



Ms Tanja Cvijanovic
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
One National Circuit
BARTON ACT 2600

Email: helpdesk-obpr@pmc.gov.au

Dear Ms Cvijanovic

REGULATORY IMPACT STATEMENT – FINAL ASSESSMENT SECOND PASS

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for the introduction of a framework to facilitate crowd-sourced equity funding (CSEF) by public companies.

Treasury has updated the final assessment RIS submitted on 13 November 2015 to reflect policy changes made since CSEF legislation was first introduced into Parliament in December 2015.

I believe the RIS meets best practice requirements and is consistent with the ten principles for Australian Government policy makers.

In particular, the RIS addresses the seven RIS questions:

- *What is the problem?* – Obtaining affordable finance to fund development of innovative new products is difficult in some cases. CSEF may improve the ability of small businesses to access equity finance while increasing the ability of retail investors to access early-stage investment opportunities. However, regulatory barriers currently mean that CSEF is not viable.
- *Why is government action needed?* – The main barriers to use of CSEF in Australia are regulatory in nature, and are not able to be addressed by potential CSEF participants.
- *What policy options are you considering?* – Four options are considered – a regulatory framework based on the CAMAC model, a regulatory framework based upon the model that exists in New Zealand, the status quo, and a model that is a hybrid of the New Zealand and CAMAC models formulated following stakeholder consultation.
- *What is the likely net benefit of each option?* – The likely net regulatory cost of the CAMAC model is \$46.8 million per year, of the New Zealand model \$59.2 million per year, and of the post-consultation model \$50.9 million per year (including \$0.6 million per year for associated changes to the Australian Market Licence regime). However, businesses stand to benefit significantly through access to a new funding source and retail investors through a new investment opportunity.
- *Who will you consult and how will you consult them?* – The Government has twice consulted on this proposal, through an options paper over December 2014 and January 2015, and again through a detailed consultation paper in August 2015. The Government undertook targeted consultation on the exposure draft legislation in November 2015 and further consultation on exposure draft regulations in December 2015 and January 2016.

- *What is the best option from those you have considered?* – The Government has elected to implement the post-consultation model, which has the greatest net benefit.
- *How will you implement and evaluate your chosen option?* – The framework will be implemented through legislative amendments to the *Corporations Act 2001* and associated regulations. The Government and ASIC will continue to monitor the CSEF regime to ensure the changes to the law are operating as intended.

I submit the RIS to the Office of Best Practice Regulation for formal assessment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Lonsdale', followed by a period.

John Lonsdale
Deputy Secretary
Markets Group