

# Crowd-sourced equity funding to finally open up for proprietary companies

17 September 2018

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Last Wednesday, the Australian Senate passed the highly anticipated *Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Bill 2017 (CSF Bill)*. With proprietary companies making up 99% of all Australian companies, passing of the CSF Bill is big news for the start-up community and equity funding platforms in Australia and will provide the possibility of a new source of funding for proprietary companies that meet the eligibility requirement.

The CSF Bill will not only allow proprietary companies to access funding through the crowd-sourced equity funding regime, but will allow Australian investors to share in the action of the Australian start-up community.

## The regime

Crowd-sourced equity funding allows companies to access a large number of investors who are able to make small financial contributions towards a company in exchange for equity. Until now, the crowd-sourced equity funding regime in Australia was only accessible by unlisted public companies (to the exclusion of private companies who make up the vast majority of Australian companies).

## How do proprietary companies access the regime?

Proprietary companies who have a minimum of two directors (and meet any additional requirements specified in the regulations) will be able to access the crowd-sourced equity funding regime without converting to public company status.

To open up crowd-sourced equity funding in this manner, Parliament has made multiple amendments to the ordinary structure of proprietary companies to ensure they can practically and effectively utilise the regime without breaching existing laws. For example, proprietary companies currently have a 50 non-employee shareholder cap. Under the CSF Bill, this cap will be amended to exclude shareholders who are crowd-sourced equity funding shareholders.

Parliament has also introduced additional obligations for proprietary companies to protect investors. For example, small proprietary companies are generally not required to provide annual financial and directors' reports to shareholders. However, proprietary companies that have crowd-sourced equity funding shareholders will be required to do so.

For a more detailed discussion of the key features of the CSF Bill, including an overview of key practical matters for proprietary companies, [see our previous article here](#).

## What happens next?

The CSF Bill will commence in stages, with the bulk of amendments to take effect 28 days after the CSF Bill receives Royal Assent. We hope to see proprietary companies accessing crowd-sourced equity funding in Australia early next year.

HopgoodGanim is actively advising on crowd-sourced equity funding and has already advised on the first campaign launched in Queensland by [Food Connect Shed Limited](#).

If you would like to discuss the CSF Bill or how crowd-sourced equity funding could benefit you or your company, please contact HopgoodGanim Lawyers' [Corporate Advisory and Governance](#) team.

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