



## ACfA LABEL FRAMEWORK

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Last updated: 26 January 2020

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# PREAMBLE

## About the African Crowdfunding Association

The African Crowdfunding Association (ACfA) is an industry association for crowdfunding professionals in Africa. ACfA was registered on 30 November 2016 as a non-profit organisation based in Cape Town, South Africa, under registration number 181-987 NPO. ACfA's mission is to foster the development of the crowdfunding industry in Africa. Crowdfunding is the practice of funding a project or venture by raising funds from a large number of people who contribute relatively small amounts, typically via a digital platform. Securities-based crowdfunding is the practice of funding a small business by issuing securities to individual investors.

Building on its longstanding relationships with African regulatory authorities, ACfA took a leadership position on regulations for securities-based crowdfunding to help bridge the resources gap that was hindering the industry's growth. In 2018, ACfA raised capital from FSD Africa (UKAID/DfID) to develop a regulatory framework for crowdfunding in Africa and subsequently evolved into a Self-Regulatory Organisation (SRO).

The regulatory framework is known as the **"ACfA Label Framework"** and may be formally recognised by any African regulatory authority that seeks to develop crowdfunding as a capital markets tool in its jurisdiction. The licence granted by ACfA to crowdfunding intermediaries under this framework is known as the **"ACfA Label"**. ACfA's role is to provide active and meaningful support to the African crowdfunding ecosystem so that it becomes a permanent tool of African capital markets.

The organisation is pan-African in its scope and team, with representatives from South Africa, Senegal, Nigeria, Kenya, Sudan as well as Africans in the diaspora. In light of the importance of regional trade for the growth of job-creating small businesses and the impetus of the AfCFTA (African Continental Free Trade Area), ACfA is strongly committed to the harmonisation of regulations for cross-border crowdfunding in Africa.

Furthermore, through a tripartite Memorandum of Understanding with Financement Participatif Afrique et Méditerranée ("FPAM") and the European Crowdfunding Network ("ECN"), ACfA coordinates its work with these homologous associations which represent crowdfunding in the Maghreb region and the European Union. It is intended that this coordination, together with support from development agencies, will unlock crowdfunding capital flows from the African diaspora in the global North towards the continent.

# The ACfA Label Framework: a pan-African regulatory framework for crowdfunding

The ACfA Label Framework has been conceived by market practitioners who have a strong focus on financing African small and medium-sized enterprises (SMEs) and who deeply understand the challenges of this “missing middle” segment of the economy. The ACfA Label Framework has thus been designed with a fundamentally pragmatic goal: to reduce the financial and non-financial barriers to investment in SMEs. Although ACfA views technology - and specifically the use of online crowdfunding platforms - as a potentially important enabler of this broader goal, it considers the SME finance ecosystem as a whole as the key beneficiary of the ACfA Label Framework.

Similarly, ACfA does not view crowdfunding as a “disruptive” force in the capital markets; rather, in the absence of effective early-stage finance intermediaries in most African markets, crowdfunding is a new form of intermediation that bridges the funding gap between microfinance and private equity. The formalisation of this critical stage of capital formation improves the pass-through rate of SMEs from the private to the public markets, thereby supporting existing capital markets infrastructure such as SME segments of the national stock exchange. The pan-African approach of ACfA is equally in line with current initiatives to create regional stock exchanges and aims to foster the future pool of SME listings for these exchanges.

With its origins in the financial and economic crisis of 2008, crowdfunding has proven successful as an alternative finance tool for SMEs in many developed and, later, emerging markets. Those experiences have provided useful best practices for the development of the ACfA Label Framework. However, the African context provides markedly different ecosystems and risk factors than in developed markets. These include:

- A lower average size of investment required by SMEs,
- A more fragmented early-stage investment ecosystem,
- More challenging business environments for SMEs,
- Less favourable taxation regimes for investors in SMEs,
- Lower levels of financial education amongst the general public,
- Weaker national laws on consumer data protection,
- Greater vulnerability to illicit financial flows, money laundering and terrorism financing.

In light of these conditions, it is important that the ACfA Label Framework is localised to be adopted by market practitioners and stakeholders. Key aspects of localisation include:

- A focus on “face-to-face” SME investment readiness for investor protection,
- The use of a risk-based KYC (“Know Your Customer”) approach,
- The use of two categories of the ACfA Label to include a diverse range of intermediaries,
- The use of crowdinvestment vehicles for angel networks and first-time fund managers,
- The acceptance of a wider range of SME financial instruments,
- A bigger role for ACfA in identifying and removing systemic weaknesses,
- A supportive role for ACfA in providing trainings and services to intermediaries and stakeholders of the wider crowdfunding ecosystem.

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## Document References

[DOC 1-2019: ACfA Label Framework](#)

[DOC 2-2019: ACfA Label Categories](#)

[DOC 3-2019: ACfA Members Charter of Good Conduct](#)

[DOC 4-2019: Crowdfunding Intermediary Approval Committee and Protocol](#)

[DOC 5-2019: Crowdfunding Intermediary Application File](#)

[DOC 6-2019: Project Sponsor Prospectus](#)

[DOC 7-2019: ACfA Governance, Oversight and Enforcement](#)

[DOC 8-2019: List of Registered Crowdfunding Intermediaries](#)

[DOC 9-2019: ACfA Blacklist](#)

# Glossary of Definitions and Abbreviations

<b>SME</b>	Small and medium-sized enterprise.
<b>SME Investment Readiness</b>	The process through which an SME is prepared for formal fundraising from external investors.
<b>Project Sponsor</b>	An entity that seeks finance via a crowdfunding intermediary.
<b>Crowdfunding Intermediary</b>	A physical person or business that is approved and registered by ACfA to run crowdfunding operations.
<b>ACfA Label Framework</b>	The name of the regulatory framework for securities-based crowdfunding developed by ACfA.
<b>ACfA Label</b>	The name of the licence granted to crowdfunding intermediaries by ACfA.
<b>ACfA Prospectus</b>	The list of requirements that project sponsors must fulfil in order to conduct a crowdfunding campaign.
<b>JAP</b>	Joint Approval Process, which allows a crowdfunding intermediary to be approved by ACfA in a first step, and approved by its national regulator in a second step.
<b>Crowdfunding Platform</b>	A digital platform that hosts crowdfunding campaigns that are prepared by a crowdfunding intermediary.
<b>Crowdinvestor</b>	An investor that participates in a crowdfunding campaign.
<b>KYC and AML/FT</b>	Know-Your-Customer and Anti-Money Laundering/Financing of Terrorism.

## Chapter 1. Crowdfunding Regulatory Regime

The ACfA Label Framework introduces key concepts that may require exemptions from classic securities law and existing regulatory frameworks.

### Section 1.1 Private companies raising publicly: a new regime for African SMEs

Common practice in securities markets regulations is to prohibit offerings of securities to the general public (hereafter, “POS”) except in the case where the securities are offered by a public company. The POS is typically authorised by a securities regulator who approves the issuer’s prospectus. The offering may then be advertised to the general public. Due to the high overall transaction costs of a POS, mandatory disclosure of sensitive information as well as the post-transaction costs such as reporting, compliance and shareholder relations, most companies stay private. Private companies must raise external growth capital through private placements; however, due to a number of supply and demand-side barriers which are well documented elsewhere, the vast majority of African SMEs do not have access to formal private investment capital.

The supply of early-stage and indeed later-stage capital for most African SMEs usually lies within their network of friends, family and the wider community. Fundraising from one’s community can be a cost-effective solution for entrepreneurs at the outset; however, the lack of formal fundraising practices at an early stage becomes a barrier to accessing formal finance later in the entrepreneurial journey. This results in a very small pool of SMEs that are able to participate in formal capital markets.

The ACfA Label Framework seeks to bridge this gap by creating a new regime for African SMEs: small private companies seeking to raise capital from people in their trusted networks who can be considered as a section of the general public - family, friends, community, customers, employees - in a formalised, safe and cost-effective manner.

The ACfA Label Framework creates an exemption to classic securities law whereby a POS is prohibited except when the issuer is a public company, or a private company that raises capital publicly in fulfilment of the conditions in [DOC 6-2019: Project Sponsor Prospectus](#) and when the securities are offered through a registered Crowdfunding Intermediary that holds the ACfA Label and is supervised by ACfA.



## Section 1.2 Crowdfunding Intermediary: a new regime for African intermediaries

In a traditional POS, investors may purchase the company's securities through an intermediary which is typically a licenced broker-dealer. The front-end and back-end activities involve the notification of the investor's custodian bank, risk management checks, the placing of the order on the stock exchange, execution of the trade, clearing and settlement. In private placements, a company raising external capital might engage the services of a registered investment advisor or transaction advisory firm which makes introductions to selected investors, assists with company due diligence requirements, negotiation of term sheets and the drafting of a private placement memorandum. The company must also cover the costs of lawyers and auditors. Funds might be placed in an escrow account held by the investor's custodian bank once a term sheet has been signed and up until due diligence is complete and funds can be released.

These steps constitute a "formal" fundraising process which, while burdensome for the company, is an important and valuable step in and of itself for the company's professionalisation and maturity. Informal processes deprive the SME of these steps and result in weak shareholder protection. The ACfA Label Framework creates a new regime for intermediaries who provide these critical services affordably to SMEs while remaining economically viable themselves. Recognising that SME investment readiness is an onerous and expensive exercise with a high degree of uncertainty on success commissions, ACfA seeks to incentivise existing investment readiness service providers to become registered Crowdfunding Intermediaries in order to increase the success rate of their clients' fundraising activities.

Therefore, in addition to incumbent transaction advisors and financial institutions, the target beneficiaries of the ACfA Label are physical persons or businesses that:

- Provide SME investment readiness services
- Provide start-up incubation or acceleration services
- Are raising SME funds for the first time and require a track-record building interim step

By targeting these new market actors, the ACfA Label Framework leverages the "face-to-face" relationships with entrepreneurs which underpins fundamental investor protection. It also increases the impact and efficiency of the significant supply of grant funding and subsidies already dedicated to SME investment readiness under the banner of financial inclusion. Furthermore, ACfA recognises the large number of qualified potential fund managers that struggle to build track records in a cost-effective way before raising their funds. The ACfA Label may be useful as an interim track record-building step for the next cohorts of African fund managers.

To encourage the testing of new business models, the ACfA Label Framework does not restrict the type of revenue-generating services that a crowdfunding intermediary may provide, nor does it prescribe the fee and success commission structures. However, the Framework does require transparency on

intermediaries' fee structures as well as disclosure of any conflicts of interests arising between intermediaries and their clients that may negatively impact crowdfunders.

Recognising the need for partnerships to achieve sustainable business models, the ACfA Label Framework allows for partnerships between service providers in the crowdfunding ecosystem. However, registered Crowdfunding Intermediaries which are holders of the ACfA Label are the sole entities authorised by ACfA to provide SME investment readiness services in compliance with [DOC 6-2019: Project Sponsor Prospectus](#).

Services that must be provided strictly by the registered Crowdfunding Intermediary

- Investment readiness and due diligence of the project sponsor which culminates in the investor information document: [DOC 6-2019: Project Sponsor Prospectus](#).

Additional services that may be provided by the registered Crowdfunding Intermediary, or provided by third party service providers:

- Registration and account administration of crowdfunders
- Crowdfunder KYC compliance tools
- Marketing and communication about crowdfunding operations
- Payment services including digital payments, mobile wallets and e-wallets
- Transaction facilitation, from reception and transmission of orders to settlement
- Facilitation of post-transaction reporting, shareholder communication and distributions
- Company secretarial and other legal services
- Distributed Ledger Technology and Smart Contracts (blockchain-enabled crowdfunding)
- Other crowdfunder services: educational trainings, tax support and foreign exchange

In the case where a Crowdfunding Intermediary partners with third party service providers, it is the responsibility of the Crowdfunding Intermediary to verify that those third party services are provided in compliance with the ACfA Label Framework and are in possession of all relevant national authorisations and licences. To facilitate this, ACfA strongly recommends that third party service providers join the association as “ACfA Ecosystem Members” so that they are kept informed of any changes to the ACfA Label Framework.

The ACfA Label Framework creates a new intermediary, the “Crowdfunding Intermediary”. Crowdfunding intermediaries may apply for the ACfA Label using the application file in [DOC 5-2019: Crowdfunding Intermediary Application File](#), stipulating the category sought, as detailed in [DOC 2-2019: ACfA Label Categories](#). The application process is described in [DOC 4-2019: Crowdfunding Intermediary Approval Committee and Protocol](#). Once approved, crowdfunding intermediaries are listed publicly along with their ACfA Registration numbers in [DOC 8-2019: List of Registered Crowdfunding Intermediaries](#). Registered crowdfunding intermediaries become full members of ACfA and agree to be supervised by ACfA.

## Section 1.3 Crowdinvestors: a new regime for African individual investors

In a traditional POS, investors have recourse to the services of licenced financial advisors who perform an assessment of their risk profile and suitable level of portfolio exposure to public equities. Private placements may be limited to individual investors who satisfy a given definition of “accredited” or “qualified” investor, i.e. individuals with significant personal wealth or relevant professional qualifications and experience.

The ACfA Label Framework must provide for similar controls to be implemented by crowdfunding intermediaries themselves or by third party service providers. Instead of excluding individual investors, crowdfunding intermediaries must be able to categorise investors according to their level of investable income, level of financial education, expectations on returns and the overall suitability of the securities offering to their portfolio.

The ACfA Label Framework creates the possibility for individual unqualified investors to participate in crowdfunding operations that are conducted by registered Crowdfunding Intermediaries in compliance with the ACfA Label Framework. The categorisation of investors, suitability tests, risk warning and KYC requirements are provided in [DOC 2-2019: ACfA Label Categories](#).

## Section 1.4 Implementation of the ACfA Label Framework

### Title 1.4.1 Recognition of the SRO by national regulatory authorities

African national regulatory authorities may recognise the African Crowdfunding Association as the Self-Regulatory Organisation that is authorised and competent to regulate securities-based crowdfunding in their jurisdiction. This recognition must enable ACfA to perform its core regulatory functions effectively, eliminate legal and regulatory risks for investors and guarantee the credibility of its enforcement mechanisms.

#### 1.4.1.1 Core regulatory functions of the SRO

- Approvals of new intermediaries through the granting of the ACfA Label,
- Supervision of the day-to-day operations of intermediaries,
- Audits of intermediaries,
- Enforcement of the ACfA Label Framework,

- Revision of the ACfA Label Framework.

#### 1.4.1.2 Elimination of legal and regulatory risk

The national authorities must ensure that the form of recognition employed guarantees the legal validity of securities-based crowdfunding operations and that there is no unknown regulatory or legal risk borne by crowdinvestors, project sponsors or crowdfunding intermediaries that could jeopardise their crowdfunding operation(s) at any point in time.

In the case where the national regulator provides formal recognition of ACfA but is unable or unwilling to guarantee the validity of securities-based crowdfunding operations under local law, it must provide a transparent legal equivalency framework under which crowdfunding operations that are supervised by ACfA may take place. Such a framework must also make explicit the conditions under which cross-border crowdfunding operations may be conducted.

#### 1.4.1.3 Enforcement mechanisms

The national regulator must ensure that ACfA has oversight of all securities-based crowdfunding activities in its jurisdiction. It is not possible to have multiple frameworks, SROs or regulatory treatment of securities-based crowdfunding within a single jurisdiction. ACfA's enforcement mechanisms are guaranteed by its internal resources and its "monopoly" of oversight on securities-based crowdfunding in a given jurisdiction, and include:

- Disciplinary hearings
- Disciplinary actions including the issuance of fines,
- Expulsion of members

Where the use of national enforcement mechanisms are deemed necessary by the national regulator, the latter may guarantee this mechanism through a Joint Approval Process ("JAP") of crowdfunding intermediaries. A JAP allows the national regulator to register a crowdfunding intermediary that has been approved by ACfA and granted the ACfA Label, and outlines the functioning of the joint enforcement process. A JAP provides clarity on possible conflicts of laws and duplication of enforcement mechanisms that arise with a two-tier oversight framework. Finally, a JAP also clarifies the role of national enforcement mechanisms in the case of a cross-border crowdfunding operation.

### Title 1.4.2 Cross-border securities-based crowdfunding operations

Registered Crowdfunding Intermediaries may propose their services in all jurisdictions that have equally and formally recognised ACfA as an SRO.

### Title 1.4.3 Treatment of non securities-based crowdfunding operations

Where a crowdfunding operation does not meet the definition of a securities-based crowdfunding operation, it falls outside of the mandate of the national regulator and hence outside of the ACfA Label Framework. Crowdfunding intermediaries that conduct non securities-based crowdfunding operations in a given jurisdiction may apply for ACfA membership and hence comply with the ACfA Charter of Good Conduct. Where it is deemed useful, such intermediaries may opt to comply with the ACfA Label Framework out of their own accord, but may not apply for the ACfA Label nor benefit from ACfA's regulatory oversight or any exemptions to local laws.

# Chapter 2. Crowdfunding Intermediaries

## Section 2.1 ACfA Label Categories

### 2.1.1 Category 1

The objective of the ACfA Label Category 1 is to mobilise the pool of qualified professionals and emerging fund managers who have prior work experience within banks, non bank financial institutions, investment companies, impact funds, venture capital funds, angel investor networks, management consulting firms and law firms. They may also be experienced entrepreneurs who have gained an understanding of the ins and outs of early-stage fundraising. These individuals are well placed to understand the operating environment of SMEs, the investment value chain and corporate governance.

The financing needs of project sponsors that may be serviced by these intermediaries are in the low to mid segment of the market. There are no minimum or maximum limits imposed on the fundraise amount for Category 1 crowdfunding operations. A tabular summary of Category 1 is provided in [DOC 2-2019: ACfA Label Categories](#)

### 2.2.1 Category 2

The objective of the ACfA Label Category 2 is to harness the pool of semi-formal and formal SME finance providers which operate in close proximity to potential project sponsors, and which benefit from trusted relationships that can be leveraged to design appropriately flexible products, as well as identify and mitigate risks.

The financing requirements of project sponsors that may be serviced by these intermediaries are situated in the low end of the market and are limited to \$150,000 per crowdfunding operation. A tabular summary of Category 2 is provided in [DOC 2-2019: ACfA Label Categories](#).

## Section 2.2 Applications

### 2.2.1 Forms of business entities

ACfA accepts a broad range of business entities due to the diversity of countries, intermediaries and market segments; however, the form of business must be appropriate for the ACfA Label category requested and for the list of services that the intermediary intends to provide. ACfA reserves the right to reject applications where it deems that the company form is inadequate. Regardless of company form, all applicants must be formally registered according to the relevant local laws.

Business entities that are eligible to apply to become a registered Category 1 Crowdfunding Intermediary:

- Private limited companies
- Public companies
- Branch offices of foreign registered business entities
- Limited liability partnerships

Business entities that are eligible to apply to become a registered Category 2 Crowdfunding Intermediary:

- Private limited companies
- Public companies
- Non-profit organisations
- Branch offices of foreign registered business entities
- Limited liability partnerships
- Sole proprietorships
- Societies
- Associations

### 2.2.2 In-country requirement

Applicants to the ACfA Label are required to be located in the country in which they intend to provide SME investment readiness and due diligence services, if necessary through a branch or subsidiary.

### 2.2.3 Minimum capital

In line with ACfA's mission to reduce the financial and non financial barriers to investment in SMEs and overall transaction costs of small deals, there are no minimum capital requirements for applicants to the ACfA Label. As the industry develops, ACfA shall review this requirement.

### 2.2.4 Insurance

There are currently no company insurance requirements for applicants to the ACfA Label; however, intermediaries are encouraged to purchase company insurance policies. As the industry develops and insurance providers design new products for crowdfunding intermediaries, ACfA shall review this requirement.

### 2.2.5 Governance

In principle, the governance of crowdfunding intermediaries should be proportional to the ACfA Label category requested and the type of services that it intends to provide. In general, ACfA suggests that applicants put into place a Board, Advisory Committee and independent auditor. Depending on their form of company, local laws might impose governance requirements. In this case, it is the responsibility of the applicant to ensure their compliance.

### 2.2.7 Application process

Business entities wishing to be registered as Crowdfunding Intermediaries shall submit via email to [supervision@africancrowd.org](mailto:supervision@africancrowd.org) their application file: [DOC 5-2019: Crowdfunding Intermediary Application File](#). This can be sent as a regular attachment or by using a Google Drive link, Dropbox or other cloud-based file sharing system. The application is processed by ACfA according to the steps detailed in [DOC 4-2019: Crowdfunding Intermediary Approval Committee and Protocol](#).

### 2.2.8 Authorisation

Upon approval by ACfA's Crowdfunding Intermediary Approval Committee, ACfA shall provide the intermediary with an ACfA Label registration number stating the category of Label. This means that the intermediary is authorised to start its operations, and display the ACfA Label logo on its marketing documents and website, if applicable. ACfA will duly inform the relevant national regulator(s) of the new registration.

### 2.2.9 Special case: Crowdfunding Intermediaries - Own Account

Project sponsors may seek to conduct crowdfunding operations that are prepared by a director or employee of their own company. This means that the project sponsor and crowdfunding intermediary are one and the same entity. In this case, there is a risk of biased representation of the company's financial situation and prospects. To mitigate this risk, the ACfA Label Framework provides for the special case of a registered Crowdfunding Intermediary - Own Account. In addition to complying with the ACfA Label Framework and submitting the [DOC 5-2019: Crowdfunding Intermediary Application File](#), these intermediaries must follow additional rules:

- The registered Crowdfunding Intermediary - Own Account ensures that the crowdfunding operation conducted for its own account mentions clearly that the information provided in [DOC 6-2019: Project Sponsor Prospectus](#) has been prepared by a Crowdfunding Intermediary - Own Account.
- The company's audited annual financial statements must be made available to potential crowdinvestors, and must have been prepared by an independent accountant that holds the requisite industry qualification.
- The registered Crowdfunding Intermediary - Own Account ensures that the rights of minority shareholders are guaranteed and adequately represented under the resulting governance structures.

## Chapter 3. Types of Crowdfunding Operations



Project sponsors may issue securities to the public through a registered Crowdfunding Intermediary. These crowdfunding operations may be run for a variety of security types. A list is provided below; however, ACfA may consider other types of securities on a case-by-case basis.

## Section 3.1 Crowdfunding Operations permitted only under Category 1

Crowdfunding intermediaries that hold the ACfA Label Category 1 may conduct crowdfunding operations for all types of securities. The following security types are specifically restricted to Category 1.

### Title 3.1.1 Equity and equity-like crowdfunding operations

An equity-based crowdfunding operation takes place when a project sponsor sells a portion of its shares to crowdinvestors. Crowdinvestors may invest directly, or be grouped into a crowdinvestment vehicle. Direct equity-based crowdinvestments include:

#### a. Common shares

Crowdfunding operations for common shares allow crowdinvestors to become minority shareholders with appropriate voting and information rights.

#### b. Preference shares

Crowdfunding operations may be conducted for preference shares which give shareholders preferential rights such as priority in payment of dividends or upon liquidation.

#### c. Redeemable equity

Crowdfunding operations that are run for redeemable equity are ones in which crowdinvestors buy shares with the option to sell them back to project sponsors, or in which project sponsors have the option to buy back the shares, both according to a predefined price or formula.

#### d. SAFE (Simple agreement for future equity)

Crowdfunding intermediaries may conduct crowdfunding operations for SAFE notes, which allow crowdinvestors the right to own future shares in the project sponsor, without the share price being determined at the time of investment. SAFE notes provide a formula or mechanism to determine the future share price. This mechanism must be explained in detail to potential crowdinvestors.

### Title 3.1.2 Crowdinvestment vehicles

Crowdfunding operations may be conducted using crowdinvestment vehicles. These are simple, low-cost structures that may be used to group many crowdinvestors into a vehicle that counts as one shareholder on the shareholder register of the project sponsor, and represents the interests of the crowdinvestors.

e. Crowdinvestment vehicle for a single crowdfunding operation

Crowdinvestment vehicles may be used for a single crowdfunding operation, in which case the crowdfunding intermediary must include all relevant information about the vehicle (type of structure, elected representative(s), fee structure, location and modes of communication, disbursement of proceeds and exit/liquidation) in an Investment Agreement document. This document must be easily understandable by the categories of crowdinvestors solicited, and a copy must be sent to [supervision@africancrowd.org](mailto:supervision@africancrowd.org).

f. Crowdinvestment vehicles for multiple investments

Crowdinvestment vehicles may be used for multiple investments, in which case the vehicle becomes a shareholder in more than one project sponsor. Crowdinvestors may contribute funds to the vehicle during a fixed period fundraise, or on a rolling basis. The crowdfunding intermediary may involve the crowdinvestors in deliberations around the vehicle's investment theme or hypothesis, and its investment decision-making protocols. The crowdfunding intermediary, who must hold a Category 1 ACfA Label, must include all relevant information about:

- i) the crowdfunding intermediary's relevant qualifications and experience,
- ii) the investment hypothesis and/or investment theme,
- iii) the vehicle: type of structure (evergreen or closed-ended), legal form, investment committee, fee structure, financial instruments, location and modes of communication, disbursement of proceeds and exit or liquidation.

The above information must be included in a Private Placement Memorandum (PPM) document. This document must be easily understandable by the categories of crowdinvestors solicited, and a copy must be sent to [supervision@africancrowd.org](mailto:supervision@africancrowd.org).

## Section 3.2 Crowdfunding Operations permitted under both Category 1 and Category 2

Crowdfunding intermediaries that hold the ACfA Label Category 2 may conduct crowdfunding operations for the following types of securities. If the total amount raised in a single crowdfunding operation exceeds €150,000 the crowdfunding intermediary must request the ACfA Label Category 1.

### Title 3.1.3 Debt and debt-like crowdfunding operations

#### g. SME “Minibonds”

Project sponsors that are small and medium-sized enterprises may issue “SME minibonds” to crowdfunders. A minibond is a note with simple terms: a fixed interest rate, fixed repayment schedule (for example, quarterly repayments) and a fixed horizon (for example, three years). Minibonds shall be issued by project sponsors with short to medium term credit needs. The requirement of collateral and form of collateral are not prescribed.

#### h. Loans (“Crowdlending”)

Intermediaries may facilitate crowdfunding operations in which crowdfunders lend to project sponsors. Interest rates are subject to all applicable local laws. The requirement of collateral and form of collateral are not prescribed. Repayment options may be tailored to the cash-flow of the project sponsor.

#### i. Revenue-based finance

Project sponsors may provide crowdfunders with securities whose returns are linked to the performance of the project sponsor. This performance shall be measured by a predefined accounting multiple such as sales, revenues, EBITDA or profit. The revenue-based security may take the form of a percentage of these revenues and be capped at a multiple and/or self-liquidate after a period of time. The securities may have other provisions for loss limitation.

#### j. Convertible loans

Crowdfunding operations may be run for convertible loans, which are loans that are structured with the option to be converted into shares of the project based on certain predefined milestones.

## Section 3.3 Treatment of offerings not considered as securities

The following crowdfunding operations do not meet the definition of securities-based crowdfunding and therefore fall outside of the remit of the ACfA Label Framework. In the case where the underlying asset is securitised via a crowdinvestment vehicle that may be offered to crowdfunders, the crowdfunding intermediary may contact ACfA about its eligibility. ACfA encourages crowdfunding intermediaries that seek to facilitate any non securities-based crowdfunding offerings to adhere to the following compliance recommendations, and to contact ACfA for types of operations that are not included in the list below:

### 3.3.1 Land

A crowdfunding operation may be run for land acquisition, development and exploitation. The project sponsor’s land shall be shared between multiple crowdfunders. The revenues (rent, proceeds from development, exploitation, resale, or other) of the land are shared between the project sponsor and the crowdfunders according to a predefined agreement. Crowdfunding intermediaries seeking to conduct

this type of operation must ensure that the project sponsors are duly registered with all relevant local administrative bodies and in possession of all title deeds.

Recommendation: ACfA Label Category 2

### 3.3.2 Livestock

As with land, intermediaries may facilitate crowdfunding operations between crowdfunders and project sponsors who breed livestock. Crowdfunders may choose the livestock that they want to fund and the project sponsor shall do the necessary breeding until the livestock is ready to be sold in the market. Crowdfunders may pay management fees to the sponsor and participate in the profits of the sale of livestock according to a predefined agreement. Crowdfunding intermediaries that wish to facilitate these operations shall ensure that the project sponsors possess the expertise and experience required for livestock breeding.

Recommendation: ACfA Label Category 2

### 3.3.3 Leasing

A project sponsor may acquire equipment through a crowdfunded leasing operation. The contract allows the crowdfunders to purchase the equipment and rent it to the project sponsor who uses it for a given period of time, after which the project sponsor purchases the equipment from the crowdfunders. The project sponsor shall pay the crowdfunder an agreed upon rental fee for the duration of the leasing.

Recommendation: ACfA Label Category 2

### 3.3.4 Factoring & Receivables

Crowdfunding intermediaries may run factoring-based or receivables-based crowdfunding operations. These crowdfunding operations consist of the financing of the project sponsor's accounts receivable in order to meet short-term capital needs to pursue their operations. In the case of factoring, or "invoice crowdfunding", a crowdfunding intermediary may connect potential crowdfunders to the seller of an invoice (the project sponsor). The crowdfunders are then reimbursed by the debtors of the invoice seller. In the case of receivables-based crowdfunding, the crowdfunding intermediary provides a loan, funded by crowdfunders, to the project sponsor using the invoices as collateral.

Recommendation: ACfA Label Category 2

### 3.3.5 Donations-based and Rewards-based Crowdfunding

Intermediaries seeking to offer donations-based and rewards-based crowdfunding services are encouraged to become ACfA Members and adhere to ACfA's [DOC 3-2019: ACfA Members Charter of Good Conduct](#).

Recommendation: ACfA Charter of Good Conduct.

# Chapter 4. Marketing

## Section 4.1 Marketing of crowdfunding services

Crowdfunding intermediaries may market their services through multiple channels (printed press, radio, television, e-mails, adwords, sponsored links, social networks, mobile networks) under the following restrictions:

4.1.1) The Crowdfunding Intermediary informs the audience that they are a registered Crowdfunding Intermediary in possession of the appropriate category of ACfA Label, and displays or mentions their ACfA registration number. Crowdfunding Intermediaries may also display the URL link to ACfA's public list of registered Crowdfunding Intermediaries: [DOC 8-2019: List of Registered Crowdfunding Intermediaries](#).

4.1.2) The Crowdfunding Intermediary provides meaningful, balanced information on the risks and implications of investing in crowdfunding operations.

4.1.3) Crowdfunding intermediaries which provide equity-based crowdfunding services, and which market equity and equity-like crowdfunding operations, must display the following Risk Warning on their public-facing marketing documents, websites and other publicly available information about their services:

*"The purchase of shares in unlisted companies involves the following risks of which all crowdinvestors must be aware before investing. Additionally, you are responsible for diversifying your investment portfolio across several asset classes. We recommend that you consult with your financial planner or advisor on portfolio diversification, and do not invest more than 10% of your savings in project sponsors.*

- *Risk of loss of capital: The initial amount of capital invested is not guaranteed. This means that if the project sponsor does not succeed in meeting growth targets or is forced to liquidate, your shares can lose some or all of their value.*
- *Liquidity risk: shares in project sponsors are not immediately liquid. This means that they cannot readily be resold or transferred to another investor, and could be immobilised for several years.*
- *Valuation risk: the valuation of shares in project sponsors is an estimation based on several factors and is never a precise valuation.*
- *Risk of dilution of shares: project sponsors are typically in a phase of rapid expansion that might be financed by several rounds of capital raising. This implies that your initial share in the company might be diluted in subsequent rounds as more shares are issued.*

4.1.4) Crowdfunding intermediaries which provide crowdfunding services and market crowdfunding operations under ACfA Label Category 2 must display the following Risk Warning on their public-facing marketing documents, websites and other publicly available information about their services:

*“Lending carries a risk of not getting paid back on time, and the risk of not getting your money back at all. Make sure that you diversify your investments and only lend money that you can afford to lose.”*

## Section 4.2 Marketing of crowdfunding operations

Crowdfunding intermediaries may advertise current crowdfunding operations freely towards people who regularly use their platform and/or have subscribed to their advertising tools, including their official social media accounts, under the following restrictions:

4.2.1) The Crowdfunding Intermediary provides meaningful, balanced information on the risks and implications of investing in crowdfunding operations.

4.2.2) The Crowdfunding Intermediary must display on every page of their platform the risk warning provisions that are required in 4.1.3 and 4.1.4.

## Chapter 5. Cross-border Crowdfunding

Registered Crowdfunding Intermediaries may propose their services in all jurisdictions that have equally and formally recognised ACfA as an SRO.

Crowdfunding intermediaries that intend to propose their services outside of their home jurisdiction should demonstrate to ACfA’s Approval Committee their ability to provide effective SME investment readiness services in the third party jurisdictions.

In the case of a jurisdiction where the national regulator has recognised ACfA but has not guaranteed the validity of securities-based crowdfunding operations under local laws, it is the responsibility of the registered crowdfunding intermediary to ensure its operations are compliant with the relevant local laws in that jurisdiction.

## Chapter 6. Privacy and Data Protection

The following rules of privacy and data protection must be respected by registered Crowdfunding Intermediaries:

- Crowdfunding Intermediaries must make careful use of personal and commercial data that they access while conducting crowdfunding operations.
- The data that is provided by project sponsors and crowdfunders alike shall not be disclosed to a third party.
- Crowdfunding intermediaries must ask crowdfunders' permission to reuse the data which they have accessed during a crowdfunding operation in future ones.
- The data provided by crowdfunders and project sponsors alike to crowdfunding intermediaries should not be used for any purpose other than that of processing and enabling the transaction, unless the crowdfunding intermediaries obtain explicit consent for each usage.
- Crowdfunding intermediaries must inform visitors to their website about their use of cookies and hyperlinks.

Beyond the rules above, crowdfunding intermediaries are encouraged to formulate their internal Data Protection policy according to Article 5 of the GDPR (General Data Protection Regulation). The latter lists six principles according to which personal data must be:

*“(a) processed lawfully, fairly and in a transparent manner in relation to individuals (‘lawfulness, fairness and transparency’);*

*(b) collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes; further processing for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes shall not be considered to be incompatible with the initial purposes (‘purpose limitation’);*

*(c) adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed (‘data minimisation’);*

*(d) accurate and, where necessary, kept up to date; every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay (‘accuracy’);*

*(e) kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes subject to implementation of the appropriate technical and organisational measures required by the GDPR in order to safeguard the rights and freedoms of individuals (‘storage limitation’);*

*(f) processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures ('integrity and confidentiality')."*

## Chapter 7. Anti Money Laundering and Terrorism Financing

Crowdfunding intermediaries are responsible for ensuring that the financial operations that they facilitate take place in circuits that do not fall prey to money laundering or the financing of terrorist actions or groups. They are encouraged to learn about methods and technologies to evaluate and mitigate AML/FT risk, and train their employees with oversight responsibilities appropriately. Regarding payment systems, crowdfunding intermediaries must ensure that they are equally compliant with prevailing AML/FT regulations in their jurisdictions.

## Chapter 8. Supervision, Audits and Enforcement

### Section 8.1 Supervision

New registered Crowdfunding Intermediaries are required to obtain approval from ACfA of each [DOC 6-2019: Project Sponsor Prospectus](#) for a 12-24 month period after their approval.

ACfA reserves the right to supervise the day-to-day operations of any registered Crowdfunding Intermediary at any time by requesting information from the latter and/or through the creation of a dedicated "ACfA" user account where applicable.

#### 8.1.1 Reporting to ACfA

Registered Crowdfunding Intermediaries must report the following information to ACfA via email to [supervision@africancrowd.org](mailto:supervision@africancrowd.org):

- For every crowdfunding operation, the project sponsor prospectus that is provided to crowdinvestors: [DOC 6-2019: Project Sponsor Prospectus](#).
- For every crowdfunding operation, the final amount raised when the operation is closed, and the number of crowdinvestors that participated.

### Section 8.2 Audits

ACfA will audit the full operations of new crowdfunding intermediaries after 1 year of their approval. After their first audit, registered crowdfunding intermediaries will be audited by ACfA every 2-3 years.



## Section 8.3 Enforcement mechanisms

Enforcement mechanisms include, but are not limited to the following:

### 8.3.1 Internal enforcement mechanisms

- a. Disciplinary hearings: a formal complaint is filed with and heard before ACfA's [Governance, Oversight and Enforcement](#) committee. The latter assigns to the case a professional hearing officer who is responsible for ensuring the complaint is resolved fairly and expeditiously. The case is heard by a three-person panel made up of the hearing officer and two ACfA oversight committee executives.
- b. Issuance of fines to remedy damages to stakeholders
- c. Suspension or expulsion from ACfA and removal of the ACfA Label
- d. Placement of the intermediary on the blacklist Ref Doc: [DOC 9-2019: ACfA Blacklist](#)
- e. Public announcements of b), c) and d).

### 8.3.2 National enforcement mechanisms

- f. Penal and financial sanctions by national regulators that have put in place a Joint Approval Process with ACfA, or other means of enabling national enforcement.
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## DOC 2-2019: ACfA Label Categories

Last updated: 26 June 2019

	CATEGORY 1	CATEGORY 2
Qualifications required	<ul style="list-style-type: none"> <li>At least an undergraduate degree in Finance/ Economics/ Accounting or related field</li> <li>Previous experience in a relevant role</li> </ul>	<ul style="list-style-type: none"> <li>An undergraduate degree and/or a relevant professional qualification</li> <li>Previous experience in a relevant role</li> </ul>
Business entities eligible	<ul style="list-style-type: none"> <li>Private limited companies</li> <li>Public companies</li> <li>Branch offices of foreign registered business entities</li> <li>Limited liability partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Private limited companies</li> <li>Public companies</li> <li>Non-profit organisations</li> <li>Branch offices of foreign registered business entities</li> <li>Limited liability partnerships</li> <li>Sole proprietorships</li> <li>Societies</li> <li>Associations</li> </ul>
Securities permitted	All types of securities	All types of securities except equity, equity-like instruments and crowdfund investment vehicles
Maximum amount permitted per operation	No maximum	\$150,000
Investment advice on crowdfunding operations	Yes	No
Crowdfunder Categorisation, Suitability Test and Risk Warning	<p><b>CATEGORISATION</b> Crowdfunders must be categorised according to their level of experience and protected accordingly. The following categories are indicative:</p> <ul style="list-style-type: none"> <li>First-time individual investors</li> <li>Experienced individual investors</li> <li>Institutional investors</li> </ul> <p><b>SUITABILITY TEST</b> All potential crowdfunders, except institutional investors, must undergo a Suitability Test, which is a series of questions that allows to determine the appropriateness of the offering for the</p>	<p><b>SUITABILITY TEST</b> All potential crowdfunders, except institutional investors, must undergo a Suitability Test, which is a series of questions that allows to determine the appropriateness of the offering for the crowdfunder's level of income, savings, financial education and investment experience.</p> <p><b>RISK WARNING in 4.1.4</b> Crowdfunders must acknowledge and accept the risk warning.</p>

	<p>crowdinvestor's level of income, savings, financial education and investment experience.</p> <p>RISK WARNING in 4.1.3 Crowdinvestors must acknowledge and accept the risk warning.</p>	
Crowdinvestor KYC	<p>MINIMUM REQUIRED KYC</p> <ul style="list-style-type: none"> <li>• Proof of Identity required for all crowdinvestors (Valid ID, Passport)</li> <li>• Proof of address required for investment amounts above \$1,500 (Recent Utility bill, Fixed line telephone bill, Bank statement, Tax return, OkHi address)</li> </ul> <p>ADDITIONAL KYC</p> <ul style="list-style-type: none"> <li>• National KYC requirements might apply - CIs must ensure they are compliant with local requirements</li> <li>• Additional KYC may be requested for significant investment amounts and for institutional investors.</li> </ul>	<p>MINIMUM REQUIRED KYC</p> <ul style="list-style-type: none"> <li>• Proof of Identity required for all crowdinvestors (Valid ID, Passport)</li> <li>• Proof of address required for investment amounts above \$1,500 (Recent Utility bill, Fixed line telephone bill, Bank statement, Tax return, OkHi address)</li> </ul> <p>ADDITIONAL KYC</p> <ul style="list-style-type: none"> <li>• National KYC requirements might apply - CIs must ensure they are compliant with local requirements</li> <li>• Additional KYC may be requested for significant investment amounts and for institutional investors.</li> </ul>

## DOC 3-2019: ACfA Charter of Good Conduct

Last updated: 6 January 2020

The present Charter of Good Conduct must be adhered to by all ACfA Members. It is also required of applicants to the ACfA Label.

This Charter does not replace any national compliance requirements that may be in place for crowdfunding intermediaries, and intermediaries are responsible for verifying the same.

ACfA Members may make this Charter available to their clients, prospective clients and partners in order to build trust and maintain high standards of conduct in the crowdfunding industry.

ACfA reserves the right to rescind membership of a ACfA Member that does not adhere to this Charter.

*Note: The following Articles do not apply to Members which operate donations-based crowdfunding platforms: Article 2.1 Section 2.2; Article 3; Article 4.*

### Article 1: KNOWLEDGE OF LAW

- Members must know about and comply with the regulations and compliance requirements pertaining to crowdfunding, if any, that have been put in place by the national regulators.

### Article 2: CLIENT INTERESTS

#### Section 2.1 LOYALTY TO CLIENTS

Members exercise their activity in a way that put their clients' interests first. To this end, they are obliged to:

- Disclose the financial and human resources available to conduct their activity adequately,
- Not engage in any service to a client for which they do not possess the required expertise, knowledge and resources,
- Possess any relevant company insurance policies,
- Communicate relevant information to their clients, including:
  - Company or Association registration number and document,
  - ACfA Member registration number
  - ACfA Label registration number, if applicable
- Collect relevant legal information pertaining to their clients, including:
  - Company registration status for project sponsors,
  - Proof of Identification (passport, ID) for crowdinvestors,
- Maintain strict confidentiality of all client data and protection of their privacy in compliance with national laws where applicable,
- Maintain secure client databases,

- Ensure that client data is not used for any purpose other than those disclosed to their clients.

### Section 2.2 SUITABILITY

Members must:

- Inform themselves about their clients' financial situations, financial experience and financial goals,
- Categorise their clients according to their risk profile and financial sophistication,
- Protect their clients by ensuring that the crowdfunding operations presented to them are suitable for their category.

### Section 2.3 FAIR DEALING

Members must deal fairly and objectively with clients when providing recommendations or analysis about project sponsors.

### Section 2.4 BALANCED INFORMATION

Members must ensure fair, balanced, accurate and complete information is communicated to clients on all aspects of their activity.

## Article 3. COMMUNICATION WITH CLIENTS AND PROSPECTIVE CLIENTS

Members must:

- Inform clients and prospective clients of the investment process.
- Inform clients and prospective clients of the risks of the investment process
- Distinguish between fact and opinion in the presentation of analysis
- Provide full transparency to clients regarding their compensation structures, fee structures and any relevant commissions and success fee structures.

## Article 4. COMPETENCIES

Members exercise their activity with the expertise, care and diligence that are required to best serve their clients' interests. Therefore, they are obliged to demonstrate that **at least one member of the company's executive team** has academic qualifications and/or experience in adequation with their activity:

- A Bachelor (undergraduate) degree in Accounting, Economics, Finance, Business Administration, or equivalent
- A diploma or certification from a locally or internationally recognised professional examination such as the Chartered Financial Analyst or Chartered Professional Accountant certifications.
- Relevant professional experience
- Members are also required to maintain their expertise and knowledge up to date with industry changes.
- Members ensure that their staff have the necessary expertise to provide services to clients.

#### Article 5. CONFLICTS OF INTEREST

- Members must make full disclosure of conflict(s) of interest: all matters that could impair objectivity and independence or interfere with the duties to clients (investors and entrepreneurs) and employers. Common sources of conflict of interest are compensation structures and referral fees.
- Members must strive to avoid conflict of interests and disclose their management and mitigation of conflicts of interest that may arise.
- Members exercise their activity in independence. As such, they are obliged to:
  - Act loyally and equitably in the best interests of their clients,
  - Inform their clients or prospective clients of any contractual link of a financial, personal or professional nature with a project sponsor, or with an administrative, commercial or financial organisation, that may harm its independence,
  - To avoid conflicts of interest, and, when the latter cannot be avoided, to ensure that the clients are treated equitably or terminate the service provision.

#### Article 6. ETHICS

- Members commit to honesty, probity and professional integrity.
- Members commit to protecting the crowdfunding industry by signalling unethical practices of which they are aware which may compromise the collective integrity of ACfA and its Members.

#### Article 7. ANTI-MONEY LAUNDERING

- Members must be aware of the rules and legal procedures in force regarding anti-money laundering and anti-terrorism financing.
- Members must respect the above-mentioned rules and legal procedures and also agree to report to the relevant authorities and organisations any transaction or situation of which they are aware that is susceptible to be an act of money laundering or terrorism financing.

#### Article 8. RECORD RETENTION

- Members must maintain appropriate records pertaining to crowdfunding operations for a minimum of 5 years.
- Members agree to disclose records to, and cooperate with, the relevant authorities in any investigation regarding a crowdfunding operation to which they have been party.

Name, Surname

for the individual authorised by the Member

Member Name:

Date :

Place:

Signature :

for the individual authorised by the Member

## DOC 4-2019: Crowdfunding Intermediary Approval Committee and Protocol

Last updated: 26 June 2019

1. Reception of applicant's file (DOC 5-2019: Crowdfunding Intermediary Application File) to [supervision@africancrowd.org](mailto:supervision@africancrowd.org)
2. First review by a staff member and decision of completeness. If incomplete, a response is made to the applicant requesting further information.
3. If complete, the applicant is invited to an online interview with at least 2 staff members.
4. The final decision is then taken by the Approval Committee and communicated to the applicant immediately.
5. The applicant is added to [DOC 8-2019: List of Registered Crowdfunding Intermediaries](#)
6. The applicant receives their Crowdfunding Intermediary registration number and may display the ACfA Label on their business's marketing pages.
7. ACfA communicates the approval to the relevant national regulator(s).



## DOC 5-2019: Crowdfunding Intermediary Application File

Last updated: 26 June 2019

Applicants must submit the following information and supporting documents electronically to [supervision@africancrowd.org](mailto:supervision@africancrowd.org). Applicants must send proof of payment to the same address for the processing fee of USD100. Applicants may apply for a waiver of this fee if they believe their proposed activity justifies it. ACfA may request further information from applicants, and reserves the right to reject applicants at its discretion. Please note that only applications that are considered complete will be processed.

### Confidentiality Clause:

ACfA treats the information provided to it by applicants with the strictest level of confidentiality. An applicant's Confidential Information includes, but is not limited to, its:

- 1) business, members, customers, clients, third party service providers, partners, mandates, suppliers, business plans, financial documents, strategic documents, intentions, or market opportunities and
- 2) ideas, operations, processes, product information, know-how, brand, intellectual property, designs, trade secrets or software and
- 3) legal, regulatory and compliance documents, licences and applications.

Applicants have the right to know who has received their Confidential Information and have the right to request ACfA to delete and destroy all information pertaining to it at any given time. In the case where there are penal procedures against an applicant, ACfA may be required by law to disclose the applicant's Confidential Information.

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1. Corporate identity of the applicant:
    - a. Company name
    - b. Company registration number
    - c. Company physical address
    - d. Company website URL and other social media links
    - e. Shareholders (name, surname, physical address, copy of ID/passport)
    - f. Organogram of governance structures (Board, Advisory Committee...), if any
  2. Individual identity of the applicant:
    - a. Name, surname, physical address, copy of ID/passport and Curriculum Vitae of the full-time director(s) or full-time employed individual(s) whose qualifications make the applicant eligible to be a Crowdfunding Intermediary
    - b. Diploma(s), degree(s) or recognised industry certifications in the relevant fields:  
Category 1: banking, finance, economics, business management, accounting, actuarial science, mathematics  
Category 2: any undergraduate degree, or industry qualification equivalent
    - c. Name, surname and Bios/LinkedIn profiles of key full-time team members

3. Description of the applicant's proposed crowdfunding activity:
  - a. Type of transaction (debt, equity...), profile of investors and project sponsors
  - b. Indicative amounts to be raised per project sponsor
  - c. Category of ACfA Label sought
  - d. Detailed description of the chosen Investment model (use of a crowdfund investment vehicle, or direct investment)
    - In the case of a crowdfund investment vehicle, provide details on the proposed legal form, domicile, ownership and governance
  - e. Countries in which the applicant's services will be marketed, both to project sponsors and crowdfund investors.
4. Detailed description of the applicant's relationship with the project sponsor and services provided to the project sponsor:
  - a. sourcing of project sponsors and selection criteria,
  - b. average duration of the investment readiness process
  - c. nature of the investment readiness services and due diligence process (corporate finance advisory, specialised technical assistance, market analysis, financial valuation, capitalisation table management, legal...)
5. Proposed list of services provided by the applicant and by third parties (tick the relevant boxes in the table below):

Service type	Provided by the applicant	Provided by a third party service provider
Registration and account administration of crowdfund investors	<input type="checkbox"/>	<input type="checkbox"/>
Project sponsor and crowdfund investor KYC compliance	<input type="checkbox"/>	<input type="checkbox"/>
Marketing and communication about crowdfunding operations	<input type="checkbox"/>	<input type="checkbox"/>
Payment services (digital payments, mobile wallets and e-wallets...)	<input type="checkbox"/>	<input type="checkbox"/>
Transaction facilitation, from reception and transmission of orders to settlement	<input type="checkbox"/>	<input type="checkbox"/>
Facilitation of post-transaction reporting, shareholder communication and distribution of proceeds	<input type="checkbox"/>	<input type="checkbox"/>
Company secretarial and other legal services	<input type="checkbox"/>	<input type="checkbox"/>

Distributed Ledger Technology and Smart Contracts (blockchain-based crowdfunding)	<input type="checkbox"/>	<input type="checkbox"/>
Other related services: educational trainings, consulting, tax support and foreign exchange	<input type="checkbox"/>	<input type="checkbox"/>

1. Provide a step-by-step description of the journey of a crowdfunder who seeks to invest in a crowdfunding operation that has been set up by the applicant. Please mention the categorisation of crowdfunders, risk awareness and suitability tests, KYC, the steps that occur with third party service providers and the flow of funds (provide screenshots and URLs where possible).
2. Description of compensation structures (fees, success commissions, fees of third parties etc) and how this information is provided to crowdfunders. If there is a crowdinvestment vehicle, please include the fee structures of this too.
3. Description of the applicant's Risk Management framework:
  - a. Risks and Risk Mitigants relating to the sustainability of the applicant's business model, and that of its third party service providers
  - b. Risks and Risk Mitigants relating to Project Sponsors
  - c. Risks and Risk Mitigants relating to Crowdfunders
  - d. Risks and Risk Mitigants relating to Crowdfunding Operations
  - e. Other identified Risks and Risk Mitigants
4. Description of the applicant's Complaints Handling process.
5. Applicant's Policy and/or Declaration of Conflicts of Interest, including those arising from the use of third party service providers, crowdinvestment vehicles.
6. Description of the applicant's Privacy and Data Protection Policies. Please include details on how the confidential information of project sponsors and crowdfunders will be stored.
7. Please describe the applicant's Contingency Plan in case of closure of its activity, or those of its third party service providers.
8. If available, please provide a copy of the applicant's financial model, 5-year projections and previous annual financial statements.
9. If available, please provide a copy of the proposed Terms and Conditions of the use of the applicant's services, and those of the third party service providers if applicable.

## DOC 6-2019: Project Sponsor Prospectus

Last updated: 26 June 2019

*This Project Sponsor Prospectus (DOC 6-2019) constitutes the information that project sponsors are obligated to provide to potential crowdfunders during a crowdfunding operation that occurs in compliance with the ACfA Label Framework. The prospectus is prepared by a registered Crowdfunding Intermediary that holds the ACfA Label Category 1 or Category 2.*  
*NOTE: the prospectus can be provided in any format, as long as the informational content is accessible, fair, balanced and easily understood by crowdfunders.*

### OBLIGATORY DISCLAIMER

*Crowdfunders are hereby informed that the present securities offering does not require and is not subject to a prospectus approved by the national securities regulator. Crowdfunders are informed that neither the African Crowdfunding Association nor the national regulator are responsible for the accuracy of the content provided in the present Project Sponsor Prospectus.*

### OBLIGATORY RISK WARNING (Equity and Equity-like Crowdfunding Operations)

*The purchase of shares in small businesses involves the following risks. You are responsible for diversifying your investment portfolio across several asset classes. We recommend that you consult with your financial planner prior to investing, and do not invest more than 10% of your savings.*

- *Loss of capital: The initial amount of capital invested is not guaranteed. This means that if the business does not succeed in meeting growth targets or is forced to liquidate, your shares can lose some or all of their value.*
- *Liquidity risk: shares in small businesses are not immediately liquid. This means that they cannot readily be resold or transferred to another investor, and could be immobilised for several years.*
- *Valuation risk: the valuation of shares in small businesses is an estimation based on several factors and is never a precise valuation.*
- *Risk of dilution of shares: small businesses are typically in a phase of rapid expansion that might be financed by several rounds of capital raising. This implies that your initial share in the company might be diluted in subsequent rounds as more shares are issued.*

### OBLIGATORY RISK WARNING (Debt and Debt-like Crowdfunding Operations):

*Lending is risky. Borrowers may default and you may lose some or all of your money. Make sure that you diversify your investments and only lend money that you can afford to lose.*

Prospectus requirements by type of crowdfunding operation

PROSPECTUS SECTIONS	EQUITY AND EQUITY-LIKE CROWDFUNDING
I. Presentation of the Crowdfunding intermediary	<ul style="list-style-type: none"> <li>• Name, Surname of the Crowdfunding Intermediary</li> <li>• Crowdfunding Intermediary Registration. No.</li> <li>• Category of ACfA Label</li> <li>• Registered address of the Crowdfunding Intermediary</li> <li>• Contact phone number and email of the person responsible for the information in this prospectus</li> </ul> <p><u>IF THE CROWDFUNDING INTERMEDIARY IS ACTING FOR ITS OWN ACCOUNT:</u></p> <ul style="list-style-type: none"> <li>• Name, Surname and contact details of the registered Crowdfunded intermediary and their position in the company</li> <li>• Name, Surname, Address and contact details of the independent auditor/ accountant</li> </ul>
II. Presentation of the Project Sponsor	<ul style="list-style-type: none"> <li>• Name of Company</li> <li>• Type of Company</li> <li>• Company Registration Number</li> <li>• Company registered address</li> <li>• Contact phone number and email</li> <li>• Website and/or social media links</li> </ul>
III. Information about the business activity	<ul style="list-style-type: none"> <li>• Who manages the business and what is their background, experience and qualifications?</li> <li>• What problem is the business trying to solve?</li> <li>• What has been the journey of the business to date?</li> <li>• What is the business strategy?</li> <li>• Who are the clients, suppliers and distributors?</li> <li>• What information is known about the size of the addressable market?</li> <li>• Who are the direct and indirect competitors?</li> <li>• What are the key risks to the business?</li> <li>• Business forecasts showing base case, worst case and best case</li> </ul>
IV. Information about the fundraise	<ul style="list-style-type: none"> <li>• How much capital is being raised for what percentage of equity in the company?</li> <li>• How will investors' money be spent?</li> <li>• What data, financial metrics and information about the business progress will be given to investors after they invest?</li> <li>• What evidence is there today that the company can track the relevant data and metrics and investors?</li> <li>• What evidence is there today that the management team is committed to good governance?</li> <li>• How will the investors exit the investment?</li> </ul>
VIII. Legal information	<ul style="list-style-type: none"> <li>• Contact details of the Company Secretary and/or transaction lawyer</li> <li>• Terms of investment (share price, class of shares...)</li> <li>• Company Articles and Shareholders Agreements, if applicable</li> <li>• Capitalisation table or shareholding structure before and after investment</li> <li>• Number of votes per share, decisions requiring a vote, majority and</li> </ul>

	<ul style="list-style-type: none"> <li>quorum rules, modalities of annual general meetings</li> <li>Modalities of share subscription, distribution of proceeds, conditions of share transferal or resale, and exit/liquidity events</li> <li>Investment contract or Agreement</li> </ul>
VI. Due diligence checklist	<ul style="list-style-type: none"> <li>Company registration certificate</li> <li>Existing accounts (unaudited or audited)</li> <li>Previous annual financial statements (balance sheet and income statement)</li> <li>CVs of management and organisational chart</li> </ul>

PROSPECTUS SECTIONS	DEBT AND DEBT-LIKE CROWDFUNDING
I. Presentation of the Crowdfunding intermediary	<ul style="list-style-type: none"> <li>Name, Surname of the Crowdfunding Intermediary</li> <li>Crowdfunding Intermediary Registration. No.</li> <li>Category of ACfA Label</li> <li>Registered address of the Crowdfunding Intermediary</li> <li>Contact phone number and email of the person responsible for the information in this prospectus</li> </ul> <p><u>IF THE CROWDFUNDING INTERMEDIARY IS ACTING FOR ITS OWN ACCOUNT:</u></p> <ul style="list-style-type: none"> <li>Name, Surname and contact details of the registered Crowdfunded intermediary and their position in the company</li> <li>Name, Surname, Address and contact details of the independent auditor/ accountant</li> </ul>
II. Presentation of the Project Sponsor	<ul style="list-style-type: none"> <li>Name of Company</li> <li>Type of Company</li> <li>Company Registration Number</li> <li>Company registered address</li> <li>Contact phone number and email</li> <li>Website and/or social media links</li> </ul>
III. Information about the business activity	<ul style="list-style-type: none"> <li>Who manages the business and what is their background, experience and qualifications?</li> <li>Brief company overview</li> </ul>
IV. Information about the fundraise	<ul style="list-style-type: none"> <li>How much capital is being raised and why?</li> <li>How will crowdinvestors' money be spent?</li> <li>Are there existing loans or financial obligations that are senior or junior to this loan or financial product?</li> <li>What evidence is there today that the company can meet its financial obligations to crowdinvestors?</li> <li>What happens to crowdinvestors' money if the company defaults or needs to restructure its financial obligations?</li> <li>Are there any guarantees in place that benefit crowdinvestors?</li> </ul>
VIII. Legal information	<ul style="list-style-type: none"> <li>Contact details of the Company Secretary and/or transaction lawyer</li> <li>Terms of investment (interest rate, maturity, tier of debt...)</li> <li>Investment contract or Agreement</li> </ul>
VI. Due diligence checklist	<ul style="list-style-type: none"> <li>Company registration certificate</li> <li>Credit score (if applicable)</li> </ul>

	<ul style="list-style-type: none"> <li>• Proof of collateral (if applicable)</li> <li>• CVs of management and organisational chart</li> </ul>
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PROSPECTUS SECTIONS	SINGLE OPERATION CROWDINVESTMENT VEHICLES
I.A) Presentation of the Crowdfunding intermediary	<ul style="list-style-type: none"> <li>• Name, Surname of the Crowdfunding Intermediary</li> <li>• Crowdfunding Intermediary Registration. No.</li> <li>• Category of ACfA Label</li> <li>• Registered address of the Crowdfunding Intermediary</li> <li>• Contact phone number and email of the person(s) responsible for the vehicle</li> </ul>
I.B). Presentation of the Crowdinvestement Vehicle	<ul style="list-style-type: none"> <li>• Name of Crowdinvestement Vehicle</li> <li>• Legal structure</li> <li>• Fee structure (management fee and success commissions or “carry”)</li> </ul>
SECTIONS II - VI of the relevant PROJECT SPONSOR PROSPECTUS must also be provided.	

PROSPECTUS SECTIONS	MULTIPLE INVESTMENT CROWDINVESTMENT VEHICLES
I. Presentation of the Crowdfunding intermediary	<ul style="list-style-type: none"> <li>• Name, Surname of the Crowdfunding Intermediary</li> <li>• Crowdfunding Intermediary Registration. No.</li> <li>• Category of ACfA Label</li> <li>• Registered address of the Crowdfunding Intermediary</li> <li>• Contact phone number and email of the person(s) responsible for the vehicle</li> </ul>
II. Presentation of the Crowdinvestement Vehicle	<ul style="list-style-type: none"> <li>• Name of Crowdinvestement Vehicle</li> <li>• Type of vehicle: open-ended or closed-ended</li> <li>• Legal structure</li> <li>• Investment Strategy</li> <li>• Targeted returns</li> <li>• Target size of the crowdinvestement vehicle and “first close” modalities</li> <li>• Evaluation period(s) or frequencies for returns</li> <li>• Type of financial instruments used for the underlying investments</li> <li>• Mandate objectives (eg. social or environmental impact, gender lens...)</li> <li>• Liquidity and monetisation</li> <li>• Fee structure: management fees and “carry” or success commissions</li> </ul>
III. Information about the target portfolio companies	<ul style="list-style-type: none"> <li>• Provide “snapshots” of the target company pipeline</li> <li>• Provide details of the pipeline partners and their ACfA Crowdfunding Intermediary registration numbers if applicable</li> </ul>
VIII. Legal information	<ul style="list-style-type: none"> <li>• Contact details of the Company Secretary, or transaction lawyer</li> <li>• Contact details of the Custodian</li> <li>• Legal addenda</li> </ul>
VI. Due diligence checklist	<ul style="list-style-type: none"> <li>• CVs of management and organisational chart</li> </ul>

