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OSC pitches Internet crowdfunding for small business

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Grace Macaluso
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Start-ups and small businesses may soon be able to raise capital and issue shares through online crowdfunding under a proposal by the Ontario Securities Commission.

As part of a community outreach tour, OSC vice-chair Jim Turner was in Windsor earlier this week promoting the idea to representatives of the Windsor-Essex Regional Chamber of Commerce and the Odette School of Business at the University of Windsor.

Currently, if a company wants to raise capital by issuing shares it must launch an initial public offering on the Toronto Stock Exchange. The OSC is proposing to implement "prospectus exemptions" for start-ups and small and medium-sized companies that want to access capital with relative ease and minimal costs. It would also allow Canadian investors to invest in smaller enterprises that may otherwise be inaccessible, said Turner.

Equity crowdfunding is already available in the United Kingdom, he added. "We're keen on getting an exemption in place as early as possible in the new year."

Crowdfunding is becoming a popular method of funding a project or business venture through small amounts of money raised from a large numbers of people through an

Internet portal intermediary. However, entrepreneurs currently cannot issue securities to investors.

The proposed prospectus exemption would strike a balance between making it easier for start-ups to raise capital and protect investors, said Turner.

The proposal imposes a maximum of \$2,500 per investment opportunity and a total of \$10,000 over one year, said Turner.

An issuer can only raise a maximum of \$1.5 million and the investment has to be made through an OSC-registered portal.

Also, investors will have to sign a "risk-acknowledgment form," said Turner. "It's high risk because very few start-ups are successful."

Since the 2008-09 recession, new and small business have had a tough time securing financing from institutional lenders, said Turner. "This would be a mechanism that could help local businesses grow."

Internet crowdfunding will create an alternative financing vehicle for small and medium enterprises, said Matt Marchand, president and CEO of the local chamber.

"Access to capital has been ongoing issue for chamber members," said Marchand. "We're always looking for options for smaller enterprises, and this could be one of them."

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Tags: [Jim Turner](#), [Matt Marchand](#), [Ontario Securities Commission](#), [Windsor-Essex Regional Chamber of Commerce](#)



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