

31 August 2017

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By email: financial.markets@asic.gov.au

To whom it may concern,

Re: Submission by the Australian Small Scale Offerings Board (ASSOB) to CP 293

1. Summary

- 1.1. The Australian Small Scale Offerings Board (**ASSOB**) has reviewed CP 293 and welcomes the opportunity to provide this submission.
- 1.2. ASSOB submits the following for CSF raises that have finished their capital raising and have been declared "closed" - in order for the equity holders to instigate secondary sales, the raising entity should remain compliance listed on the CSF Intermediary's platform where quarterly they submit:
 - 1.2.1. a statement confirming solvency;
 - 1.2.2. a summary of how investor funds have been spent and if different to the 'Use of Funds' schedule (outlined in the offer document) an explanation of why those spending changes were made;





1.2.3. a general summary of the company's progress toward the milestones that were stated in the capital raising offer document;

1.2.4. any changes, news or events (good or bad) that affect the company.

1.3. Issuers should also provide their audited financial statements and copies of notices and minutes of Annual General Meetings to the CSF Intermediary platform to be published on their Compliance-listing Profile Page, within 90 days of the event occurring.

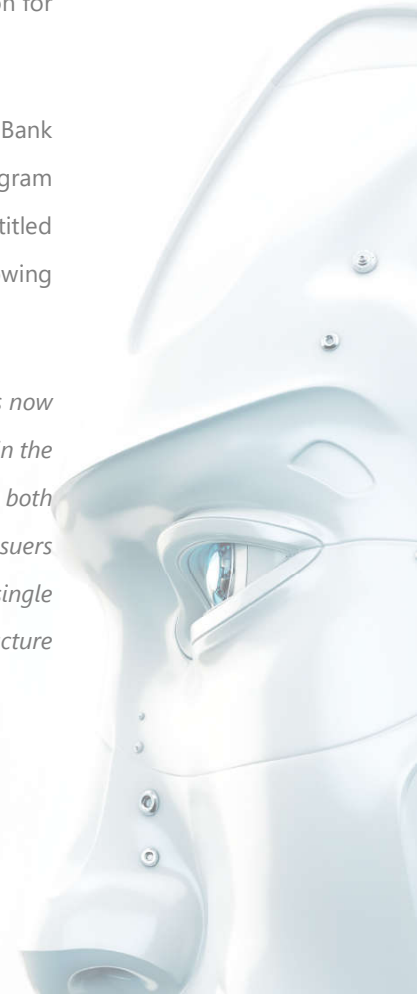
1.4. In the body of our submission below, we have quoted extracts from CP 293, followed by our comments, for ease of reference.

2. About ASSOB

2.1. ASSOB is the world's first equity crowd funding platform. Since our inception in 2007, ASSOB has become Australia's largest and most successful equity-based direct offering platform, showcasing investment opportunities in start-up and early stage, unlisted public companies. ASSOB has to date raised in excess of AU\$147 million for its Issuers.

2.2. An example of ASSOB's position and respect globally can be found in the World Bank and infoDev (Information for Development Program is a World Bank Group program that supports entrepreneurs in developing economies) 2013 report titled "Crowdfunding's Potential for the Developing World" which included the following description of ASSOB's crowdfunding operations:

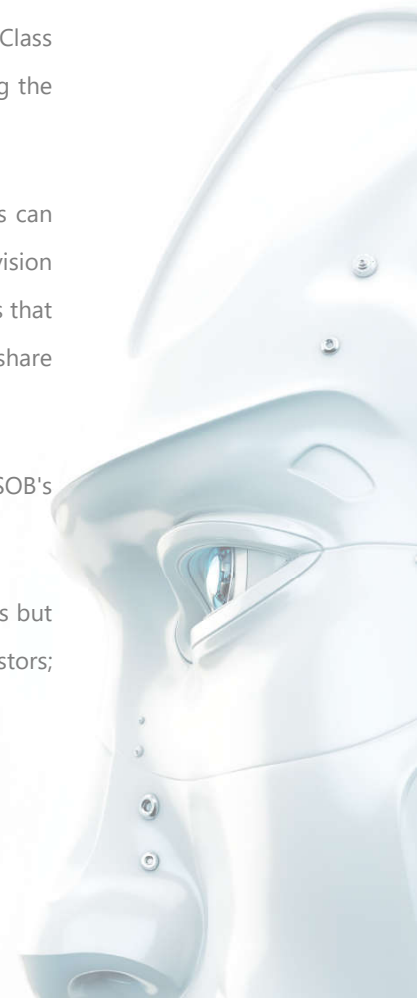
"The Australian Small Scale Offerings Board (ASSOB) was founded in 2007 and is now the largest investment crowdfunding platform in Australia and one of the largest in the world. It is an equity-crowdfunding platform that has successfully served both accredited and unaccredited investors, raising more than US\$130 million for issuers since its inception. Some 176 companies have been funded to date and not a single case of fraud has been reported. ASSOB operates within the current securities structure in Australia."



- 2.3. The report also commented on the relative success of companies funded via ASSOB's platform:

"After seven years of crowdfunding companies, the Australian Small Scale Offerings Board (ASSOB) shows that 86 percent of companies crowdfunded on its platform were still operating in 2012. This contrasts with a figure of 40 percent of non-crowdfunded (non-ASSOB) companies that fail after three years."

- 2.4. ASSOB's goal is to assist the Issuer in attaining the greatest chance of investment success by presenting quality promotional materials coupled with safeguarding the investor as much as possible from Issuer malfeasance. We publish material about individual Issuers (Profile Page) only after our team has completed due diligence on the company and its directors (approving the suitability of the company for promotion) and after having reviewed and approved the investment material for inclusion (approving the suitability of the language and content of the investment opportunity for promotion).
- 2.5. ASSOB currently conducts an online business introduction service at www.assob.com.au (the **ASSOB Platform**) which operates pursuant to the ASIC Class Order 02/273 "Business Introduction or Matching Services" (Class Order), using the exemptive relief of s708 of the Corporations Act (Cth) (the Act).
- 2.6. ASSOB also operates a restricted secondary sales platform where shareholders can offer to sell (transfer) some or all of their holdings. Our service includes the provision of all the necessary forms, the use of a non-statutory trust account and ensures that the company concerned is properly alerted and that its company secretary or share registrar updates the share register accordingly.
- 2.7. ASSOB does not quote live share prices and there are warnings to users of ASSOB's secondary sales platform to make them aware at the outset that:
- 2.7.1. ASSOB is not an established market for the sale or purchase of securities but merely provides a mechanism to identify potential investments or investors;
and





- 2.7.2. to that extent, the market for ordinary shares must be considered to be illiquid and likely to remain illiquid until such time, if at all, the Company lists on a stock exchange or is taken over by a company listed on a stock exchange.
 - 2.8. The secondary sales platform is only available to companies that are currently profiled on the ASSOB Platform as an 'ASSOB Compliance Listing'. There are two ways to access this:
 - 2.8.1. once a capital raise has been declared "closed", ASSOB requires that companies remain listed as an ASSOB Compliance listing for a period of at least five years (unless at a general meeting of the company's shareholders, 85% or more of the shareholders agree to delist the company from ASSOB or the company is listed on a stock exchange);
 - 2.8.2. if a company has not previously raised capital with ASSOB, it needs to go through an approval process, including due diligence, before they are accepted onto the platform.
 - 2.9. All companies listed on the ASSOB Platform (including capital raising companies and Compliance listed companies) are required to submit quarterly activity statements to be published on the Issuer's Profile Page that include:
 - 2.9.1. a statement confirming solvency;
 - 2.9.2. a summary of how investor funds have been spent and if different to the 'Use of Funds' schedule (outlined in the offer document) an explanation of why those spending changes were made;
 - 2.9.3. a general summary of the company's progress toward the milestones that were stated in the capital raising offer document;
 - 2.9.4. any changes, news or events (good or bad) that affect the company.
 - 2.10. Issuers must also provide their audited financial statements and copies of notices and minutes of Annual General Meetings to ASSOB which must be published on their Profile Page and Issuers must maintain their ASSOB Profile Pages with up to date



company information and are expected to deal with their shareholders and potential investors with the utmost commitment to true and fair disclosure.

3. ASSOB's submission to CP 293

C1Q1 Are there circumstances when on-sales to retail investors within 12 months of shares being issued under CSF offers should be permitted?

- 3.1. ASSOB intends to maintain its Compliance Listing page where companies must stay listed after their capital raise has closed. ASSOB submits that on-sales to retail investors within 12 months of shares being issued under CSF offers should be permitted, so long as CSF companies stay listed with a CSF Intermediary after their capital raise has closed and provide the disclosure documents set out below.

C1Q2 Since continuous disclosure does not apply, what disclosure requirements should apply to secondary trading of shares in eligible CSF companies to facilitate informed trading? Please elaborate. For example:

- (a) what information should be disclosed to facilitate informed trading?
- (b) what timing requirements for disclosure should apply, for example if secondary trading occurs periodically?
- (c) are there other investor protection obligations that should apply?

- 3.2. ASSOB submits that requiring the directors of companies post CSF capital raise to submit quarterly activity statements to an Intermediary would facilitate informed trading, so long as the statements include:

- 3.2.1. a statement confirming solvency;
- 3.2.2. a summary of how investor funds have been spent and if different to the 'Use of Funds' schedule (outlined in the offer document) an explanation of why those spending changes were made;
- 3.2.3. a general summary of the company's progress toward the milestones that were stated in the capital raising offer document;
- 3.2.4. any changes, news or events (good or bad) that affect the company.





- 3.3. ASSOB also submits that CSF Issuers must also provide their audited financial statements and copies of notices and minutes of Annual General Meetings to the CSF Intermediary which must be published on their Profile Page and Issuers must maintain their Profile Pages with up to date company information.

C1Q3 Are there any circumstances when secondary trading of shares in eligible CSF companies should not be permitted?

- 3.4. ASSOB submits that secondary trading for eligible CSEF companies should not be allowed during the period they are raising capital on the CSF Intermediary platform as this will lead to a distorted and unworkable capital raising process.

We thank you for taking the time to consider our submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Will Leitch'.

Will Leitch

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