

The logo for 'pledge me.' features the text 'pledge me.' in a blue, lowercase, sans-serif font. The text is contained within a white speech bubble shape that has a tail pointing towards the bottom right. Below the speech bubble is a blue cartoon character with large eyes and a wide smile, appearing to be shouting or cheering with its arms raised.

7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

Dear ASIC,

Our feedback below is guided both by our experience providing equity crowdfunding in New Zealand the last three years, but also from our extensive research of other crowdfunding markets internationally.

We've broken out our feedback into main issues, and responses to your specific questions.

Main issues

CPP 288 (Company Guidance)

REG 00.69

You must ensure that the CSF offer document is not made available other than on the platform of the CSF intermediary (for example, it must not be available on your company's website or distributed to investors via email).

Issue 1: The requirement that the offer document only be available on the platform is bad for the issuer and the investor. In New Zealand, we have seen offer documents being emailed, and shared on company websites, with the clear statement that all investments need to be made on the licensed platform. It would be impossible to restrict this, as even if the company didn't share - their potential investors could still download, email, and share online. The restriction should be around where the investment is directed, rather than restricting where information is shared. It would be very hard for the platform to monitor the latter.

REG 00.85

Your company may advertise its CSF offer or intended offer, both before and after the CSF offer document is published on the CSF intermediary's platform, provided that the advertisement or publication includes a statement that investors should consider the offer document and the general risk warning in deciding whether to apply under the offer.

The logo for 'pledge me.' features the text 'pledge me.' in a blue, lowercase, sans-serif font. The text is contained within a white speech bubble that has a blue outline and a small blue hand icon pointing upwards from the bottom right corner.

7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

Requiring a warning statement would exclude sharing on certain social media platforms (eg. Twitter) as it would be impossible to include warning statements due to character caps. Even sharing an image of the warning would not be practicable for visually impaired users. Also, the definition of “interested” parties, if extended to family and close networks, would be impossible to manage or enforce. Again, regulation should focus on the platforms ensuring there are enough warning statements before an investment is made, and not on restricting where information is shared.

RG 000.108 -

If your company—or other persons including officers and employees of your company and the CSF intermediary—makes an unsolicited approach to investors in connection with your company’s offer.

Issue 1: Would calling your friends about your campaign be considered unsolicited? If so, that would be an issue as that’s how you tell your crowd about your campaign.

General feedback: it’s good that emails aren’t considered hawking in this scenario (or social media messages). You might want to confirm this in your guidance, as on first reading it sounded like that might not be allowed too.

CPP 289 (Intermediary Guidance)

RG 000.111

It may be misleading to: state success stories without acknowledging a significant failure to provide returns to investors, if that is the case; (b) present views about a CSF offer as those of investors, if in fact these are your views (as the CSF intermediary) or the views of your associate rather than views of other investors; or (c) quote levels of investment that include investments by you (as the CSF intermediary) or your associates, or associates of the company making the CSF offer, or amounts that are subject to cooling-off, if the reader may be given the impression that the level of investment shows the confirmed level of interest of unassociated public investors.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

Issue 1: How would the platform know about returns to investors? We would only be managing the raise, not future relationships between the investors and the company.

Issue 2: Does this mean that the amount pledged that is technically in the “cooling-off” period is unable to be reflected on the platform? That would be technically a nightmare, also not in line with the reasoning for crowdfunding (transparent, real time information).

Guidance for Companies Feedback (CP 288) from PledgeMe

B1 We propose to give guidance explaining when: (a) a company is eligible to make offers of shares under the CSF regime; and (b) an offer is an eligible CSF offer that complies with the ‘issuer cap’ and other requirements under the Corporations Act. We have provided worked examples in our proposed guidance of how the issuer cap is calculated and how the definition of ‘related party’ works in different scenarios. See Section B of the draft regulatory guide at Attachment 1.

B1Q1 Do you think our proposed guidance will assist companies to determine whether they and their offers meet the eligibility requirements? If not, why not? Is there any additional guidance that may be useful?

Our research shows that 99% of Australian businesses are proprietary, so the guidance shouldn’t just outline who is eligible (eg. Public Unlisted) but outline what it means to be a Public Unlisted Company.

Also, note, that 71 pages is a very long document for a company to take the time to read. A summarised 2 pager on “top things to think about” could be useful.

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|---|--|
| <p>B1Q2 Are the worked examples explaining the meaning of 'related parties' at RG 000.24– RG 000.27 useful? If not, what additional examples or guidance may be useful?</p> | <p>It is ok.</p> |
| <p>B1Q3 Is the worked example on the calculation of the issuer cap at RG 000.48 useful? If not, what additional examples or guidance may be useful?</p> | <p>It's confusing if it counts some capital raising outside of CSF (but not all capital raising).</p> <p>Propose you should either include all investment raised in the last twelve months, or just equity crowdfunding.</p> |
| <p>B2 We propose to give guidance explaining: (a) the process for making offers of shares under the CSF regime; and (b) the obligations and prohibitions that apply to CSF offers. See Section C of the draft regulatory guide at Attachment 1.</p> | |
| <p>B2Q1 Is our proposed step-by-step guidance on the process for making CSF offers useful? If not, why not? Do you have any suggestions for how it could be improved?</p> | <p>Make it plain english.</p> <p>Eg.</p> <ol style="list-style-type: none">1. Company signs hosting agreement with crowdfunding platform.2. Company prepares their offer document for the campaign.3. Company gains consent for all parties quoted in the offer document.4. Crowdfunding platform completes final checks and launches the crowdfunding campaign.5. Crowdfunding campaign closes (either due to maximum goal being met, deadline being met) |

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|--|--|
| | <p>6. If successful, identity checks completed, campaign funds processed (if not already), shares issue, and money transferred.</p> |
| <p>B2Q2 Is our proposed guidance on the obligations and prohibitions that apply to CSF offers useful? If not, why not?</p> | <p>RG 000.70 <i>“The offer period cannot be extended for any reason”</i> Disagree with this prohibition. The ability to extend a raise - isn't precluded in the legislation (from our understanding), and shouldn't be written into the guidance. In New Zealand, as long as investors are notified and do not opt out, it is allowed.</p> |
| <p>B2Q3 Is there any additional guidance on making CSF offers that may be useful? Please provide details.</p> | <p>Guidance material was very long, and some of the language was quite complicated. It would be good to get it into plain english and have a two page summary of top things companies need to consider.</p> <p>Also, it assumed a basic level of financial literacy that shouldn't be assumed. Could add additional guidance around:</p> <ul style="list-style-type: none">- What is a Public Unlisted company (not just the concessions)- How does capital raising work generally (the mechanics of shares etc). |



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

C1 We propose to give guidance on the minimum information requirements for CSF offer documents, including: (a) the offering company’s business—we propose to give guidance that an offer document should explain the nature of the company’s business and their business model and strategy (see Table 14 in RG 000); (b) the main risks facing the company’s business—we propose to give guidance that a CSF offer document should generally disclose the top three to five risks (being material risks impacting the success of the business) (see RG 000.133–RG 000.139 and Table 17); (c) the capital structure of the company—we propose to give guidance that this includes pre- and post-offer capital structure, shareholder rights, including special rights under shareholder agreements, and majority shareholder interests (see Table 15 in RG 000); (d) the financial information of the company— we propose to give guidance on what financial information should be included in a CSF offer document and when would it be inappropriate to include financial forecasts and targets (see Table 18 and RG 000.140–RG 000.157); and (e) use of funds raised under the CSF offer— we propose to give guidance that a CSF offer document should include a breakdown of how the funds will be used and whether the funds are sufficient to meet the company’s objectives (see Table 19 in RG 000). Our proposed guidance details the information that we consider companies should include in their CSF offer document to meet the minimum information requirements and also highlights some additional information that may be useful for investors and that may help companies meet other requirements in the Corporations Act. See Section D, specifically Tables 12–20, of the draft regulatory guide at Attachment 1.

C1Q1 Is it useful for us to give detailed guidance on the prescribed minimum information requirements (for the offer document)? If not, why not?

Overall, as a guide, yes. Some of the areas were too prescriptive, and we disagree with some statements around the assumed stage of companies and ability to forecast.

- RG 000.115 - Would argue Management needs to be involved in offer document preparation, as they know the operational side of the business better than the directors (who manage strategy / risk)
- RG 000.115 & 175- Define “reasonable grounds”. Would argue that it is contradictory that forecasts are seen as



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|--|---|
| | <p>misleading because future focussed, but risks required to focus on future potential risks.</p> <ul style="list-style-type: none">- RG 000.156 & 176- Assumption companies are young / early stage without a track record is incorrect, in New Zealand the average age is around 4 years old and in the UK only 29% of the companies raising funds are “start-ups”.¹ |
| <p>C1Q2 Do you agree that the minimum information requirements require disclosure of the information we have given guidance on? If not, please provide details.</p> | <p>Again, it’s too long for companies.</p> |
| <p>C1Q3 Do you agree with our proposed guidance that information about a company’s business model and strategy should be included in a CSF offer document? If not, why not?</p> | <p>Overall, yes. But:</p> <ul style="list-style-type: none">- Table 12 - why is a contents page required? Hopefully the offer doc will be short enough that this isn’t required (or only included if long).- Table 14 - stage of development section - is this really needed? If so, define a start up. |
| <p>C1Q4 Do you agree with our proposed guidance that the top three to five main risks facing a company’s business should be included in a CSF offer document? If not, why not?</p> | <p>Yes, but instead of just a description a company should include how they plan to mitigate the risk</p> <p>Eg. if it’s key person, ensuring they have processes</p> |

¹ <https://www.crowdcube.com/infographic>

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|--|---|
| | documented etc. |
| C1Q5 Do you agree with our proposed guidance on the information about a company's capital structure that should be included in a CSF offer document? If not, please provide details. | It's pretty clear. Would propose a pre & post money structure as shown in Appendix 1. |
| C1Q6 Do you agree with our proposed guidance on the financial information that should be included in a CSF offer document? If not, please provide details. | <p>Agree with all the comments re: current financial information.</p> <p>Disagree with thinking around forecasts, as most of the companies raising money will probably be existing / growing companies, and as long as the assumptions tied to the forecast are clear it is useful.</p> <p>Also in Table 15 you require them to forecast ability to repay loans (even though your commentary on forecasts is they are not allowed.)</p> <p>Also, government funding isn't always debt so that classification might need tweaking.</p> |
| C1Q7 Do you agree with our proposed guidance on information about the use of funds that should be included in a CSF offer document? If not, please provide details. | <p>3.2 - Table 5: Use of Funds</p> <p>Overall, agree, but breaking the use of funds over 2 years likely not useful (funds will typically be used within the year, and should be broken out into areas of spend rather than years).</p> |

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

C2 We propose to provide a template CSF offer document, accompanied by instructions and example content, to help companies prepare a CSF offer document that includes the minimum information required by law. See the Appendix to the draft regulatory guide at Attachment 1.

C2Q1 Is the template CSF offer document useful? If not, why not? Do you have any suggestions on how can it be improved? Please provide details.

- 2.3.2 - not just Debt, grants might not be debt.
- Table 3 - Risks - rather than a description, it should be mitigation.
- Table 5 - Use of funds shouldn't be allocated over multiple years, too much room for error, not useful, and typically funds are spent within a year.
- 3.4 - Just previous CFS offers? Should be more if that is part of the cap calculation.
- 4.1 Cooling-off rights, again assumption that application money / pledged money is processed during campaign rather than once closed.

C2Q2 Do you agree with the instructions in the template CSF offer document? If not, please provide details.

Overall, it is ok.

D1 To assist companies, we propose to give guidance explaining: (a) when a company is eligible to rely on the temporary concessions; (b) what temporary concessions are available for eligible companies; and (c) when the temporary concessions cease to apply, including what audit, reporting and AGM obligations companies will need to comply with under the Corporations Act. See Section F of the draft regulatory guide at Attachment 1.

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|---|--|
| <p>D1Q1 Is our proposed guidance on the temporary concessions useful? If not, why not? Is there any additional guidance that may be useful?</p> | <p>It's pretty long and complicated in its definition of how the various concessions work. It's pretty unlikely many company's will read your guidance in much detail, therefore the onus will probably be on the platform and the company's lawyers (if any) to ensure they understand what the concessions are and how they work.</p> <p>My suggestion would be to shorten the guidance, clarify some of the reasoning, and provide a broader picture of what it will mean to be a public unlisted company (both with the exemptions on offer and generally).</p> <p>RG 000.211 - Would argue directors should provide proper reporting and governance standards no matter what. BUT to their shareholders, not the world which is not currently exempted. And, allow the voting shareholders to opt out of audits to reduce potentially unnecessary costs.</p> |
| <p>D1Q2 Is the example illustrating when the concessions may cease to apply useful? If not, why no</p> | <p>As above.</p> |
| <p>D1 - General response to concessions on offer</p> | <p>Question: can company's revert back to a proprietary company after a raise?</p> |

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|---|--|
| | <p>The trigger point to lose the concessions after 5 years feels arbitrary, especially if a company never raises additional funds. If say, they only raise \$200,000 and then are around for 20 years, they will have spent that raise in audit fees alone over time.</p> <p>Wouldn't a better trigger be either based on the total amount raised through CSF (eg. more than \$5million over time) or an asset test (eg. over \$25million in assets). You could be unduly taxing small company's otherwise.</p> <p>Eg. In New Zealand, we had a company Angel Food that raised \$150,000 in 2015 for their 11 year old company. They don't plan to raise any additional growth funding, but from 2020 under your rules would need to start spending \$10-\$20,000 on audit alone, for little reason other than they'd raised money off their crowd historically.</p> |
| <p>E1 We propose to update the existing relief in ASIC Corporations (Consents to Statements) Instrument 2016/72 so that it applies to statements in CSF offer documents. See the draft instrument at Attachment 2 to this consultation paper.</p> | |
| <p>E1Q1 Do you agree with our proposal to update ASIC Corporations (Consents to Statements) Instrument 2016/72? Is all of the proposed relief (for example, the relief for trading data and geological reports) necessary? If not, why not?</p> | <p>Agree.</p> |



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

Guidance for Intermediary Feedback (CP 298) from PledgeMe

| | |
|--|--|
| B2 We propose to issue CSF intermediaries with a tailored AFS licence authorisation to provide a crowd-funding service through a single CSF platform, specified in the licence by reference to the URL that will be used to access the platform. | |
| B2Q1 Do you agree with this proposal? If not, why? | Unsure why it would be tied to the URL? That might change over time. |
| B2Q2 Can you suggest a way of identifying the CSF platform for which we have conducted a licensing assessment, without referring to the URL that will be used to access it? | The company name. |
| We propose to supplement the guidance in RG 181 with tailored guidance on the types of conflicts that may be faced by a CSF intermediary and how these can be managed. See RG 000.31–RG 000.34 of the draft regulatory guide at Attachment 1. | |
| B4Q1 Do you agree with this proposed guidance? If not, why? | Yes. |
| B5 A CSF intermediary that is required to have adequate financial resources—and is not subject to certain other financial requirements—should have at all times cash flow projections, based on a reasonable estimate of what is most likely, that: (a) cover at least 12 months ahead; (b) have been approved by the directors or other governing body of the CSF intermediary (or if the CSF intermediary is a natural person, that person) within the previous three months; and (c) demonstrate that the CSF intermediary would hold, at all times covered by the projection, a cash buffer of at least 5% of projected 12-month cash outflows or, if higher, the cash outflows in a previous full financial year. See the draft legislative instrument at Attachment 3. | |

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|---|--|
| <p>B5Q1 Do you agree with the proposed requirement that CSF intermediaries prepare, and have regularly approved, cash flow projections about likely financial outcomes that cover a period of at least 12 months? If not, why?</p> | <p>Yes, directors should be assessing cash flow, projections, and confirm they have 5% of annual expenses on hand.</p> |
| <p>B5Q2 Do you consider that the cash flow projections should be required to cover a shorter period of time? If so, what period of time do you consider appropriate, and why?</p> | <p>An annual budget makes sense.</p> |
| <p>B5Q3 Do you consider that CSF intermediaries should be able to demonstrate that they have adequate cash by following any of Options 2 to 5 set out in RG 166, which certain other kinds of AFS licensee can choose to comply with? If so, which option is likely to be appropriate and why?</p> | <p>5% of annual expenses seems adequate.</p> |
| <p>B6 We propose that a CSF intermediary that is required to have adequate financial resources under the Corporations Act—and is not subject to net tangible assets (NTA) requirements under other ASIC legislative instruments—must ensure that the audit report required to be lodged with its annual financial statements includes statements by a registered company auditor, addressed to the CSF intermediary and ASIC, that for the relevant period: (a) in the auditor’s opinion, the CSF intermediary: (i) complied with the requirements to have the cash flow projection approved as required at least quarterly, the requirement to hold the required 5% cash buffer and any other financial requirements applying under its licence conditions; (ii) had, at all times, cash flow projections (covering at least the following 12 months) that purport to, and on their face appear to, be a projection of the licensee’s cash flow, as required; and (iii) correctly calculated the cash flow projections based on the assumptions used for the projection; and (b) following an examination of the calculations, assumptions and description used in preparing the cash flow projections, including the documents prepared to demonstrate that the CSF intermediary meets the requirements for cash, the auditor has no reason to believe that the CSF intermediary: (i) did not have adequate systems for managing the risk of having insufficient financial resources to meet any applicable financial requirements; (ii) failed to document the calculations and assumptions used in preparing the cash flow projections and describe why they are appropriate; (iii) will not have access, when needed, to enough financial resources to</p> | |

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

meet its liabilities over the projected term of at least 12 months, or that the it will not hold at all times during the period to which the projection relates, in cash, an amount equal to or greater than the current amount it is required to hold in cash; or (iv) adopted assumptions for the cash flow projections that were unreasonable. See RG 000.42 of the draft regulatory guide at Attachment 1.

B6Q1 Do you agree with the proposal to require a CSF intermediary to arrange for an audit report on the proposed basis? If not, why?

As long as it's not too expensive to audit.

B7 We propose that our other financial requirements under RG 166, applying to AFS licensees generally, other than those relating to adequacy of cash, will apply to CSF intermediaries—including the requirement for surplus liquid funds under Section C of RG 166.

B7Q1 Do you consider that any of the requirements that apply to AFS licensees generally will not apply appropriately to CSF intermediaries? If so, why? B7Q2 Do you consider that other requirements should apply to protect clients and promote confidence in CSF intermediaries? If so, what requirements should apply and why would that be appropriate?

RG 000.38 "One of the general financial resource requirements for an AFS licensee to maintain surplus liquid funds (SLF) of \$50,000 if it holds client assets of at least \$100,000. As a CSF intermediary, you may hold at least \$100,000 of client assets (such as application money) from time to time, and you will need to meet the SLF requirements at those times"

Does that mean if you had \$100,000 held in your trust account, you would need an additional \$50,000 in your business bank account? So at least \$150,000 across your bank accounts? Why do you need this, when you have the 5% of expenses requirement?



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|--|--|
| | In NZ, we need to have wrap up funds held with our lawyers, but an additional financial calculation like SLF seems excessive. |
| B8 We propose to generally apply our existing policy about organisational competence when assessing applications for an AFS licence authorisation to provide a crowdfunding service. As this is a new AFS authorisation, the relevant experience that may be demonstrated under Option 5 in Regulatory Guide 105 Licensing: Organisational competence (RG 105) will be relevant and provide flexibility. | |
| B8Q1 Do you agree with the proposal? If no, why? | Yes. |
| B9 We propose to consider the following experience in assessing the organisational competence obligation for CSF intermediary licensees: (a) experience as an IDPS platform operator, managed discretionary accounts operator or conducting due diligence on investments to be offered to retail clients as part of admission to an approved product list for advisers; (b) experience dealing in securities, for example as a stockbroker; (c) corporate advisers in mergers and acquisitions, takeovers, rights offers, initial public offers, corporate actions, underwriters, placements, or listings; (d) fund management experience (including registered and unregistered managed investment schemes); (e) experience operating a crowd-sourced funding platform, including non-investment or investment based, using a wholesale or registered scheme arrangement, or small-offers exemption under s708 of the Corporations Act; (f) experience as an operator of an investment-based crowd-sourced funding platform, including overseas (such as in New Zealand or other countries); (g) experience as a financial market operator in Australia or overseas; and (h) experience operating a platform-based financial services business. | |
| B9Q1 Do you agree with the proposal? If not, why? | Yes. |
| B9Q3 Do you think there should a specific requirement for qualifications and experience in running the technology solutions for the platform? | <i>RG 000.46 “As a CSF intermediary, you should have people in your business who a) sufficiently understand the platform and underlying technology to ensure it operates as expected and to the extent possible without issues (we expect you to have at</i> |

pledge me.



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|--|---|
| | <p><i>least one person in your business with this understanding).</i></p> <p>What do you define as understanding? If you expect the platforms to always have at least one person employed directly that can code that is not reasonable, as developers are often hired for specific work and then the code is maintained by outsourced development shops.</p> |
| <p>B10 We propose to apply ASIC’s existing policy on dispute resolution procedures to CSF intermediaries for their retail client investors and offering companies, and to retain the existing guidance on these requirements in Regulatory Guide 165 Licensing: Internal and external dispute resolution (RG 165).</p> | |
| <p>B10Q1 Do you agree with this proposal? If not, why?</p> | <p>Yes.</p> |
| <p>C1 We propose to issue new regulatory guidance to assist CSF intermediaries to understand and comply with their specific obligations under the CSF regime. See Section C in the draft regulatory guide at Attachment 1.</p> | |
| <p>C1Q1 Do you agree with this proposal? If not, why?</p> | <p>Yes.</p> |
| <p>C2 We propose to issue guidance to assist CSF intermediaries to understand and comply with the specific obligations under the CSF regime to conduct checks to a reasonable standard. See Section C in the draft regulatory guide at Attachment 1.</p> | |
| <p>C2Q1 Do you agree with this proposal? If not, why?</p> | <p>Yes.</p> |
| <p>C2Q3 Do you agree with the proposed guidance about what will be needed for a CSF intermediary’s documented process for requiring the provision of information by offering companies to be reasonable, as required by the Corporations Regulations? If</p> | <p>Issues with Rationale 52c <i>“using independent and reliable sources of information, where reasonably available, to check the information is accurate and complete”</i></p> |



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

| | |
|---|--|
| <p>not, why not?</p> | <p>Requiring an intermediary to independently verify the information in the offer document is unreasonable. It is too high a cost and places risk on platform rather than the issuers to ensure information is correct.</p> |
| <p>D1 We propose that CSF intermediaries should provide annual information in relation to: (a) the total amount raised by all eligible CSF companies through their platform; (b) successful CSF offers made through their platform; (c) unsuccessful CSF offers; (d) investors in CSF offers; and (e) operation of the platform, including use of outsourcing.</p> | |
| <p>D1Q1 Do you agree with our proposal to require CSF intermediaries to provide information to ASIC on an annual basis about their operations?</p> | <p>Overall ok, as that information will predominantly be online anyways. Except for:</p> <p>59b vi is contrary to previous rules for company stating extensions not allowed, they should be, and can be reported, but contradictory.</p> <p>59c iv - define not published because eligibility criteria not met. Will be a lot of companies that start but never finish process, would that be required?</p> <p>59d iii - define complaint / severity, is it just "I don't like your UX"?</p> |
| <p>E1 We propose to require that, where a platform operator or nominee and custody services operator acquires shares under a CSF offer on instructions of a retail client, they ensure the client: (a) has access to the CSF offer document; (b) can access the communication facility; (c) has acknowledged the general risk warning; (d) is provided with the cooling-off rights; (e) is not financially assisted by the CSF intermediary or its related party, or the offering company or its related party; and (f) only holds investments, made through and outside the platform or service, that are within the investor cap for offers by the offering company</p> | |



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

through the relevant CSF intermediary.

E1Q1 Do you agree with the proposal? If not, why?

Yes.

Final notes / questions:

- **Generally:** The assumption that application funds will be processed straight away is not always correct, that is not the way we operate in New Zealand (we only process money once the campaign deadline and goal is met).
- **RG 000.7** - *However, crowd-sourced funding is a risky form of investment. According to the International Organization of Securities Commissions (IOSCO), risks of crowd-sourced funding include: (a) heightened risk of default or failure associated with start-up businesses; (b) higher risk of fraud and money laundering/terrorist financing with online offerings;*
Issue: disagree with statement that there is a higher risk of fraud and money laundering in crowdfunding. World Bank Report 2012 states: Crowdfund investing is unlikely to thrive if social networks do not exist or communities lack “constellations of trust” between members of the community, because investors will not be able to trust that founders will fulfill their promises and create a return on that investment.
- **RG 000.169** - *As a CSF intermediary, you must not financially assist a retail client in relation to a CSF offer, or arrange financial assistance for a retail client to acquire shares under a CSF offer, that you are hosting or intending to host.*
Question: does allowing pledges to be made via credit card count as offering financial assistance?

Cheers,
Anna Guenther
Co-founder of PledgeMe Limited



7 Dixon Street
Te Aro 6011
Wellington

027 Pledge 1
0 2 7 7 5 3 3 4 3 1

Appendix 1

Shareholding pre and post (if fully subscribed- eg. max funding goal met)

| Name | Pre | | Post | |
|--|-------------|------|-------------|------|
| | # of shares | % | # of shares | % |
| Shareholder 1 [Share type] | | | | |
| Shareholder 2 [Share type] | | | | |
| Shareholder 3 [Share type] | | | | |
| Investors from Equity crowdfunding [Share type] | | | | |
| TOTAL | | 100% | | 100% |