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MEMO

To: The Firm's Clients

Date: March 26, 2017

New "Crowdfunding Regulations" Approved

In recent days the Israeli Hi-Tech industry received a significant boost with the approval of the new "Crowdfunding Regulations".

On March 20th, the Knesset Finance Committee approved the Israel Securities Regulations (Public Offerings via Offer Coordinator) 5777- 2017 (the "Regulations") which will enable early-stage technology companies to raise capital and debt from the public without being required to publish a prospectus ("Crowdfunding").

The groundwork for the new Regulations was laid in December, 2015, when an amendment to The Securities Law (5728-1968) (the "Amendment") was passed, opening up the possibility of Crowdfunding to young technology companies that wish to raise capital and debt from the public, but are unable to bear the significant costs associated with a public offering. Although the Amendment did provide for an exemption from the obligation to publish a prospectus, it also stated that further regulations setting forth the manner in which Crowdfunding will be conducted must be approved before companies can actually take this path. It is for this reason that, notwithstanding the Amendment to the Securities Law, Crowdfunding was practically forbidden in Israel.

The new Regulations define the role of what the law refers to as the "Offer Coordinator", who acts as an agent connecting the company with the public. According to the Regulations, the Offer Coordinators must meet certain requirements, such as having technical proficiency and maintaining a proper website.

Under the Regulations, companies raising funds will be exempt from filing a prospectus. These companies will be required to issue an offering in accordance with the guidelines set forth in the Regulations, and to provide certain updates to their investors via the Offer Coordinator.

The companies will be entitled to raise up to 4 million NIS annually via Crowdfunding, and under certain circumstances (if the investment round is led by a "leading investor" and/or accompanied by a certified report) up to 6 million NIS annually.

According to the Regulations, the amounts that individuals may invest are determined by their financial means, as follows:

- The overall amount of capital that may be raised from an investor with an annual income of up to 350,000 NIS will be limited to 10,000 NIS per investment, and 30,000 NIS per period of 12 consecutive months.
- The overall amount of capital that may be raised from investors with an annual income of between 350,000 NIS and 750,000 NIS will not exceed 30,000 NIS per period of 12 consecutive months.
- The overall amount of capital that may be raised from investors with an annual income of between 750,000 NIS and 1.2 million NIS may not exceed 5% of their annual income per period of 12 consecutive months.
- "Qualified Investors" (including investors whose annual income is more than 1.2 million NIS or who hold at least 8 million NIS in liquid assets) can invest an unlimited amount.

The Israeli Securities Authority will oversee the Crowdfunding, and each Offer Coordinator will be required to pay the following fees:

- A one-time registration fee of 50,000 NIS
- An annual set fee of 50,000 NIS
- A fee equal to 2% of every investment, not to exceed 50,000 NIS per investment.

It should be emphasized that the Regulations neither limit the number of investors, nor do they set a minimum investment amount.

The Regulations will come into effect within six months of their publication in the Law Registry (*Reshumot*) (the Minister of Finance has not yet signed off on the wording of the law and therefore its publication is delayed).

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**Should you have any questions or need additional information regarding this matter, please feel free to contact
Adv. Sharon Gazit, Head of the Corporate and Technology Department,
at: sharon.gazit@goldfarb.com, or 03-710-1661.**

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