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From: [REDACTED]
Sent: Monday, 21 February 2022 3:46 PM
To: policy.submissions
Subject: Consultation Paper 357 - Remaking relief for business introduction services

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Dear ASIC Policy team,

We refer to Consultation Paper 357.

We are a women-led, angel group for women and non-binary investors that wish to invest in women and non-binary founders and then support them in their business with our community of radically generous members. We currently rely on the relief and have funded one company.

Do you agree with our proposal to allow the relief in relation to Ch 2L and Ch 6D to sunset? Why or why not?

We do not agree with the proposal to allow the relief to sunset.

- It will limit the ability for small angel groups and investment syndicates to work together to support business growth.
- It particularly disadvantages women and minority groups due to the lack of diversity in CSF licence holders, the focus on equity only and the screening mechanisms of the current platforms favouring large investments or rounds.
- There is a gap in the market for ventures that are fundraising under \$300,000 in capital, sunseting this exemption widens that gap.
- Convertible notes and Revenue Based Financing are mechanisms that allow founders to retain a larger ownership % of their company - whilst still getting a return for the investor. This is particularly relevant for diverse and minority founders who when using equity investment can run the risk of dilution to the point where they are forced out of their own business. Alternatives to equity allow the economy to be stimulated via investment without a focus solely on Unicorns (companies that have a \$1 billion valuation).

Will our proposal significantly impede the ability of companies to raise funds? If so, please explain why the CSF regime is not an appropriate alternative for raising funds.

The CSF regime only covers equity, many early-stage ventures are using convertible notes, SAFE agreements and revenue-based financing. These securities are not covered by the CSF regime, yet are critical for companies to use and garner a group of investors around their business.

The CSF regime is best suited to companies raising capital at a Seed or Series A stage. Without this exemption the raising of funds below \$300,000 will be difficult for founders due to the economic model of the platforms favouring larger deals.

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Women founders globally only receive under 3% of venture capital. The CSF regime reinforces a model that is biased against women.

Will our proposal have a significant impact on the ability of persons to sell securities in reliance on the relief?

Many founders are focused on building their business - raising capital from investors is not in their skillset. Business Introduction Services allow support for founders to work with skilled people to help prepare their investment case and connect them to the appropriate investors for their business.

Business Introduction Services (Angel groups) also allow investors who are investing in an early stage business to share their knowledge, expertise and rationale with other investors - this ability for Investors within the group to make recommendations is covered in the exemption and is critical for a founder to get momentum within a group of investors.

If you have operated a business introduction service under the relief in relation to Ch 6D securities, do you intend to obtain an AFS licence to operate as a CSF intermediary if the relief sunsets? If not, please explain why.

The CSF regime only covers equities - this definition is not broad enough for us to pursue obtaining a licence. We have consulted with a CSF intermediary who also cannot assist us due to the narrow focus of their licence.

Should we provide transitional relief for business introduction services that rely on the relief for Ch 6D securities? If so, would six months be sufficient? If not, why not and what transitional period would be sufficient?

The current relief should be extended until the CSF regime is expanded to securities. It should also be extended until a CSF licence holder has an economic model that allows for capital raising up to \$150,000 to be completed at a cost of less than 5% of the capital raised. Fixed cost CSF offerings at less than \$7,500.

If the relief for Ch 6D securities is extended (which is not our current proposal), should it only be available for companies or offers that are not eligible to rely on the CSF regime? Please provide reasons for your response.

The current relief should be extended for companies and offers that are not eligible to rely on the CSF regime and additionally for capital raises under \$500,000. This will further cultivate the environment for innovation to be supported.

We would be happy to meet with a team member at ASIC to discuss further. Since the release of this Consultation paper, we have actively met with AFSL licence holders and sought to use the CSF regime to meet the objectives of our group without success.

Kind regards,

[Redacted signature]