneous – exemptions and modifications by ASIC/regulations.
940D	General approach to offence provisions.
941	Repealed.
943	Repealed.
945	Payments into and out of development account.
946	Investment.
947	Repealed.
948	Repealed.
949	Claim by selling dealer in respect of default by buying dealer.
Pt.7.7 Div6	Miscellaneous – Part 7.7 cannot be contracted out of, exemptions and modifications by ASIC/regulations.
Pt 7.7 Div7	Enforcement.
Pt 7.7A Div1	Preliminary division to Part 7.7A (best interests obligations and remuneration).
961F	What is a basic banking product?
961H	Resulting advice still based on incomplete or inaccurate information.
Pt 7.7A Div2 Subdiv F	Responsibilities of licensees under Part 7.7A Division 2.
Pt 7.7A Div2 Subdiv G	Responsibilities of authorised representatives under Part 7.7A Division 2.
Pt 7.7A Div3	Charging ongoing fees to clients.
963	Application of Part 7.7A Division 4 (conflicted remuneration) to a financial services licensee acting as an authorised representative.
963D	Benefits for recommending basic banking products not conflicted remuneration.
963G	Authorised representative must not accept conflicted remuneration.
963H	Other representatives must not accept conflicted remuneration.

963J	Employer must not give employees conflicted remuneration.
Pt 7.7A Div5 Subdiv B	Asset-based fees on borrowed amounts.
Pt 7.7A Div6	Anti-avoidance.
Pt 7.7A Div7	Transition period.
Pt 7.8 Div1	Preliminary – other provisions relating to conduct, etc. connected with financial products and financial services, other than financial product disclosure.
Pt 7.8 Div2	Dealing with clients' money.
Pt 7.8 Div3	Dealing with other property of clients.
Pt 7.8 Div4	Special provisions relating to insurance.
Pt 7.8 Div4A	Special provisions relating to margin lending facilities.
Pt 7.8 Div5	Obligations to report.
Pt 7.8 Div6	Financial records, statements and audit.
Pt 7.8 Div7	Other rules about conduct.
Pt 7.8 Div8	Miscellaneous.
Pt 7.8 Div9	Enforcement.
1010BA	Part 7.9 (financial product disclosure – issue, sale and purchase) does not apply to contribution plans.
1010D	General approach to offence provisions.
1012F	Product disclosure statement for certain superannuation products may be provided.
1012I	Obligation to give employer a product disclosure statement in relation to certain superannuation products and RSA products.
1012IA	Treatment of arrangements under which a person can instruct another person to acquire a financial product.
1012K	Anti-avoidance determinations.
1013	Repealed.
1013DA	Information about ethical considerations, etc.
1013FA	Information not required to be included in PDS for continuously quoted securities.
1013J	Requirements if statement has been lodged with ASIC.
1014	Repealed.
Pt 7.9 Div2 Subdiv E	Other requirements relating to product disclosure statements and supplementary product disclosure statements.
Pt 7.9 Div2 Subdiv F	Other rights and obligations related to product disclosure statements.
1017BA	Trustees of regulated superannuation funds – obligation to make product dashboard publicly available.

1017BB	Trustees of registrable superannuation entities – obligation to make information relating to investment of assets publicly available.
1017BC	Obligations relating to investment of assets of registrable superannuation entities – general rule about giving notice and providing information.
1017BD	Obligations relating to investment of assets of registrable superannuation entities – giving notice to providers under custodial arrangements.
1017BE	Obligations relating to investment of assets of registrable superannuation entities – giving notice to acquirers under custodial arrangements.
1017C	Information for existing holders of superannuation products and RSA products.
1017DA	Trustees of superannuation entities – regulations may specify addition obligations to provide information.
1019K	Rights if requirements of Division not complied with.
1020AF	Regulations.
Pt 7.9 Div5C	Information about CGS depository interests.
1020C	Repealed.
1020D	Part 7.9 cannot be contracted out of.
1020E	Stop orders by ASIC.
1020F	Exemptions and modifications by ASIC.
1020G	Exemptions and modifications by regulations.
Pt 7.9 Div7	Enforcement.
1040A	Content of part 7.10 (market misconduct and other prohibited conduct relating to financial products and financial services).
1041D	Dissemination of information about illegal transactions.
1041E	False or misleading statements.
1041F	Inducing persons to deal.
1041G	Dishonest conduct.
1041H	Misleading or deceptive conduct (civil liability only)
1041I	Civil action for loss or damage for contravention of s1041E to s1041H
1041J	Sections of Part 7.10 Division 2 have effect independently of each other.
1041K	Part 7.10 Division 2 applies to certain conduct to the exclusion of State fair Trading Acts provisions.
Pt 7.10 Div2A	Proportionate liability for misleading and deceptive conduct.
Pt 7.10 Div3	Insider trading prohibitions.
Pt 7.10 Div4	Defences, relief and limits on liability.
Pt 7.11	Title and transfer.

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