

# RegistryDirect

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General Manager  
Financial System and Services Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

24 August 2015

Dear Sir/Madam

Please find below our comments on the consultation paper titled "Facilitating crowd-sourced equity funding and reducing compliance costs for small business".

We have limited our responses to section 6.3 on maintaining a share register. The number references align with the consultation paper.

**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?**

For a company with a static share register, which has few or no movements, the maintenance time and cost is negligible.

For companies who have movements on their share register our experience is most outsource the responsibility to maintain their registers and make ASIC lodgements to an external accountant or legal adviser. We expect the cost per movement to be around \$200 on average.

Software companies like Registry Direct ([www.registrydirect.com.au](http://www.registrydirect.com.au)) allow companies to self-administer their share registers for between \$30 and \$50 per month.

**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?**

The principal value to small proprietary companies in maintaining a share register is to record information that is not otherwise available on the ASIC register. For example, their shareholders telephone number, their email address and their bank account details. Given these contact details ought to be maintained by the company anyway, recording how many shares each holders owns is a relatively trivial additional requirement.

Consequently, I believe most companies would maintain their own records even if not required by law.

**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?**

For the reasons articulated in my response to item 20, I believe it is best practice for companies to maintain a copy of their share registers.

In particular, I am concerned that removing the requirement may result in shareholder email addresses not being maintained and consequently less frequent communications to shareholders due to the cost and hassle of post.

**22. If the requirement were removed for small proprietary companies with up to 20 shareholders:**

- **How could share ownership be transferred? 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?**

As a general rule, I think information held by ASIC should be made available for free. That said, I also think it is a breach of privacy to make available information about individual shareholders. Maybe people should not have the right to a copy of the register but simply a right to distribute information to the register where it is for a proper purpose. Any distribution could be done by ASIC or another reputable party to prevent the disclosure of the shareholders details.

**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?**

I believe it is best practice (and ought to be law) for a party independent of the company to keep an auditable record of all activity on the company's share register. This could be ASIC or another reputable party. I further believe this should apply to all shareholders records, not just the top 20.

To minimise the cost to ASIC of processing paper based Forms 484, I believe it is reasonable to require companies to provide the information electronically to ASIC/the EDGE database.

**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?**

Removing the requirement for companies to maintain their registers is a lower standard and, consequently, can only lead to lower governance standards. Moreover, I believe that given the low cost ability to communicate with shareholders via email, higher standards of disclosure ought to be imposed on all companies than currently exist. For example, whenever the capital structure of a company is changed (such as the issuance of shares) I believe every shareholder should be notified.

Best regards

Registry Direct