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Less is More?
Different Regulatory Responses to Crowdfunding and Why the Hong Kong Model Stacks Up Well

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Wednesday, 31 January 2018
12:30 - 1:30 pm
Academic Conference Room, 11/F Cheng Yu Tung Tower
The University of Hong Kong

In recent years, crowdfunding has emerged as a relatively novel way of fundraising for start-ups and small businesses, not least because traditional sources of capital – such as banks, public equity market, and even venture capital firms and angel investors – are generally out of their reach. Crowdfunding has been trumpeted as the tool that democratizes access to capital, thus closing the funding gap. Yet, crowdfunding projects are inherently risky investments. Start-ups often fail. There is no secondary market. It could be a platform for perpetrating fraud on a massive scale. Without appropriate regulation and proper understanding of roles and accountability, crowdfunding activities could compromise market integrity and undermine investor confidence. In a worst-case scenario, it could create systemic problems.

Regulators abroad have responded proactively. The U.S. created a tailored regime to facilitate crowdfunding, while the UK and Singapore fine-tuned their securities regulations to accommodate. In contrast, the Hong Kong administration has been less proactive, thus inviting criticisms for failing to promote financial innovation and entrepreneurship.

Are these criticisms fair? Professor Alexa Lam thinks not. In this seminar, Professor Lam will present her latest paper on how the key exemptions to securities regulation in Hong Kong can be fully utilized in the context of crowdfunding, especially after a recent HKCFA decision in *SFC v Pacific Sun Advisors Ltd*. As will become clear, crowdfunding regulations in Hong Kong are broadly on a par with, and in some areas probably even more entrepreneur-friendly than, those of other international financial centers. Meaningful gateways for crowdfunding are already in place. Hence, rather than waiting incessantly for a tailored regime to come, market players should kick-start their projects by making purposeful use of existing exemptions.

Professor Alexa Lam teaches securities law and regulation in the Faculty of Law, University of Hong Kong. Prior to joining HKU, Professor Lam was the Deputy CEO and Executive Director of the Hong Kong Securities and Futures Commission. In those roles, Professor Lam promoted actively financial co-operation between the Mainland and Hong Kong on cross border capital market innovations and opening, including the Renminbi Qualified Foreign Institutional Investors (RQFII) and Mutual Recognition of Funds programs. She also played a significant role in international regulatory initiatives. She co-chaired the Working Group on Margining Requirements of the Basel Committee on Banking Supervision and the International Organization of Securities Commissions. Professor Lam gave the Inaugural Distinguished Visitor Public Lecture at the University of Michigan Liberthal-Rogel Center For Chinese Studies in 2015.

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