



ASIC
Australian Securities &
Investments Commission

REPORT 657

Survey of crowd-sourced funding intermediaries: 2018–19

April 2020

About this report

This report is for existing and prospective crowd-sourced funding (CSF) intermediaries, existing and prospective eligible CSF companies, and interested stakeholders. It is our second report on CSF activity in Australia.

It sets out the key information and findings from our survey of CSF intermediaries, which covered 1 July 2018 to 30 June 2019 (survey period).

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

Previous reports

Report number	Period covered	Issue date
REP 616	11 January 2018 to 30 June 2018	April 2019

Contents

Executive summary	4
Introduction of the crowd-sourced funding regime	4
Context and background to the survey	4
Summary of key findings from the survey	5
Issues and future work.....	6
A Background to the survey	10
Purpose of the CSF regime	10
ASIC regulation of CSF intermediaries.....	11
ASIC’s survey of CSF intermediaries	12
Context and limitations of the survey.....	12
B Key findings and observations from the survey	13
Profile of the CSF industry.....	13
Complete offers	17
Incomplete offers	19
Gatekeeper duties	22
Appendix: Accessible versions of figures	23
Key terms	24
Related information	26

Executive summary

Introduction of the crowd-sourced funding regime

- 1 The crowd-sourced funding (CSF) regime was established in Australia on 29 September 2017, when the *Corporations Amendment (Crowd-sourced Funding) Act 2017* took effect and amended provisions of the *Corporations Act 2001* (Corporations Act). In October 2018, the CSF regime was extended to eligible proprietary companies. Before then, only eligible public companies were permitted to raise funds via CSF intermediaries.
- 2 Providing a crowd-funding service is a financial service under the Corporations Act: see s766F(1) and 761A. A CSF intermediary provides a crowd-funding service by operating an online platform, through which eligible CSF companies (predominantly start-up and small businesses) raise funds using a CSF offer document hosted on the platform. Typically, relatively small amounts of money are raised from a large number of investors. In this report, we use the term ‘offering company’ to refer to an eligible CSF company that made an offer under the CSF provisions of the Corporations Act.
- 3 At the date of this report, there are 16 entities that hold an Australian financial services (AFS) licence with an authorisation to provide a crowd-funding service. These include entities that obtained this authorisation for a pre-existing AFS licence.

Context and background to the survey

- 4 We surveyed the CSF industry to increase our understanding of the industry, including any key trends or risks. We indicated we would do this in Section D of [Regulatory Guide 262](#) *Crowd-sourced funding: Guide for intermediaries* (RG 262).
- 5 We conducted our first survey of CSF intermediaries in 2018, focusing on the 2017–18 financial year. The survey covered the relatively short period from 11 January 2018 (when we first authorised seven CSF intermediaries) to 30 June 2018 (the 2017–18 period).
- 6 This is our second CSF survey, focusing on 1 July 2018 to 30 June 2019 (the survey period). This is the first full financial year of CSF activity since we began issuing CSF authorisations. It is also the first period in which proprietary limited companies were allowed to make CSF offers.

- 7 We collected data from all eight CSF intermediaries that hosted CSF offers that opened during the survey period. The remaining eight CSF intermediaries did not host any offers during the survey period.
- 8 We thank all the CSF intermediaries for their participation in the survey.

Summary of key findings from the survey

- 9 We have published this report to highlight the key findings from the survey, and to inform interested stakeholders.

Amounts raised

- 10 The survey results show that, overall, a total of approximately \$26.33 million was raised from successful (or ‘complete’) CSF offers hosted on the CSF intermediaries’ platforms.

Note 1: Figures are calculated after investors have exercised their cooling-off rights. A CSF intermediary can only declare an offer ‘complete’ once the cooling-off period has expired.

Note 2: ‘Approximately’, when used to describe dollar amounts, means:

- for amounts in excess of \$1 million, that we expressed the amount in terms of millions of dollars, rounded to two decimal places; and
- for amounts under \$1 million, that we rounded the amount to the nearest \$1,000.

- 11 The total of approximately \$26.33 million raised from complete offers is significantly higher than the corresponding figure for the 2017–18 period (approximately \$7.04 million). However, the 2017–18 period was only just under six months. If we extrapolate the figure for 2017–18 period to 12 months, the adjusted total is approximately \$14.04 million. Using this adjusted total to compare the 2017–18 period with the survey period, the total for the survey period is still nearly double. However, in absolute terms, the CSF industry has generated a low level of funds.
- 12 Most of the increase in complete offers in the survey period is attributable to CSF offers by proprietary companies (noting that proprietary companies were not permitted to make CSF offers during the 2017–18 period). Of the complete offers, proprietary companies raised approximately \$14.04 million (22 complete offers) and public companies raised approximately \$12.29 million (17 complete offers). Proprietary companies accounted for approximately 73% of the \$19.29 million increase in amounts raised from complete offers.
- ### Number of complete offers
- 13 There were a total of 56 CSF offers; 39 of the offers (69.6%) were complete offers.

Investors

- 14 The majority of the funds raised from complete offers (66.5%) were from retail investors, and nearly all investors (98.5%) were retail investors. This represents a lower level of retail investor participation than the 2017–18 period, when retail investors contributed 77.5% of funds raised from complete offers and 99.4% of all investors in complete offers were retail investors.
- 15 Although most of the investor interest in crowd-sourced funding (both in terms of the total dollar amount subscribed and the number of investors) was from retail investors, the participation of wholesale investors appears critical to the success or otherwise of the CSF offers. For complete offers, only 1.5% of all investors were wholesale investors, but wholesale investors were responsible for approximately 33.5% of funds raised.

Industry sectors

- 16 The offering companies in the survey period were from a broad range of industry sectors. There was more variation in the industry sectors than in the 2017–18 period, when nearly half (6 out of 14 CSF offers) were made by offering companies in the ‘consumer discretionary spending’ sector. Nearly half of the CSF offers in the survey period (27 out of 56) came from companies in the ‘consumer staples’ sector (15 CSF offers) and the consumer discretionary spending sector (12 CSF offers). For a breakdown of CSF offers by industry sector, see paragraphs 55–56.

Issues and future work

- 17 CSF intermediaries did not report substantial problems with outages or inaccessible communication facilities during the survey period. No CSF intermediaries reported malicious cyber activity in the survey period. We remind CSF intermediaries of their obligation to maintain adequate technological resources, including adequate defence against cyber attacks.

Size of the CSF industry

- 18 The number of CSF intermediaries is large when compared with the number of CSF offers and the actual amount of capital raised. We are unsure whether the CSF industry can continue to support this number of CSF intermediaries, as well as any new entrants. We note that we have issued no new authorisations to provide a crowd-funding service since April 2019.
- 19 Given it is early days in the Australian CSF regime, we have looked to CSF regimes in other jurisdictions. We are using these as a comparison and a guide to what to expect.

20 As stated, the survey period was the first full financial year for the Australian CSF regime. The amount raised from complete CSF offers was approximately AU\$26.33 million, which was more than double the corresponding total of approximately AU\$10.85 million (NZ\$12 million) for the first full financial year of the New Zealand CSF regime (1 August 2014 to 31 July 2015). However, in per-capita terms, crowd-sourced funding in New Zealand raised AU\$2.36 per person in the first full financial year, more than double the per-capita amount of AU\$1.04 for Australia in the survey period.

Note 1: The New Zealand total for 2014–15 was set out in AA Schwartz, '[The gatekeepers of crowdfunding](#)', *Washington and Lee Law Review*, vol. 75, 2018, p. 927.

Note 2: In this report, a per-capita amount equals the relevant monetary amount divided by the country's population at the relevant time. The per-capita figure for Australia was calculated using the estimated population of 25,364,300 as at 30 June 2019—see Australian Bureau of Statistics, [3101.0 Australian demographic statistics, Jun 2019](#), December 2019. The per-capita figure for New Zealand was calculated using the estimated population of 4,596,000 for mid-year 2015—see the United Nations, [2015 United Nations Demographic Yearbook](#), 2016.

21 The United States introduced a CSF regime in mid-2016. In its first year of operation, 112 successful CSF offers raised a total of approximately US\$35 million (approximately AU\$47 million). However, only 50% of CSF offers in the first year were successful. While the dollar amount raised by successful CSF offers in Australia in the first full financial year (AU\$26.33 million) was less than the amount raised in the United States, Australia raised over seven times more than the United States on a per capita basis.

Note 1: See AA Schwartz, '[The gatekeepers of crowdfunding](#)', *Washington and Lee Law Review*, vol. 75, 2018, pp. 928–929.

Note 2: The per-capita figures for Australia and New Zealand were calculated using the sources in paragraph 20. The per-capita figure for the United States was calculated using United Nations, [2017 United Nations Demographic Yearbook](#), 2018.

22 Crowd-sourced funding continues to play an important part in the alternative finance industry internationally. Between 2015 and 2017, a total of \$2.1 billion was raised using crowd-sourced funding in Europe. The United Kingdom recorded the highest overall and per-capita volumes, raising £850 million (approximately AU\$1.3 billion). Mainland Europe raised €89 million (approximately AU\$871 million) through CSF platforms.

23 France, Germany and the Netherlands are the top three European markets for alternative finance, excluding the United Kingdom. On a per-capita basis, participation in CSF offers in Australia in the first full financial year was at a similar level to the first full financial year in Germany, but significantly less than France and the Netherlands: see Table 1.

Table 1: Amounts raised through crowd-sourced funding in first full financial year of each country's CSF regime

National market	Amount raised (AU\$)	Amount raised per capita (AU\$)	Amount raised (€)
France (2014–15)	AU\$111.05 million	AU\$1.72	€75.1 million
Germany (2015–16)	AU\$70.76 million	AU\$0.86	€447.7 million
Netherlands (2016–17)	AU\$8.59 million	AU\$1.54	€6.2 million
Australia (2018–19)	AU\$26.33 million	AU\$1.04	€16.50 million

Note 1: Amounts in euros are based on the reports made available on the University of Cambridge Judge Business School [Centre for Alternative Finance website](#). We converted those amounts to Australian dollars using the average exchange rate during the calendar year, based on the Reserve Bank of Australia (RBA) historical monthly average rate.

Note 2: 'Amount raised per capita' is calculated based on countries' populations as at 2018—see United Nations, [2018 United Nations Demographic Yearbook](#), 2019.

Note 3: We converted the amount raised in Australia (AU\$26.33 million) to euros using the average exchange rate during the financial year, based on the RBA historical monthly average rate.

Note 4: The crowd-sourced funding industry in France started in 2008 and the rules and regulations for equity crowdfunding and peer-to-peer lending was issued by French regulators, The Prudential Control and Resolution Authority (ACPR) and the Financial Markets Authority (AMF) in October 2014—see AMF, [The Autorité des Marchés Financiers \(AMF\) publishes its 2014 annual report](#), media release, 18 May 2015 and ACPR, [L'Autorité de contrôle prudentiel et de résolution et l'Autorité des marchés financiers précisent le cadre réglementaire du financement participatif—crowdfunding](#), media release, 30 September 2014.

Note 5: The crowd-sourced funding industry in Germany goes back to 2016. The first crowd-sourced funding regulation (Retail Investors' Protection Act—Kleinanlegerschutzgesetz) entered into force on 10 July 2015—see European Crowdfunding Network, [Country crowdfunding factsheet: Germany](#) (PDF 296 KB), June 2018.

Note 6: A new 'Crowdfunding Decree' entered into force in the Netherlands on 1 April 2016—see T Aschenbeck-Florange & A Dlouhy, [CrowdFundRES: Review of crowdfunding regulation and market developments for RES project financing in the EU](#) (PDF 2.86 MB), Osborne Clarke Germany, December 2016.

24 Overall country volume serves as a significant indicator for international CSF trends. However, comparing CSF market volumes as a per-capita figure, adjusting for country size, allows for a more meaningful comparison. The per-capita amount raised through CSF offers in Australia appears to be on par with the per-capita volumes in France, Germany and the Netherlands, but still trails the per-capita volumes in the United Kingdom.

25 In mainland Europe, crowd-sourced funding grew significantly between 2015 and 2016, from €159 million to €219 million. In 2017, it declined marginally to €211 million.

Note: See B Zhang, T Ziegler, L Mammadova, D Johanson, M Gray & N Yerolemu, [The 5th UK alternative finance industry report](#), Cambridge Centre of Alternative Finance, University of Cambridge, November 2018; and T Ziegler, R Shneur, K Wenzlaff, A Odorović, D Johanson, R Hao & L Ryll, [Shifting paradigms: The 4th European alternative finance benchmarking report](#), Cambridge Centre of Alternative Finance, University of Cambridge, May 2019.

Upfront subscription payments

26 In a 'subscribe now pay later' arrangement, the investor can pay subscription amounts at a subsequent date. The offering company bears the credit risk. If a significant proportion of subscription money remains unpaid, even if the

offer has been declared ‘complete’, intermediaries should warn the offering company that they may not receive all of the subscribed funds (i.e. if some investors default).

- 27 In the survey period, CSF intermediaries made extensive use of ‘subscribe now pay later’ arrangement, particularly for complete offers. For an in-depth discussion of these arrangements, see paragraphs 60–63 and 80–84.

Future work with the CSF industry

- 28 Through ongoing engagement with the CSF industry, we seek to encourage innovation (and the opportunities created by innovative business) without compromising the protection of investors and market integrity.
- 29 The number of financial technology (fintech) businesses, including CSF intermediaries, continues to grow. From the data it is evident that crowd-sourced funding is emerging as a viable alternative source of capital raising.
- 30 However, we consider it is too early to form a view as to whether crowd-sourced funding is a meaningful source of capital for smaller or start-up companies. It also remains to be seen whether some CSF intermediaries have sustainable businesses, as 8 of the 16 CSF intermediaries did not host any CSF offers during the survey period.

A Background to the survey

Key points

The CSF regime was established on 29 September 2017, to enable eligible start-up and small companies to raise funds from a large number of people who make relatively small contributions to the company.

The fundraising occurs on a platform, hosted by a CSF intermediary. CSF intermediaries must hold an AFS licence with the relevant authorisation. We issued the first seven AFS licence authorisations to act as a CSF intermediary in January 2018. By 30 June 2019, there were 16 entities authorised to act as CSF intermediaries.

This is the second CSF survey. It covers 1 July 2018 to 30 June 2019, inclusive. The survey was sent to all eight CSF intermediaries that hosted CSF offers that opened during the survey period.

Purpose of the CSF regime

- 31 There are many different means of raising equity capital—for example, from private equity and venture capital investors, as well as from the public through an initial public offering (IPO). The CSF regime is a new means of raising capital and allows eligible CSF companies to raise funds by accepting relatively small investment amounts of capital from the public.
- 32 The CSF regime was established in Australia on 29 September 2017 when the *Corporations Amendment (Crowd-sourced Funding) Act 2017* took effect. This Act amended provisions of the Corporations Act by adding the new Pt 6D.3A. Unlike other means of raising equity capital, which involve the company dealing directly with investors, crowd-sourced funding relies on the presence of a CSF intermediary. Among other things, the CSF intermediary hosts an online platform on which offer documents are published.
- 33 The intention of the CSF regime was to provide an alternative means of raising funds for smaller companies and to enable investors to ‘crowd fund’ with basic investor protections in place. The CSF regime is intended to be less onerous and complex than the regimes applying to other forms of fundraising. In introducing this regime, the Australian Government sought to balance the benefit of new forms of fundraising with the risks to potential investors from a less regulated model.
- 34 Companies may be able to use crowd-sourced funding when they are not eligible or able to raise capital through other avenues; however, the

requirements in Pt 6D.3A may not suit all companies. In particular, it does not suit those proposing to:

- (a) raise more than \$5 million in a 12-month period;
- (b) accept payments other than in Australian dollars, such as crypto currencies;
- (c) issue different types of shares, such as preferences shares; or
- (d) issue debt or convertible instruments.

ASIC regulation of CSF intermediaries

- 35 Eligible CSF companies are allowed to make offers of ordinary shares to raise up to \$5 million in any 12-month period. There are obligations and investor protections that apply to CSF offers, including:
- (a) an investor cap of \$10,000 per year, per company for retail investors;
 - (b) a requirement to give investors a CSF offer document containing minimum information and a prescribed risk warning; and
 - (c) a five-day cooling-off period from the date of subscription.
- 36 Each company offers shares via a CSF offer document published on a platform operated by a CSF intermediary. The CSF intermediary holds an AFS licence with an authorisation to ‘provide a crowd-funding service’, which confers on the intermediary certain gatekeeper obligations in relation to the platform, the offering company and the subscription of the investment money.
- 37 When the CSF regime was established, we published two regulatory guides to assist the CSF industry:
- (a) [Regulatory Guide 261](#) *Crowd-sourced funding: Guide for companies* (RG 261) provides guidance to companies that seek to raise funds through crowd-sourced funding, to help them understand and comply with their obligations under the CSF regime.
 - (b) [Regulatory Guide 262](#) *Crowd-sourced funding: Guide for intermediaries* (RG 262) provides guidance to CSF intermediaries, to help them understand and comply with their gatekeeper obligations.
- 38 We issued the first seven AFS licence authorisations to act as a CSF intermediary on 11 January 2018. By 30 June 2019, we had authorised a total of 16 entities to act as a CSF intermediary.
- 39 In October 2018, the *Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018* took effect. This legislation extended the CSF regime to eligible proprietary companies and made certain other changes to the regime.

ASIC’s survey of CSF intermediaries

- 40 As set out in Section D of [RG 262](#), we sought information from the CSF intermediaries on the CSF offers that opened on their platforms during the survey period. We sent these intermediaries a s912C notice in September 2019.
- 41 We asked for information on:
- (a) the number of complete (successful) offers and incomplete (unsuccessful) offers;
 - (b) the amounts subscribed by retail clients and wholesale clients;
 - (c) the days it took to raise the minimum and final subscription amounts;
 - (d) the benefits received by the CSF intermediaries in connection with the offer;
 - (e) the types of industry that sought to fundraise on the platform;
 - (f) operational information about malicious cyber activity and platform downtime; and
 - (g) any investor-facing issues, such as complaints and defective marketing material.
- 42 We have set out the details of the key findings of the survey in Section B.

Context and limitations of the survey

- 43 The survey discussed in [Report 616 *Survey of crowd-sourced funding intermediaries: 2017–18*](#) (REP 616) covered a period of less than six months. While this survey covered the full 2018–19 financial year, we do not have one or more complete previous financial years to carry out year-on-year comparisons. At this early stage of the CSF industry, it is challenging to meaningfully compare CSF data.
- 44 This report only covers CSF offers made during the survey period. It does not cover CSF offers made from 1 July 2019.
- 45 We have focused on the initial capital raisings by offering companies. We did not obtain information about the success or failure of the ventures for which the capital was raised, or the exit rights of initial investors.
- 46 Unless stated otherwise, the dollar amounts subscribed for CSF offers are the total paid by investors minus the amount refunded to investors who exercised their cooling-off rights (cooling-off refunds). Calculations are based on this amount, unless otherwise stated.

B Key findings and observations from the survey

Key points

During the survey period, offering companies made 56 CSF offers, 39 (69.6%) of which were successful (complete offers). These 39 complete offers raised approximately \$26.33 million.

A total of 14,257 investors subscribed to complete offers, comprising 14,046 retail investors (98.5%) and 211 wholesale investors (1.5%).

Nearly half of the CSF offers (27 out of 56 CSF offers) were made by companies in the consumer staples and consumer discretionary spending industry sectors.

Profile of the CSF industry

Number of entities

- 47 At 30 June 2019, there were 16 licensed CSF intermediaries. We surveyed all eight CSF intermediaries that hosted CSF offers that opened during the survey period.

CSF activity

- 48 In the survey period, offering companies made a total of 56 CSF offers—39 complete offers and 17 incomplete offers.
- 49 We compared CSF activity in the survey period to CSF activity in the 2017–18 period, a period of nearly six months. We found that:
- (a) there was a four-fold increase in the number of CSF offers (56) compared to the 2017–18 period (14);
 - (b) the percentage of complete CSF offers (69.6%) was significantly higher than the corresponding rate in the 2017–18 period (50%);
 - (c) the percentage of funds raised by complete offers (96.4%) was very high, and greater than the 2017–18 period (89.0%);
 - (d) the average number of investors in each CSF offer for the survey period was substantially less than in the 2017–18 period; and
 - (e) there was a decrease in the average amount subscribed per CSF offer. The average was approximately \$488,000, compared to an average of approximately \$565,000 for the 2017–18 period. These averages demonstrate that the large increase in amounts raised through CSF

offers in the survey period was driven by a significant increase in the total number of CSF offers.

Amounts subscribed

50 A higher amount was subscribed for all CSF offers in the survey period than in the 2017–18 period. However, there was a wider range of amounts and the average amount subscribed fell by approximately \$77,000: see Table 2.

Table 2: Amounts subscribed to both complete and incomplete CSF offers, by period

Period	Total subscribed	Range of amounts	Average amount
2018–19	\$27.32 million	\$250 to \$2.26 million	\$488,000
2017–18	\$7.92 million	\$16,000 to \$2.34 million	\$565,000

Note: The 2017–18 period was only approximately six months.

Amounts subscribed before cooling-off refunds

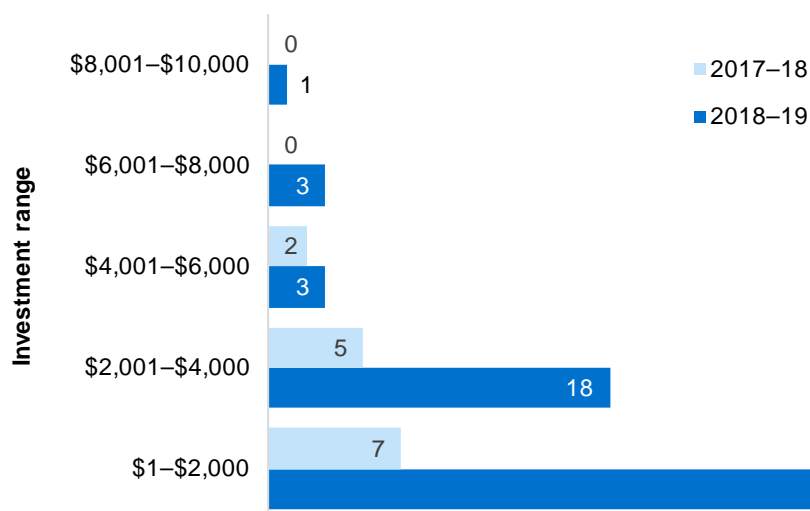
51 Before cooling-off refunds are subtracted, a total of approximately \$27.35 million was subscribed for CSF offers in the survey period: see Table 3.

Table 3: Amounts subscribed before cooling-off refunds, by period

Period	Total subscribed	Retail investors	Wholesale investors
2018–19	\$27.35 million	\$18.20 million (66.5%)	\$9.15 million (33.5%)
2017–18	\$8.10 million	\$6.30 million (77.7%)	\$1.81 million (22.3%)

Note: The 2017–18 period was only approximately six months.

52 Figure 1 shows that the majority of CSF offers attracted average investment amounts (per investor) in the range of \$1 to \$2,000.

Figure 1: Average investment per investor by number of offers

Note: See Table 6 in the appendix for the data shown in this figure (accessible version).

Investors

- 53 A total of 14,788 investors subscribed to all CSF offers. There were 14,555 retail investors (98.4%) and 233 wholesale investors (1.6%). The total number of investors in the survey period is less than the 2017–18 period (17,896 investors). Taking into account the fact that the 2017–18 period was only about six months, the number of investors in the survey period was substantially less in relative terms. The percentage of retail investors in the 2017–18 period (99.4%) was marginally higher.

Investors per CSF offer

- 54 There were fewer investors per CSF offer in the survey period, compared to the 2017–18 period: see Table 4. There were also slightly more wholesale investors, as a percentage of total investors.

Table 4: Average number of investors per CSF offer, by period

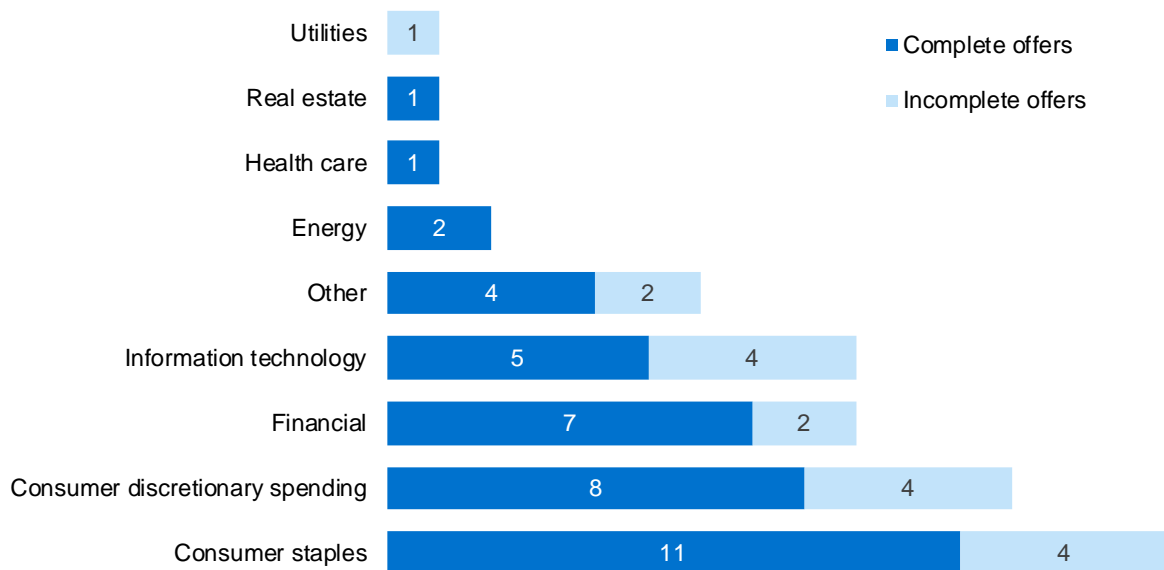
Period	Range	Average number	Retail investors	Wholesale investors
2018–19	1 to 2,041	264	260 (98.5%)	4 (1.5%)
2017–18	9 to 14,950	1,278	1,270 (99.4%)	8 (0.6%)

Note: The 2017–18 period was only approximately six months.

Industry sector

- 55 Figure 2 shows the breakdown of CSF offers by industry sector. The top two industries (making up nearly half of all offers) were:
- consumer staples, with 15 offers. Consumer staples companies sell consumer necessities, such as food, beverages, and household and personal products; and
 - consumer discretionary spending, with 12 offers. Consumer discretionary spending companies provide consumer services, consumer durables, apparel, media retailing and automobiles.
- 56 Financial companies and information technology companies each made nine CSF offers. The remaining offers were made in a range of industries, including the energy, health care, real estate and utilities sectors.

Figure 2: Complete and incomplete offers by industry sector



Note: See Table 7 in the appendix for the data shown in this figure (accessible version).

Offer information by platform

- 57 The highest number of CSF offers hosted on a platform in the survey period was 22 offers. This is higher than the peak of five offers on a platform in the 2017–18 period.
- 58 While the highest number of CSF offers on a platform has risen in the survey period, the highest number of investors on a single platform has halved: see Table 5.

Table 5: Highest number of offers and investors per CSF intermediary, by period

Period	Number of offers	Number of investors	Retail investors	Wholesale investors
2018–19	22	7,530	7,484	142
2017–18	5	15,835	15,829	97

Note: The 2017–18 period was only approximately six months.

Complete offers

Amounts raised

- 59 Approximately \$26.33 million was raised during the survey period for the 39 complete offers. Retail investors contributed \$17.5 million (66.5%) and wholesale investors contributed \$8.82 million (33.5%). The amounts raised ranged from approximately \$20,000 to \$2.26 million (an average of \$487,807).

‘Subscribe now pay later’ arrangements

- 60 Investors subscribed approximately \$20.10 million for complete offers under ‘subscribe now pay later’ arrangements. This net amount, plus the approximately \$619,000 withdrawn during the cooling-off period, equals the gross amount committed (approximately \$20.72 million) under these arrangements.
- 61 Approximately \$1.31 million committed under ‘subscribe now pay later’ arrangements remained unpaid at the end of the survey period (approximately 6.50% of the total subscribed under these arrangements).
- 62 This is a substantial shortfall. The consequences of a subscriber not paying their subscription commitment will depend on the terms of the arrangement between the subscriber and the offering company for the deferred payment of the subscription amount. For instance, under the terms of the arrangement, the offering company may refuse to issue the CSF shares until the investor has fully paid the subscription amount.
- 63 The total received from ‘subscribe now pay later’ arrangements (approximately \$18.80 million) represents approximately 71.4% of the net total raised for complete offers. Therefore, while there remains a risk that not all subscription amounts will be paid on time, these arrangements would appear to have a significant role in the capital raising process.

Industry sectors

- 64 Of the 39 complete offers:
- (a) consumer staples companies made 11 offers; and
 - (b) consumer discretionary spending companies made 8 offers.

Number of investors

- 65 A total of 14,257 investors subscribed to complete offers—14,046 retail investors (98.5%) and 211 wholesale investors (1.5%). The number of investors in complete offers ranged from 1 to 2,041 (the average per complete offer was 366 investors).
- 66 There was an average of 360 retail investors and 5 wholesale investors per complete offer (rounded to the nearest whole number).

Minimum subscription amounts

- 67 The stipulated minimum amounts that companies sought to raise from all investors for complete offers ranged from \$20,000 to \$2 million (the average minimum subscription amount was \$401,157).

Days required to raise the minimum

- 68 The number of days to raise the minimum subscription amount for complete offers ranged from 1 to 90 calendar days. The majority of offers raised the minimum subscription amount in fewer than 32 days.

Maximum subscription amounts

- 69 A maximum subscription amount is the most amount of money an offering company will accept from all investors for their CSF offer. Once this maximum amount has been raised, no further investments are accepted.
- 70 The maximum subscription amounts for complete offers ranged from \$52,000 to \$4.86 million (the average maximum subscription amount was \$1.46 million).

Amounts subscribed to complete offers by platform

- 71 The amounts subscribed to complete offers on individual platforms ranged from \$42,960 to \$11.64 million.

Benefits to CSF intermediaries

- 72 CSF intermediaries obtained total benefits, including shares, of approximately \$1.62 million from complete offers hosted on their platforms.
- 73 The value of benefits charged by CSF intermediaries for all CSF offers ranged from approximately \$1,900 to \$172,000 (an average of \$41,469 per offer).
- 74 The benefits earned by CSF intermediaries for complete offers, as a fraction of the total amount raised, ranged from 7.6% to 9.5% (an average of 8.5%). This indicates that crowd-sourced funding is a relatively expensive way for companies to raise funds.

Cooling-off refunds

- 75 Offering companies refunded approximately \$79,000 to 434 investors who exercised their cooling-off rights for complete offers. This represents 0.3% of the gross amount received for complete offers. The number of investors who exercised cooling-off rights ranged from 0 to 65 across the 39 complete offers. The majority of complete offers had fewer than eight investors who exercised their cooling-off rights.

Time taken to refund

- 76 The average time taken to refund investors who exercised their cooling-off rights on complete offers ranged from zero to five calendar days. In the majority of complete offers, the offering company paid cooling-off refunds, on average, in fewer than three days.

Complete offer information by platform

- 77 The highest number of complete offers hosted on a platform in the survey period was 18 offers.
- 78 The highest number of investors that invested in complete offers through a single CSF intermediary was 7,511 investors. The highest number of retail investors was 7,465, and the highest number of wholesale investors was 124.

Incomplete offers

Amounts subscribed

- 79 Approximately \$987,000 was subscribed during the survey period for the 17 incomplete offers.

‘Subscribe now pay later’ arrangements

- 80 ‘Subscribe now pay later’ arrangements were used much less in incomplete offers than in complete offers.
- 81 Investors subscribed approximately \$273,000 for incomplete offers under ‘subscribe now pay later’ arrangements. This net amount, plus approximately \$4,000 withdrawn during the cooling-off period, equals the gross amount committed (approximately \$277,000) under these arrangements.
- 82 Approximately \$256,000 committed under ‘subscribe now pay later’ arrangements remained unpaid at the end of the survey period (approximately 93.9% of the total subscribed for incomplete offers under these arrangements).
- 83 The dollar value of unpaid subscriptions for incomplete offers is low in absolute terms, and nearly all of these commitments remained unpaid. If a CSF offer is incomplete at the end of the offer period, the investor no longer has an obligation to pay their committed amount. This is because the offering company will not issue shares to subscribers under the incomplete offer. This is subject to the terms of the particular ‘subscribe now pay later’ arrangement. As a result, unpaid amounts for incomplete offers will generally not present a credit risk to an offering company.
- 84 The total received from ‘subscribe now pay later’ arrangements (approximately \$17,000) represents only 1.7% of the net total raised for incomplete offers.

Industry sectors

- 85 The consumer discretionary spending and financial sectors were the only sectors with both complete and incomplete offers during the survey period.

Number of investors

- 86 A total of 531 investors subscribed to incomplete offers—509 retail investors (95.9%) and 22 wholesale investors (4.1%).

Minimum subscriptions

- 87 All 17 incomplete offers were unsuccessful because the minimum subscription was not reached.
- 88 The minimum subscription amounts for incomplete offers ranged from \$100,000 to \$1 million (the average minimum subscription amount was \$348,000).

Offer period

- 89 The offer period of the incomplete offers ranged from 31 to 96 calendar days. The majority of incomplete offers were open for 57 days or fewer.

Maximum subscriptions

- 90 The maximum subscription amounts for incomplete offers ranged from \$500,000 to \$5 million (the average maximum subscription amount was \$1.53 million).

Remuneration of CSF intermediary

- 91 CSF intermediaries received total remuneration of \$103,311 for incomplete offers, even though the companies involved did not raise any capital.
- 92 The CSF intermediaries charged remuneration on 12 of the 17 incomplete offers, an average of \$8,600 per offer (ranging between \$2,750 and \$21,000). This is in line with the amounts reported in 2017–18 survey. We understand that some CSF intermediaries agree to charge fees only when the CSF offer reaches the minimum subscription amount and not otherwise.

Cooling-off refunds

- 93 Offering companies refunded approximately \$3,950 to investors who exercised their cooling-off rights. This represented approximately 0.4% of the gross amount received for incomplete offers.

Incomplete offer refunds

- 94 The offering companies repaid in full all investors who paid a subscription amount on the incomplete offer but did not exercise cooling-off rights.
- 95 The time it took offering companies to pay refunds for each offer ranged from four to seven calendar days. In the majority of offers, the offering company refunded investors in fewer than five days.
- 96 If an investor subscribed to a CSF offer under a ‘subscribe now pay later’ arrangement, the investor no longer has an obligation to pay their committed amount when the offer does not proceed.

Gatekeeper duties

Gatekeeper checks

- 97 During the survey period, three CSF intermediaries did not agree to host a total of 44 potential CSF offers because the offering company did not meet the eligibility criteria or pass the gatekeeper checks.

Outages

- 98 Four CSF intermediaries experienced five outages, four of which were unplanned. The total duration of the unplanned outages (across the CSF intermediaries) was five hours.
- 99 One CSF intermediary's communication facility was inaccessible on one occasion for a total of one hour.

Complaints

- 100 Only one CSF intermediary received complaints (three in total). Two complaints were about being required to provide information that the complainant was unwilling to provide. The third was that an investor was registered for two investments but claimed they only made one. The complaint was resolved by deleting the second investment.
- 101 Two CSF intermediaries had to remove 11 posts from their platform. Intermediaries removed:
- (a) eight posts about three CSF offers because they were clearly irrelevant to the offer;
 - (b) one post because it was blank and clearly posted in error;
 - (c) one post because the question was about the operation of the platform, and not directly related to the offering company; and
 - (d) one post because the question was asked after the CSF offer had closed.
- 102 During the survey period, CSF intermediaries did not remove any posts because they were negative or critical of the CSF offer, the CSF intermediary, or the offering company: see RG 262.160.

Appendix: Accessible versions of figures

This appendix is for people with visual or other impairments. It provides the underlying data of the figures in this report.

Table 6: Average investment per investor by number offers

Investment range	2018–19	2017–18
\$1–\$2,000	31	7
\$2,001–\$4,000	18	5
\$4,001–\$6,000	3	2
\$6,001–\$8,000	3	0
\$8,001–\$10,000	1	0

Note: This is the data shown in Figure 1.

Table 7: Complete and incomplete offers by industry sector

Industry sector	Complete offers	Incomplete offers
Consumer staples	11	4
Consumer discretionary spending	8	4
Financial	7	2
Information technology	5	4
Other	4	2
Energy	2	0
Health care	1	0
Real estate	1	0
Utilities	0	1

Note: This is the data shown in Figure 2.

Key terms

Term	Meaning in this document
2017–18 period	The period of the previous survey (in this report, 11 January 2018 to 30 June 2018)
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act Note: This is a definition contained in s761A.
communication facility	A facility provided by a CSF intermediary in relation to a CSF offer that can be used by investors, the company making the offer and the CSF intermediary to communicate about the CSF offer
complete offer	A successful CSF offer (i.e. one the CSF intermediary declares complete after the end of the cooling-off period)
Corporations Act	<i>Corporations Act 2001</i> , including any regulations made for the purposes of that Act
crowd-funding service	Has the meaning given in s766F of the Corporations Act
CSF	Crowd-sourced funding
CSF intermediary	An AFS licensee whose licence expressly authorises the licensee to provide a crowd-funding service Note: See s738C of the Corporations Act.
CSF offer	An offer of ordinary shares that is made under the CSF regime in Pt 6D.3A of the Corporations Act Note: See s738B of the Corporations Act.
CSF offer document	A document setting out the terms of a CSF offer that complies with s738J of the Corporations Act
CSF regime	The statutory regime for crowd-sourced funding in Pt 6D.3A of the Corporations Act regulating CSF offers
eligible CSF company	A company that meets the requirements in s738H of the Corporations Act to be eligible to make a CSF offer
incomplete offer	An unsuccessful CSF offer (i.e. one the CSF intermediary declares incomplete after the end of the cooling-off period)
offering company	A company making a CSF offer on a platform

Term	Meaning in this document
platform	A website or other electronic facility provided by the CSF intermediary to host a CSF offer
RG 262 (for example)	An ASIC regulatory guide (in this example numbered 262)
'subscribe now pay later' arrangement	An arrangement under which an investor can commit an amount to a CSF offer and pay the amount at a later date
survey period	The period of the survey (in this report, 1 July 2018 to 30 June 2019)

Related information

Headnotes

complete offers, crowd-funding service, crowd-sourced funding, CSF intermediaries, gatekeeper obligations, incomplete offers, platforms, survey

Regulatory guides

[RG 261](#) *Crowd-sourced funding: Guide for companies*

[RG 262](#) *Crowd-sourced funding: Guide for intermediaries*

Legislation

Corporations Act, Pt 6D.3A; s761A, 766F(1), 912C

Corporations Amendment (Crowd-sourced Funding) Act 2017

Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018

Other documents

ACPR, [L'Autorité de contrôle prudentiel et de résolution et l'Autorité des marchés financiers précisent le cadre réglementaire du financement participatif—crowdfunding](#), media release, 30 September 2014

AMF, [The Autorité des Marchés Financiers \(AMF\) publishes its 2014 annual report](#), media release, 18 May 2015

T Aschenbeck-Florange & A Dlouhy, [CrowdFundRES: Review of crowdfunding regulation and market developments for RES project financing in the EU](#) (PDF 2.86 MB), Osborne Clarke Germany, December 2016

Australian Bureau of Statistics, [3101.0 Australian demographic statistics, Jun 2019](#), December 2019

European Crowdfunding Network, [Country crowdfunding factsheet: Germany](#) (PDF 296 KB), June 2018

AA Schwartz, [‘The gatekeepers of crowdfunding’](#), 2018

United Nations, [2015 United Nations Demographic Yearbook](#), 2016

United Nations, [*2017 United Nations Demographic Yearbook*](#), 2018

United Nations, [*2018 United Nations Demographic Yearbook*](#), 2019

B Zhang, T Ziegler, L Mammadova, D Johanson, M Gray & N Yerolemou, [*The 5th UK alternative finance industry report*](#), November 2018

T Ziegler, R Shneur, K Wenzlaff, A Odorović, D Johanson, R Hao & L Ryll, [*Shifting paradigms: The 4th European alternative finance benchmarking report*](#), Cambridge Centre of Alternative Finance, University of Cambridge, May 2019