6 June 2017

Manager  
Financial Innovation and Payments Unit  
Financial System  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [csef@treasury.gov.au](mailto:csef@treasury.gov.au?subject=)

Dear Ms Laura Llewellyn

**Extending Crowd-sourced Equity Funding (CSEF) to proprietary** **companies**

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide a submission to the Treasury on their draft legislation *Corporations Amendment (Crowd-sourced Funding for proprietary companies) Bill 2017*(the Bill). We have made submissions to Treasury on their earlier consultations in February and August 2015 as well as to the Senate Inquiries in 2016. Appendix A includes more information about Chartered Accountants Australia and New Zealand. We have focused our feedback on the main points of this Bill.

We support the extension of the CSF regime to proprietary companies and the use of a single CSF model (ie: fundraising and investor caps) for both public and proprietary companies. Our previous submissions stated that we consider this is best implemented within the existing proprietary company framework. We also noted the need to ensure appropriate transparency for CSF shareholders and did not support a change to the proprietary company shareholder limits.

**Shareholder limits**

We note that the draft legislation does not change the 50 non-employee shareholder limit for proprietary companies but considers CSF shareholders to be outside this limit. We consider this an acceptable way to enable a wider shareholder base within the existing proprietary company framework. However, we note that if CSF shareholders transfer their shareholding outside of the CSF framework, the new shareholder will be deemed to be a non-CSF shareholder and so will be counted as part of the 50 non-employee shareholder limit. We consider that this may pose some challenges for the company involved as they may not be able to control their non-employee shareholder limit appropriately.

**Investor protection**

We support the key features of the new legislation to provide special investor protection provisions. We consider it critical for companies with CSF shareholders to provide annual financial and director’s reports, prepared in accordance with the accounting standards. We note that these may also be a requirement of the intermediaries facilitating access to CSF. The audit requirement for companies which raise more than $1million is appropriate and in line with the CSF regime for public companies. Additionally we support the requirements for a minimum of 2 directors and the application of Chapter 2E for related party transactions.

**Removal of corporate governance concessions**

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We note the intention to remove the corporate governance concessions for new public companies and proprietary companies that convert to access the CSF with the introduction of this legislation. These include exemption from holding an AGM, the option to provide online financial reports and the audit exemption for issues under $1m for five years. We support the removal of these exemptions as we had previously expressed concerns about their negative impact on investor rights and consider they added unnecessary complexity to the framework. However, we recommend the Treasury consider transitional arrangements for any companies who raise funds under CSF before this new legislation for proprietary companies is introduced.

Should you have any queries concerning the matters discussed above or wish to discuss them in further detail, please contact Karen McWilliams via email at [karen.mcwilliams@charteredaccountantsanz.com](mailto:karen.mcwilliams@charteredaccountantsanz.com) or phone (612) 8078 5451.

Yours sincerely

**Rob Ward FCA AM**

**Head of Leadership & Advocacy**

**Appendix A**

**Chartered Accountants Australia and New Zealand**

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.