

Consultation on enhancing regulation of crowdfunding activities launched

The Financial Services and the Treasury Bureau (FSTB) published today (December 19) a consultation paper on the proposal to enhance regulation of crowdfunding activities, and launched a three-month public consultation exercise.

The consultation paper sets out various recommendations on enhancing the transparency and accountability of crowdfunding activities, which include requiring in-principle future crowdfunding activities to make application and obtain permission before commencement; and ensuring sufficient transparency to the public during and after the conduct of crowdfunding activities. The paper suggests setting up a Crowdfunding Affairs Office (CAO) to centrally process regulatory and administrative matters related to crowdfunding activities.

"In Hong Kong, we currently do not have a clear mechanism in regulating the increasingly prevalent online crowdfunding activities, which poses risks to public interest and safety. The consultation paper proposes building a comprehensive mechanism that can strengthen public confidence to participate in lawful and proper crowdfunding activities, and prevent lawbreakers from engaging in activities that are fraudulent, jeopardising public interest, or endangering public and national security in the name of crowdfunding," a spokesman for the FSTB said.

Major features of the crowdfunding regulatory regime proposed in the consultation paper are as follows:

- * all fundraising activities, online or offline, that raise funds publicly from individuals or entities of Hong Kong, or individuals or entities located in Hong Kong, are required to apply in advance to the newly proposed CAO, regardless of their purpose or location;
- * when processing applications, the CAO will consider factors including the honesty, reputation and reliability of the applicant; proportionality of the purpose of the crowdfunding activity to its scale; as well as risks brought about by the activity to public interests, public safety and national security;
- * the CAO will co-ordinate with relevant government departments with a view to streamlining procedures for fundraising activities which are subject to existing regulation, such as donation activities held physically in public places, or lottery sales;
- * the new regulatory regime will not apply to commercial fundraising activities in the market which are already well regulated by financial regulators under existing legislation;

- * exemptions and facilitation measures are proposed to facilitate smooth operation and timely commencement of crowdfunding activities which are widely recognised by the society and charitable crowdfunding projects which address sudden and urgent needs;
- * fundraisers are required to disclose objectives and arrangements of their crowdfunding activities, use local bank account and keep proper records of fund movements;
- * suggest consideration be given to setting up a registration system for online crowdfunding platforms; and
- * empower law enforcement agencies to cease unlawful crowdfunding activities and prosecute offenders.

The spokesman for the FSTB said, "We welcome members from all quarters of the community to give views on the proposal of the consultation paper. We will fully consider the views received which will pave the way for our subsequent legislative work."

The consultation paper is available on the webpage of the FSTB at www.fstb.gov.hk/fsb/en/publication/consult/consult-policy.html.

Members of the public may submit views to the FSTB by post (15/F, Queensway Government Offices, 66 Queensway, Hong Kong), by fax (2869 4195) or by email (cf-consult@fstb.gov.hk) on or before March 20, 2023.