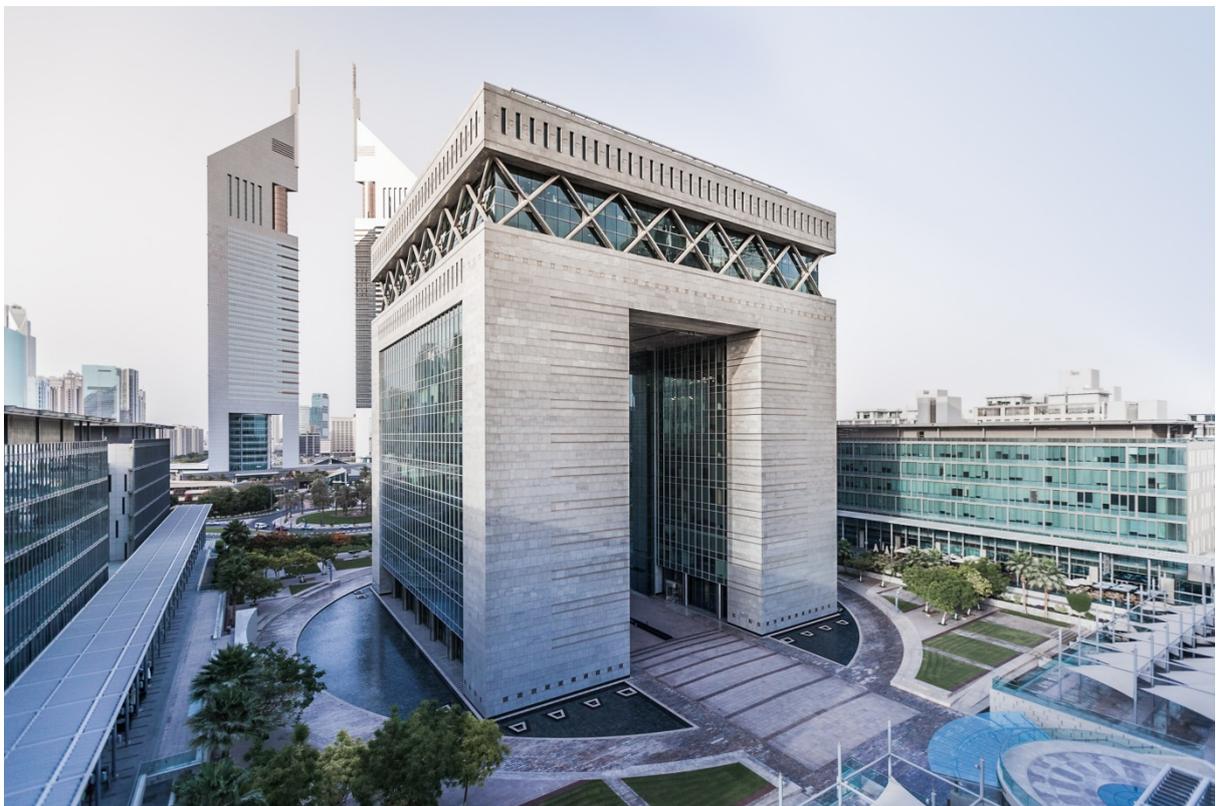


CONSULTATION PAPER

CP109



CROWDFUNDING

SME FINANCING THROUGH LENDING

31 January 2017

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Preface

In 2016, the DFSA announced its preparedness to deal with the evolving world of financial technology, or FinTech. Since then, the DFSA has been dealing with, and discussing opportunities with, a number of interested parties in the FinTech area. Some of these discussions have been in the area of crowdfunding.

Crowdfunding is a way in which people, organisations and businesses (including business start-ups) can raise money through online portals (crowdfunding platforms) to finance or re-finance their activities and enterprises.

In this Consultation Paper (CP), we propose introducing a framework for firms intending to operate a loan-based crowdfunding platform. This CP is the first of a series of papers which will set out the DFSA's approach to the regulation of crowdfunding and of FinTech more generally.

Our proposals, as set out in the CP, cover what we believe to be the regulatory fundamentals for loan-based crowdfunding platforms:

A tailored financial service and regime specifically designed for those operating such a platform

The platform operator must have appropriate systems and controls

Operational transparency and adequate disclosure to all participants – borrowers and lenders – on the platform

Suitable checks on the platform participants (borrowers and lenders)

Appropriate safeguarding and segregation of client money

The development of business cessation plans

Rules relating to any facility enabling the transfer of rights or obligations under a loan agreement between lenders

Who is this CP aimed at?

This paper will be of interest to:

- Persons who intend to set up a loan-based crowdfunding platform in the DIFC;
- Authorised Firms providing Financial Services in the DIFC;
- Persons providing legal, accounting, audit, oversight of compliance services in the DIFC or who wish to provide such services; and
- Potential Investors.

What are the next steps?

The DFSA invites interested parties to provide their views and comments on the issues outlined in the CP, using the Table of Comments provided, to consultation@dfsa.ae. ***Please mention the Consultation Paper number (CP109) in the subject line.***

The deadline for providing comments on this consultation is **2 March 2017**.

1. Background

Small and Medium-sized Enterprises (SMEs) are significant contributors to the UAE economy. In 2014 they made up around 85% of businesses in the UAE, contributing 50% to the UAE GDP and employing 60-65% of the UAE work force.¹ In Dubai, SMEs represent nearly 95% of all establishments in the Emirate accounting for 42% of the workforce and contributing around 40% to the total value of Dubai's economy.

Data provided by the Khalifa Fund² suggests that approximately 70% of SMEs have had their applications for funding from conventional banks rejected and loans to SMEs account for just 4% of outstanding bank credit in the UAE³. Conventional lenders are either unwilling or unable to take a chance on SMEs given their often limited asset pool or proven record of company operations. This makes it difficult for SMEs to do business; when they do get financing it is expensive or with inflexible terms.

The UAE government has an ambition to enhance the contribution and performance of the SME sector and has taken a major role in establishing initiatives and programmes to help with sources of funding for SMEs. In 2014, the President of the UAE approved Federal Law Number 2 of 2014 for the SME sector, requiring ministries to use at least 10% of their procurement budget for purchasing, servicing and consulting to SMEs, and also established a dedicated council to determine what incentives should be offered to small business owners.

The Mohammed Bin Rashid Establishment for SME Development, run by the Dubai Department of Economic Development, runs a special fund to support SMEs. The objective of this Fund is to support and finance projects of young entrepreneurs and a hundred projects are being financed every year. The Fund has been mandated to give loans, provide financial guarantees and contribute to the projects.

Given the significant role that SMEs play in the UAE economy, crowdfunding is expected to grow in importance in the UAE as entrepreneurs seek alternative sources of financing.

Technology and the Dubai Plan 2021

Over recent years the Dubai Government has made significant advances in providing online and mobile services (e- and m-services respectively), using technology to be more efficient and effective in the provision of public services. The Dubai Plan 2021 sets out goals that would take this even further, putting development and use of technology even more at the centre of the Dubai economy and Dubai life.

The development of crowdfunding would be supportive of a number of the high level key performance indicators and more detailed targets within the Dubai Plan 2021. It would, for example, be consistent with the encouragement of innovation that the Plan sets out.

¹ Ministry of the Economy April 2014.

² The Khalifa Fund for enterprise development was established in 2007 to cultivate entrepreneurship amongst UAE nationals and to help develop SMEs. Since its inception, the Fund has financed 250 projects, across various sectors, with a total loan value of AED 415 million.

³ Ministry of the Economy April 2014.

2. Introduction

What is crowdfunding?

Crowdfunding is a relatively simple concept. It is a means to raise funding for a venture or project from a wide range of people (the 'crowd'). This usually occurs through internet platforms specialising in one or other type of crowdfunding (see below). In addition to the crowd, the other two players in any crowdfunding situation are the operator of the platform and the person/company with the idea for the project, company or venture.

The crowd is made up of natural or legal persons, meaning that lay persons, professionals or institutional investors can access the platform. That being said, the pool of funds is usually made up of individual contributions, which can be relatively small. The growth of this market accelerated in the wake of the 2008 financial crisis when access to capital became difficult.

Types of crowdfunding

While there are many crowdfunding models, which have very different purposes and business models, there are essentially four types of crowdfunding:

- (a) Donation;
- (b) Reward/royalty;
- (c) Loan-based; and
- (d) Investment-based (such as equity-based).

There is an emerging consensus, globally, that only loan-based and Investment-based crowdfunding need to be regulated by financial services regulators, as the other types of crowdfunding do not, typically, involve any activity that would be a 'Financial Service'.⁴

For the purposes of this paper we are only focusing on developing a framework for loan-based crowdfunding platforms.

⁴ Nonetheless, attention needs to be paid to AML/CTF risks arising from these types of crowdfunding.

Why is regulation needed?

It is our view that regulation is needed in this area because of the risks posed to lenders and, in particular, to retail lenders. Many of the risks posed by crowdfunding platforms are similar to the risks presented by other lending opportunities, but some are specific to crowdfunding. The following table sets them out:

Risk	Explanation of the risk
Lender understanding, inexperience and behaviours	Lenders need to be able to understand the risks to which they will be exposed, and the different approaches followed by different platforms, before making a decision to transact. In most cases there will be a significant degree of information asymmetry in place with the lender knowing very little about the loan on offer.
Loss of loan	The main risk is that the borrower may default on interest and/or principal repayments and the lender may not get their original money back. This could be due to borrower default, fraud or firm failure. These risks will vary and mitigating them will depend on the level of due diligence carried out by the platforms and the lenders.
Access to initial and on-going information	Getting advice is not usual before investing on a crowdfunding platform. The only initial information available to a lender would often be that which is published on the platform's website.
Conflicts of interest	Businesses running crowdfunding platforms are subject to a number of conflicts of interest that could lead to lender detriment. For example, conflicts can arise if platform remuneration is linked to transactions (as is usually the case), or the ability of some platform operators to use the platform services when they have access to additional information about the borrower.
Fraud and money laundering	Fraud is a key risk facing lenders looking to lend via a crowdfunding platform. For example, a lender's personal details may be stolen or misused or a lender may unwittingly fund a scam proposal. Money laundering is also a risk, due to the possibility of insufficient borrower and lender due diligence.
Platform failure and poor administration	Crowdfunding has attracted a lot of start-up businesses with no background or experience in regulated financial services. This has led to platform failure, which may harm lenders, as existing loans still need to be administered, with repayments allocated appropriately among lenders and late payments by borrowers followed up. If the operator running a platform goes out of business, responsibility for this could fall to individual lenders but, particularly where their stake in a particular project or venture is small; it may not be economical for them to pursue repayments.
Lack of an exit route	This issue is less of a problem for loan-based platforms than for equity-based platforms, as loans have a set duration. Nonetheless, there can be an issue if the lender wants to sell their loan if there is no facility to enable them to do this.

Issues for consideration

Q1: Do you think there are any other risks relating to crowdfunding that we should seek to consider and address?

3. Proposals

In order to address the highlighted risks, we are proposing the regulatory regime described below for the operations of a loan-based crowdfunding platform.

As is our normal practice, we have looked at what other jurisdictions and standard setters have said and done in respect of loan-based crowdfunding. International standard setters are yet to come to any consensus on how crowdfunding should be regulated at an international level, and have only made some preliminary comments on the regulation of loan-based crowdfunding platforms⁵. We therefore looked to jurisdictions that had created an individual regime applicable to loan-based crowdfunding platforms: the United Kingdom (UK), New Zealand (NZ), Isle of Man (IOM), France, Netherlands and Spain, to understand what they proposed and the rationale behind their regulations.

While the loan-based crowdfunding market is very well developed in the USA, we did not elect to benchmark against this market. The Securities and Exchange Commission recently issued regulations for crowdfunding platforms (namely for equity-based platforms), but they are yet to create a bespoke regulatory approach for loan-based crowdfunding platforms and in our benchmarking we opted to look at markets that had created an individual regime for these types of platforms.

In the remainder of this paper, defined terms are identified by the capitalisation of the initial letter of a word or of each word in a phrase and are defined in the Glossary Module (GLO) of the DFSA Rulebook. Unless the context otherwise requires, where capitalisation of the initial letter is not used, the expression has its natural meaning.

All references to Rules are references to proposed Rules that can be found in Appendices 1-5.

⁵ The European Banking Authority issued an Opinion, in February 2015, which focuses on the risks that arise for market participants in loan-based crowdfunding and the extent to which they could be addressed by existing European Directives and Regulations.

3.1 Application and licensing stage

Creating a new Financial Services activity

**Please see
draft Rule
GEN2.29.1**

While loan-based crowdfunding activities could fit into some of the DFSA's existing Financial Services, we believe that it is best to establish a new Financial Service that directly covers the activities carried out by loan-based crowdfunding platforms. As a result, we are proposing to establish a new Financial Service: "Operating a Loan-based Crowdfunding Platform." This activity will involve:

- a) the operation of an electronic platform that facilitates the bringing together of potential lenders and borrowers, and
- b) the administration of a loan agreement that results from operating the platform (this administration may be carried out by the platform operator, or by an appointed third party).

In addition to these core activities, we are also proposing to allow an operator of a loan-based platform to provide a facility that assists lenders using the platform to transfer their rights and obligations under the original loan agreement to another lender (more detail on this process can be found in the section on Transfer Facilities).

By virtue of creating this new Financial Service, other defined Financial Services in the DFSA regime will not be applicable to these activities. These include, but are not limited to:

- a) Providing credit – GEN 2.5;
- b) Operating an Alternative Trading System (ATS) – GEN 2.22; and
- c) Arranging Credit – GEN 2.28.

Provision of advice and managing assets

**Please see
draft Rule
GEN2.2.10D**

Under the proposed framework we will not permit the operator of a loan-based crowdfunding platform to provide advice or have the discretion to manage assets. Platform operators will have to consider carefully their business models to avoid unintentionally giving advice or providing a discretionary portfolio management service as a part of their activities.

Issues for consideration

Q2: Do you agree with our proposal to create a new Financial Services Activity, the description of that activity and the accompanying terminology? If not, why?

Q3: Do you agree with our proposal not to permit the provision of advice and discretionary portfolio management services by a person providing loan-based crowdfunding services? If not, why?

Application and interpretation

**Please see
draft Rule
COB11.1.2**

There are some new terms that we are proposing to use in relation to an Authorised Firm operating a loan-based crowdfunding platform. These include:

Lender:	A person who (i) lends money under a loan agreement; or (ii) by assignment has assumed the rights and obligations of a person who has lent money under a loan agreement.
Borrower:	A Body Corporate that has borrowed or is seeking to borrow money using the platform.
loan agreement:	A loan agreement between a borrower and lender ⁶
Platform:	The website or other electronic media used to provide the service.

While we are using conventional language in this CP and in our proposed Rules, this language will be equally applicable in the Islamic context where a platform holds itself out to be Shari'ah compliant.

**Please see
draft Rule
GEN
APP2.2.1**

It might be argued that some loan-based crowdfunding arrangements (loan agreements) could meet the definition of a Security, specifically a Debenture, in GEN App2, as the definition is very broad. However, for the purposes of this regime, we are taking the view that these loan arrangements are not Debentures, and we are proposing to clarify the definition of a Debenture so that it is clear that it does not include a loan agreement arranged through a loan-based crowdfunding platform.

Authorisation process

It is expected that the normal authorisation process, as set down in GEN 7, would apply to the authorisation and licensing of those operating a loan-based crowdfunding platform. Some additional information may need to be sought during this process, for example, asking whether the platform has a website that is either up and running or at a suitably advanced stage; how the website would operate if a licence is granted; and an explanation of the Business Cessation Plan (please see the section on the Business Cessation Plan for further detail). We do not believe this requires further Rules in GEN 7.

We expect that most applications to operate a loan-based crowdfunding platform will be lodged by an Authorised Firm. However, we invite views on whether an Authorised Market Institution (AMI) should be able to carry out the activity of operating a Loan-based Crowdfunding Platform. If so, should they be allowed to do so on the same terms as an Authorised Firm operating a loan-based platform or should modifications be made? For example, to seek to manage potential conflicts of interest between the AMI's core activities and the platform, should we require a separate subsidiary to be established by an

⁶ Please see section 3.4: COB requirements for further detail on loan agreements.

AMI to operate a loan-based crowdfunding platform?

If a crowdfunding platform intends to provide services to Retail Clients, a retail endorsement under GEN 2.2.8 will be required, and if it is intended that Client Money will be held or controlled, a Client Assets endorsement under GEN 2.2.10A will be required.

If a platform wishes to hold itself, or aspects of its business, out as being Shari'ah compliant, it will need to comply with the relevant Islamic Finance Rules (IFR) and will need to obtain an Islamic endorsement on their Licence. However, we are aware that the standard Shari'ah governance arrangements required in IFR, specifically relating to the appointment of a Shari'ah Supervisory Board, could be problematic, for example due to the cost of appointing a Board, for operators of loan-based crowdfunding platforms. We would like to hear from market participants if there are any suggestions for alternative measures, for example, using a screening methodology that we allow as an alternative for Collective Investment Funds under IFR 6.2.1(3), and how this could be applied to crowdfunding operations.

**Please see
draft Rule
COB11.1.6**

Lastly, if a platform wishes to carry on an unregulated crowdfunding activity in the DIFC, for example running a reward or donation-based platform from the DIFC, it must be made very clear to potential and current Clients of the platform what parts of the platform are and are not regulated. This could be achieved, for example, by setting up a separate company, a separate platform (website) or by very clear disclosure on the current platform. We are proposing to include Guidance in order to provide firms with an example of the various methods that can be used to meet this requirement.

Issues for consideration

- Q4:** Should an AMI be able to obtain a license to carry out the activity of operating a Loan-based Crowdfunding Platform? If so, should this be on the same terms as Authorised Firms or should modifications be made?
- Q5:** Do you agree that a loan-based crowdfunding platform wishing to hold out its services as being Shari'ah compliant must comply with IFR rules? If not, why not? What alternative measures for oversight and review could be appropriate instead of the appointment of a Shari'ah Supervisory Board?
- Q6:** Do you agree that a regulated loan-based crowdfunding platform wishing to carry out other unregulated crowdfunding activities (reward or donation) must make it clear to its customers what activities are regulated and not regulated? If not, why?

3.2 Prudential requirements

Prudential categories

The DFSA prudential requirements are set out in either the Prudential – Investment, Insurance, Intermediation and Banking Module (PIB) or in the Prudential – Insurance Business Module (PIN) and are applicable, as specified, to all Authorised Firms.⁷ These requirements are important because they are set to reflect the financial and business risks posed by firms and they aim to minimise the risk of harm to customers by ensuring that firms behave prudently in monitoring and managing business and financial risks.

**Please see
draft Rule
PIB1.3.6**

We are proposing to place those operating a loan-based crowdfunding platform in PIB Category 4, as the activities carried out by other Category 4 Authorised Firms are similar to activities that would be carried out by a loan-based crowdfunding platform and present similar prudential risks. This would mean, for example, as with any other Category 4 firm, that Capital Requirements (PIB 3.5) and the reporting requirements (PIB 2.3) would be applicable.

Issues for consideration

Q7: Do you agree with our proposal to categorise those operating a loan-based crowdfunding platform as a PIB Category 4 Authorised Firm? If not, what alternative PIB Category could be applied, and why?

Legal form

**Please see
draft Rule
PIB3.2.2**

The DFSA currently allows firms to set up as a start-up, a Subsidiary of a non-DIFC Firm or a Branch of a non-DIFC Firm. The major difference between these three set-ups is that, under PIB 3.2.4, Branches are not normally required to hold capital in the DIFC. Instead, we rely on the home state regulator and the prudential requirements they have set.

However, in the context of loan-based crowdfunding, many jurisdictions do not have financial services regulations applicable to these platforms or they have elected to licence them as credit facilities, which are usually not subject to capital requirements or, in most cases, detailed regulatory standards.

On this basis we are proposing that all those operating a loan-based crowdfunding platform in the DIFC, including those setting up as a Branch, must hold capital according to the PIB Chapter 3.5 requirements for Category 4 firms.

Issues for consideration

Q8: Do you agree with our proposal to require Branches to hold capital as per the Category 4 Capital Requirements? If not, what alternatives could be suggested?

⁷ This excludes a Representative Office and a Credit Rating Agency.

Professional Indemnity Insurance (PII)

**Please see
draft Rule
PIB6.12.3**

PIB 6.12 requires certain Authorised Firms to have PII cover in place in order to protect a firm from claims of negligence for providing inadequate advice or service, for example, to a Client.

However, we are aware that this type of insurance policy is not currently available for those operating a loan-based crowdfunding platform in the UAE. Given this lack of cover, we propose that those operating a loan-based crowdfunding platform:

- a) take reasonable steps to obtain PII cover but, in the event cover is not available, exclude the Platform from having to obtain cover; and
- b) when cover becomes available, obtain that cover immediately and inform the DFSA that this has been done.

Issues for consideration

Q9: Do you agree with our proposals to deal with PII cover for such businesses? If not, why?

3.3 General requirements

General application

We propose to apply all the relevant provisions in the General Module (GEN) to those carrying out the activity of operating a Loan-based Crowdfunding Platform. In practice, this will mean that Rules relating to Financial Promotions, Core Principles, Management, Systems & Controls and Authorisations, for example, will be directly applicable to all those operating loan-based crowdfunding platforms.

We have produced a short commentary below to explain how some of the requirements in the GEN Module will be applicable to those operating a loan-based crowdfunding platform.

This commentary is intended as a guide. It is not exhaustive.

Financial Promotions – GEN 3

**Please see
draft Rule
GEN3.3.1**

We propose to apply GEN 3 to financial promotions relating to a loan-based crowdfunding platform and loans entered into using such a platform. The requirements in GEN 3 (and also COB 3.2) apply to, for example, performance information provided by the crowdfunding platform on the past or future performance of a borrower. They require a firm to ensure that this information presents a balanced view, identifies how the assumptions on this performance were drawn and contains a prominent warning that past performance is not necessarily a reliable indicator of future performance.

The requirements in GEN 3 and COB 3.2 are also applicable to, for example, the presentation of comparative information. If a platform is to provide a comparison between their interest rates and rates offered by other firms, they would have to ensure these are presented in a clear, fair and not misleading manner.

Core Principles – GEN 4

GEN 4 sets out twelve principles for Authorised Firms, which are a general statement of the DFSA's fundamental regulatory requirements, and six principles for Authorised Individuals, which set overarching standards for the conduct of such individuals. Rules in other parts of the DFSA Rulebook build upon these requirements. Those operating a loan-based crowdfunding platform would be required to abide by all the Principles for Authorised Firms and Authorised Individuals.

Mandatory Appointments – GEN 7

The provisions in GEN 7.5 regarding the mandatory appointments of Authorised Individuals would apply to those carrying out the activity of operating a Loan-based Crowdfunding Platform. This means that the DFSA would require the appointment of a Senior Executive Officer, Finance Officer, Compliance Officer and Money Laundering Reporting Officer (see the section

on the application of the AML requirements). It is worth noting that we offer some flexibility in respect of these mandatory appointments, for example, we allow a firm to outsource some of these roles and/or allow one individual to perform more than one Authorised Function as per the GEN 7.5 Guidance.

Issues for consideration

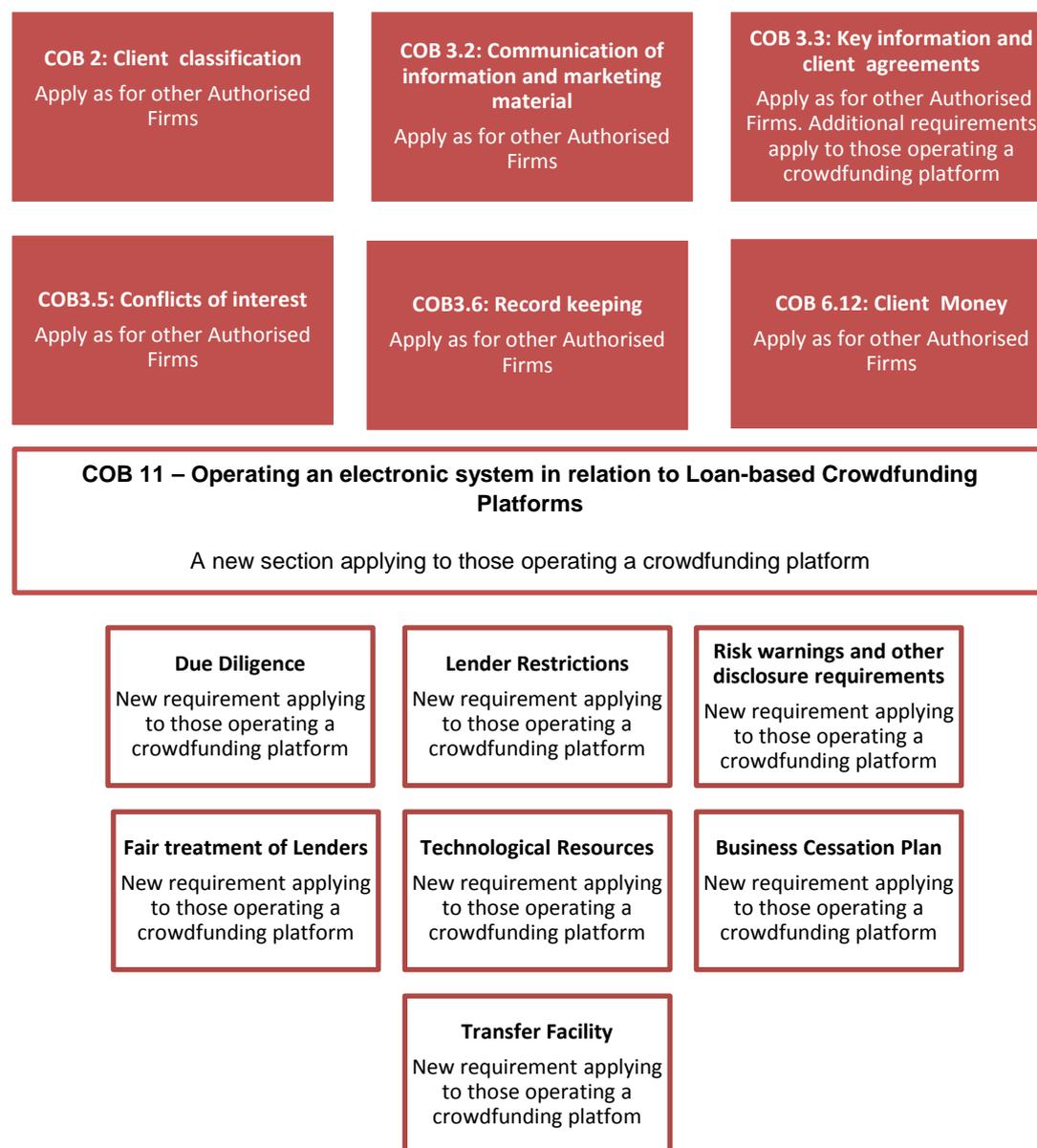
Q10: Do you agree with our proposal to require those carrying out the activity of operating a Loan-based Crowdfunding Platform to comply with GEN requirements? If not, why and what alternatives would you propose?

3.4 Conduct of Business requirements

Conduct of Business application

We propose that the following existing and new Conduct of Business (COB) Rules should apply to those carrying out the activity of operating a Loan-based Crowdfunding Platform.

These requirements are illustrated below:



Issues for consideration

Q11: Do you agree with our proposal to create a new chapter in COB for those carrying out the activity of operating a Loan-based Crowdfunding Platform? If not, why?

Client Classification

**Please see
draft Rule COB
2.3.6A**

The Rules relating to Client Classification are set out in COB 2, where an Authorised Firm must, before carrying on a financial service with or for a Person, classify that Person as a Retail Client, Professional Client or Market Counterparty. We intend to apply these classification requirements to crowdfunding services offered to lenders. However, in respect of crowdfunding services offered to a borrower, we are proposing to modify these requirements and allow the platform automatically to treat the borrower as a service-based Professional Client under COB 2.3.6A.

We believe that this proposal is proportionate and reflects the nature of the service being provided to the borrower. It is also consistent with the approach we have taken to the provision of other similar Financial Services, such as credit provided to an Undertaking for business purposes and advisory and arranging activities relating to corporate structuring and financing, where we have also automatically deemed Clients of these services as service-based Professional Clients.

Issues for consideration

Q12: Do you agree with our proposal to allow platform operators to treat borrowers as 'service-based' Professional Clients under COB 2.3? If not, why?

Key information and client agreements

**Please see
draft Rule
COB APP 2.1.5
& COB
APP2.1.6**

The Rules relating to key information and client agreements are set out in COB 3.3 with further detailed information requirements set out in the COB App2.1.1 and 2.1.2. However, in the context of operating a crowdfunding platform, we believe there is a need to add further information requirements to the client agreements in order to specify the particular obligations between the platform and its lender and borrower Clients. We are proposing to add a new section in COB App2 setting out these additional requirements.

Client Agreement – lenders:

- a) details of limits on the amount that may be lent by a retail lender and the steps required to ensure that limit is not exceeded;
- b) details of how the platform will administer the lending, including the repayment of monies from the borrower to the lender, as well as details of what the lender can expect the platform to do if a borrower's repayments are late/in default; and
- c) an explanation of what would happen in the event of the failure of the platform operator (in addition to this being clearly available on the platform website).

**Please also
see draft Rule
COB11.1.11**

Client Agreement – borrowers:

- a) a restriction on the borrower from using any other crowdfunding platform to launch a proposal at the same time that proposal is open on a crowdfunding platform (this is to prevent different interest rates or information being presented to potential lenders on another site);
- b) a restriction stopping the borrower lending or financing, or arranging lending or finance, to a lender using the service;
- c) a requirement that the borrower does not advertise their proposal or solicit potential lenders other than by referring to the proposal postings on the crowdfunding platform;
- d) a requirement that the proposal remains unaltered for the duration of the period for which funds are sought;
- e) if the required target for the loan proposal has been met, an outline of the obligations on the operator of the platform if there is any subsequent material change affecting the borrower or its business; and
- f) a requirement for the borrower to provide advance notice of the following events:
 - i. fundamental change in nature, or discontinuation, of business;
 - ii. major reorganisation, amalgamation or merger; or
 - iii. significant acquisition or disposal of assets.

Loan agreement between borrowers and lenders

**Please see
draft Rule
COB11.1.7**

In addition to the production of a client agreement, we also propose that the operator of a crowdfunding platform ensures there is a written and legally enforceable loan agreement in place between its borrowers and lenders. This loan agreement would need to include the following minimum requirements: details of the agreed loan, interest repayments, rights and obligations of the borrower and lender.

Issues for consideration

Q13: Do you agree with our proposal to apply COB 3.3 relating to Key Information and Client Agreements? If not, why?

Q14: Do you agree with our proposal to add further information requirements to COB App2 relating to Client Agreements? If not, why?

Q15: Do you agree with our proposal to require a written legally enforceable loan agreement? If not, why?

Risk warnings and other disclosure requirements

We believe that lenders need warnings about crowdfunding risks so they can understand the risks they will be exposed to before making a decision to lend their money on a loan-based crowdfunding platform. Inexperienced lenders may not adequately assess the risks involved and may not appreciate the differences between traditional investments and deposits and crowdfunded loan agreements. For example, they may not understand that the borrower could default on interest or loan repayments, or that the loan is fixed for a period of time that cannot be reduced. In order to address these issues, we believe appropriate risk disclosure warnings should be set out so lenders have reliable information to understand the nature of the service offered, the nature of the parties involved, the risks and the charges payable.

Please see draft Rule COB11.1.3, COB11.1.4, COB11.1.5, COB11.1.10 & COB 11.1.11

While there are existing disclosure requirements set out in COB 3.2 and 3.3, we are proposing to add additional disclosures specific for platforms. We acknowledge that it is important to get the balance right between how much we regulate and how much we leave up to the platform to decide. Therefore we would expect, at a minimum, platforms to disclose the information set out below to potential lenders and borrowers.

In relation to the general operation of a platform:

- details of how the platform works;
- details of fees, costs and other expenses that may be imposed on the Clients of the platform;
- eligibility criteria for lenders (including any limits on amounts an individual lender may lend);
- eligibility criteria for borrowers;
- minimum and maximum amounts that a borrower may borrow on the platform (if applicable);
- lender rights (including how the platform will deal with late payments or a total default on a loan);
- complaints rights of clients;
- cancellation rights (if offered to lenders) and how lenders may exercise any such right to cancel their commitment to provide a loan);
- what will happen if loans sought by a borrower either fail to meet or exceed the target level sought;
- the platform's policy if there is a material change to a proposal or a borrower's circumstances;
- financial interests of related parties of the platform and any potential/actual conflicts of interest;
- details of the platform's policy for taking security from borrowers (if applicable), and the circumstances in which that might be enforced;
- any facility provided to facilitate the transfer of loans and any risks relating to the use of that facility;
- client money arrangements and safeguards;
- IT security measures; and
- anti-money laundering protections.

Key risks of crowdfunding must be displayed prominently on the platform website. For example:

- that the lender may lose all or part of their original loan or may experience delays in being repaid;
- that borrowers may be new businesses, and as many new businesses fail, such a loan may be speculative in nature and carry high risks;
- default rates (both historical and expected) of borrowers that use the service; and
- the risks to clients in the event of the failure of the platform operator.

In relation to the specific loan:

- the duration of the loan, and the target level of funding sought;
- how underfunding or overfunding will be dealt with; and
- the interest payable.

In relation to the borrower's information:

- the full name of the borrower's company and relevant individuals and the position of each director and officer of the Body Corporate;
- the place of incorporation of the borrower and the country in which each director, officer and controller is resident;
- the most recent financial statements;
- a description of the borrower's business including the valuation, their current borrowing levels (for example, if it has sourced funds by other means or through other crowdfunding platforms);
- a detailed description of the proposal for which it is seeking funding and precisely how the proceeds of the crowdfunding will be used;
- how overdue payments or defaults will be dealt with;
- the process used to grade or rate the borrower (if applicable – lenders should be told what the different levels of risk mean and how the borrower's creditworthiness has been assessed) and a clear explanation that this is not tantamount to giving advice;
- what steps will be taken if there is a material change in a borrower's circumstances and the rights of the lender and the borrower in that situation;
- any security provided by the borrower; and
- any potential conflicts of interest.

As explained above, these would be **minimum disclosures** we would expect a platform to make to potential lenders. As loan-based crowdfunding platforms can have different business models, we would not want this list to be exhaustive, and platform operators will have to consider what other disclosures are relevant in light of the nature and risks of their platforms.

We are proposing to leave it to the operator of a platform as to how they meet these disclosure requirements, with the provision that they are clearly explained and displayed on their website in order to provide the lender with a complete overview of the operations of the platform and the proposals on offer. Some platforms may choose to show this information on a Frequently Asked

Questions page or others may have this information alongside each proposal.

Platform operators should also be mindful and have full regard to the DFSA Principles for Authorised Firms, specifically Principle 1: Integrity; Principle 2: Due skill, care and diligence and Principle 6: Information and interests, when displaying this information.

Issues for consideration

Q16: Do you have any comments on our proposed approach to requiring risk warnings and other disclosures by those carrying out the activity of operating a Loan-based Crowdfunding Platform?

Conflicts of interest, fraud and other misconduct

The DFSA's approach to conflicts of interest is set out in COB 3.5 and outlines what is required in respect of their mitigation and disclosure to Clients. We are proposing to apply these requirements to those carrying out the activity of operating a Loan-based Crowdfunding Platform.

We have looked at whether the Market Abuse provisions in Part 6 of the Markets Law would have full, partial or no applicability to those operating a loan-based crowdfunding platform. On balance, we have taken the view that – due to the nature of the service being offered – these provisions would not apply.

***Please see
draft Rule
GEN2A.1.1***

In the absence of these provisions, we have reflected on the risks of fraud and misleading conduct that might arise from lenders and borrowers using a crowdfunding platform and believe the measures set out in Article 41B of the Regulatory Law 2004, which prohibit conduct that is misleading, deceptive, fraudulent or dishonest, are relevant and should be applied to lenders and borrowers using a crowdfunding platform. In order to do this, we are proposing to prescribe a loan agreement on a platform to be a Financial Product for the purposes of the prohibition in Article 41B. As operating a Loan-based Crowdfunding Platform will be classified as a Financial Service, misconduct by a platform operator automatically falls within the scope of this provision.

***Please see
draft Rule
COB11.1.16***

We are also proposing a new Rule in COB that aims to restrict an officer or employee of a crowdfunding platform, or a family member of such a person, from borrowing or lending via the platform or having a financial interest in any borrower or lender. We believe this measure is necessary in order to prevent potential conflicts of interest or an officer or employee exploiting the use of privileged information he has to obtain access to the best loans or to exit loans. However, we would invite views on whether it is possible for a platform to put specific controls in place that would be effective in addressing these conflicts of interest.

We also invite views on whether the platform itself should be able to participate in loans administered by the platform. If so, what controls should be put in place to address any conflicts of interest associated with its participation?

Alternatively, we invite views on whether a platform operator should be mandated to take a small (perhaps 2.5-5%) interest in each loan administered via the platform as a mechanism for ensuring the interests of the platform and the lenders are aligned.

Issues for consideration

- Q17:** Do you agree with our proposal to:
- apply COB 3.5 relating to Conflicts of Interests;
 - add a crowdfunding loan agreement to the definition of a Financial Product for the purposes of Article 41B (the prohibition against misconduct); and
 - include a prohibition on those connected to the operator from lending or borrowing using that platform.
- If not, why?
- Q18:** What are your views on whether a platform operator should be able to participate in loans administered by the platform? What controls could be put in place to address conflicts of interest that could arise under such a proposal? What are your views on whether a platform operator should be mandated to take a small interest in each loan administered via the platform?

Due diligence on borrowers

***Please see
draft Rule
COB11.1.9***

We are proposing a set of due diligence checks that operators of loan-based crowdfunding platforms should carry out on potential borrowers before allowing them access to the crowdfunding platform. We believe these checks are very important because lenders are not able to carry out their own individual checks on the borrowers.

In advance of hosting a proposal on a loan-based crowdfunding platform, we would expect the following checks, at a minimum, to be carried out on potential borrowers:

- a) the details of its incorporation and business registration of the borrower's identity, as well as the identity and place of domicile of each director, officer and controller of the borrower;
- b) the fitness and propriety of those referred to in a), for example checking if there have been any director disqualifications or convictions for fraud/dishonesty;
- c) the financial strength and past performance of the borrower, and if the company is a start-up, its financial projections;
- d) the current borrowing levels of the borrower's business and the source of any existing borrowing;
- e) the borrower's business proposal;
- f) the commitment of the borrower (and its directors, officers and controllers) to its business, for example, looking at the initial share capital, any flight risk exposure;
- g) the credit history of the borrower, for example using credit agencies, bank

- statements, taking into account evidence of unpaid cheques for insufficient funds, the number of defaults or late payments on loans;
- h) any credentials or expertise the borrower claims to have, for example looking at membership to professional organisations and qualifications of the borrowers key individuals; and
 - i) that the borrower is complying with applicable laws in the jurisdiction in which it is incorporated.

We acknowledge that even with these checks no borrower can be considered risk free and even creditworthy businesses may fail. It is important that, through the risk disclosure requirements (please see the Risk Warnings and other Disclosure requirements below for more detail), lenders clearly understand this risk and fully appreciate what due diligence has been carried out and the limits of it.

Issues for consideration

Q19: Do you agree with the proposed minimum due diligence requirements to be applied to borrowers wishing to join a loan-based crowdfunding platform? If not, what alternatives would you propose?

Client Money

Please see draft Rule COB6.1.1 & COB6.12.1

We are proposing to apply the Client Money requirements set out in COB Rule 6.11 and COB Rule 6.12 (and associated provisions in COB App5) to those carrying out the activity of operating a Loan-based Crowdfunding Platform. This will, of course, depend on the business model of the platform, as there may be instances where the exemption in COB 6.12.1(e) is applicable, for example, if a platform only collects loan money once a proposal threshold is met and immediately transfers that money to the borrower. However, we understand that most platforms operate by collecting the pledged money from the lenders and holding that in an account (for a short period of time), before passing that money on to the borrower. The same can be said for the interest and capital repayments made by the borrower.

We invite market participants to put forward views on these requirements in order for us to understand if we need to make adjustments to our proposal.

Issues for consideration

Q20: Do you agree that those carrying out the activity of operating a Loan-based Crowdfunding Platform should be subject to our Client Money requirements if they control Client Money? If not, why, and what adjustments or changes would you propose?

Restrictions on retail lenders

**Please see
draft Rule
COB11.1.13**

We believe there needs to be some constraints regarding the amount lenders can loan to a platform, at least for retail lenders, as we see how the proposed regime works in practice. On this basis we are proposing the following lending limits for lenders classified as Retail Clients in order to limit their risk exposure:

Limit per loan	Limit per platform per calendar year
US\$5,000	US\$50,000

There would be an obligation on the operator of the platform to have in place systems and controls to ensure that these limits are adhered to and that retail lenders do not exceed these limits.

We appreciate that a Retail Client's risk exposure could be increased if they chose to lend through multiple other platforms. However, we believe these limits, combined with the other regulatory protections, provide a suitable balance of protection for Retail Clients.

We are not proposing any limits for lenders who are classified as Professional Clients or Market Counterparties.

Issues for consideration

Q21: Do you agree with our proposal to set limits on the amounts retail lenders can lend through a loan-based crowdfunding platform? If not, why, and what changes would you propose?

Information forum

Allowing a platform to offer an independent forum for discussion is considered necessary by many in order to provide a communication channel to lenders to discuss the proposals on the platforms, especially with the asymmetry of information that is at play. By establishing such a forum, instant feedback is provided to a large group of potential lenders.

We believe that lenders will expect some sort of forum in order to get further information about a proposal, and platforms will see it as a way of making themselves more transparent and 'lender-friendly.'

**Please see
draft Rule
COB11.1.17**

We propose that if an operator of a platform elects to establish and operate an information forum, that the operator of that platform:

- a) monitors it to identify and prevent posts that are misleading;
- b) is careful not to edit that forum to give a misleading picture of lender/potential lender views of a borrower's proposal;
- c) provides access to (all) Clients of the platform;
- d) restricts the posting of comments to persons who are Clients of the platform;
- e) actively encourages lenders to look at the information forum for any new

- and applicable information, while clearly stating that the platform has not carried out due diligence on the information provided;
- f) requires those providing comments to clearly state if they are affiliated to the borrower and/or the borrower's company; and
 - g) does not participate in a discussion forum except to establish guidelines for the posts.

Issues for consideration

Q22: Do you agree with our proposal to allow those operating a loan-based platform to establish an information forum? If not, why?

Equal treatment of lenders

**Please see
draft Rule
COB11.1.14
&
COB11.1.15**

In order to protect the lender further, we are proposing Rules on the equal treatment of lenders, where:

- a) an operator of a loan-based crowdfunding platform must ensure that all lenders on its site have access to the same information relating to a borrower or a loan; and
- b) if an operator of a loan-based crowdfunding platform provides an auto-lending system⁸, or any other facility, that provides lenders with the opportunity to lend money ahead of other lenders, the operator must disclose prominently on its website that some lenders may have had preferential access to better proposals.

In respect of equal access to information mentioned in (a), we appreciate that not all lenders will in fact access this information, but regardless, they must have equal access to all information. In respect of auto-lending, or another similar facility mentioned in (b), we are aware that this type of facility creates a risk that some lenders may not be aware that the better investment opportunities may have already been allocated and the remaining lending opportunities may be of lower quality. If this is the case, it needs to be clearly disclosed to lenders on the platform website.

Issues for consideration

Q23: Do you agree with our proposals to develop requirements relating to the fair treatment of lenders? If not, why, and what changes would you propose?

⁸ Auto-lending is a facility that automatically allocates certain loans to a lender according to parameters chosen by a lender.

Technological resources

As with any web-based facilities, maintaining the integrity of the information technology (IT) systems used to deliver the loan-based crowdfunding service is fundamental. This is essential to protect both the interests of the platform and the interests of their Clients, who may suffer negative consequences (such as fraud, misuse of their data, or an inability to access their loan information) from the breakdown of a website and its capabilities.

We have considered the potential risks that an IT failure for a crowdfunding platform may pose and believe that further requirements than those in GEN 5.3.23, regarding business continuity and disaster recovery, and in PIB 6.6 and 6.7 need to be put in place. On this basis we propose to apply the technology resource requirements in COB 9.5 (applied to ATS operators) to loan-based crowdfunding platforms. We acknowledge that these requirements could be considered 'heavy handed' for a crowdfunding platform. However, given a platform is completely reliant on IT systems, we see no reason why the same requirements and protections to Clients should not apply.

**Please see
draft Rule
COB11.1.19**

The following is a summary of the measures from COB 9.5 that we propose to apply. The crowdfunding operator would need to ensure that:

- a) the IT systems in place are resilient and not prone to failure;
- b) business continuity arrangements are in place in the event that an IT system fails;
- c) the IT systems are protected from damage, tampering, misuse or unauthorised access; and
- d) there is integrity of data forming part of, or being processed through, the IT system.

We would expect the platform to undertake a regular review and update these measures.

Issues for consideration

Q24: Do you agree with our proposal to apply further IT resilience requirements to those carrying out the activity of operating a Loan-based Crowdfunding Platform? If not, can you explain why they should not be applied and what could be applied in their place?

Business cessation plan

In the event that the Authorised Firm carrying out the activity of operating the Loan-based Crowdfunding Platform ceases to operate, there will need to be an effective plan in place for the orderly administration of existing loans. There are risks that, if a suitable plan is not put in place to administer these loans on behalf of the platform, it could be left to individual lenders to obtain repayment of their loan. This is something that could be difficult, especially for individual retail lenders.

**Please see
draft Rule
COB11.1.20**

We propose that a 'Business Cessation Plan' is developed to set out contingency arrangements for the administration of those loans if, at any time, the operator of a platform ceases to operate a crowdfunding platform. The size and complexity of the plan will be broadly based on the size and complexity of the forecast platform operations (this will need to be revisited as the operations grow). Evidence of how the plan would work in practice must be demonstrated during the licensing phase and also during supervisory visits.

We appreciate that some may feel such a plan comes at a high cost, but we believe the cost to lenders will be higher if an operator fails and there are no arrangements in place to administer the outstanding loans.

Issues for consideration

Q25: Do you agree that those carrying out the activity of operating a Loan-based Crowdfunding Platform should be required to have a Business Cessation Plan in place in the event the operator fails? If not, why?

Transfer Facility

**Please see
draft Rule
COB11.1.18**

We propose to allow those carrying out the activity of operating a Loan-based Crowdfunding Platform to create a transfer facility to assist lenders to transfer their rights or obligations under a loan agreement. This transfer facility should exist in order to provide a measure of liquidity and a possible exit route for current and active lenders. It is not anticipated that it would be used as a venue for active trading, or by the platform operator to raise further funds, nor should the platform operator try and act in any other capacity that may stray into other regulated Financial Services.

If a loan-based crowdfunding platform provides such a facility then the following requirements must be met:

- a) the facility must relate only to loans originally facilitated using its service;
- b) the facility should allow only lenders (and not borrowers) to transfer their rights and obligations under loan agreements;
- c) transfers must take place only between lenders who are already Clients using the service and have initially lent money under loan agreements;
- d) a lender must transfer the rights and obligations relating to the whole of a loan made (and not just a part of the loan);
- e) potential transferees must have access to all information on the website about the borrower that was available to earlier lenders; and
- f) fees it charges for the use of the facility should be designed to recover its costs of providing the facility, rather than generating additional income.

This process and associated requirements must be clearly displayed on the platform's website so that both borrowers and lenders have a clear understanding of how the facility operates.

Issues for consideration

Q26: Do you agree that those operating a loan-based crowdfunding platform should be able to operate a facility to assist lenders to transfer their obligations under a loan agreement? Do you have any concerns with the proposed requirements that must be met if setting up a facility, for example, the requirement to transfer the whole loan? If so, why, and what changes would you propose?

4.5 Anti-money laundering requirements

Loan-based crowdfunding carries with it a money laundering risk, for example, the misuse of funds for terrorist financing, or the lending of funds obtained by illegal activities. These AML risks have been identified by the European Union Supervisory Authorities, and the Financial Action Task Force (FATF). This is also set out in the table of crowdfunding risks at the beginning of this CP.

In order to counter these risks, we propose to apply the DFSA's AML regime (as already applicable to all Relevant Persons) to those operating loan-based crowdfunding platforms. In this instance, the platform would have to carry out appropriate AML checks on both their borrower and lender Clients.

Issues for consideration

Q27: Do you agree with our proposal to require those carrying out the activity of operating a loan-based crowdfunding platform to comply with the AML Module? If not, why? What adjustments would you propose?

4.6 Fees

We intend to charge fees for those carrying out the activity of operating a Loan-based Crowdfunding Platform. The following fees are proposed:

Application Fee	Periodic Fee
US\$5,000	US\$10,000

Please see draft Rule FER2.1.1 & FER 3.2.1 As per FER 3.2.1(2)(b), US\$1,000 for each complete US\$1,000,000 of expenditure will be charged in addition to the annual fee. FER 3.2.2 sets out the meaning of 'expenditure' and how this should be calculated.

Issues for consideration

Q28: Are the levels of the proposed fees considered appropriate? If not, what alternative would you suggest, and why?

Annex 1: Table of Comments

Name of commentator: _____

Name of entity:
(if applicable) _____

Is your response
confidential? Yes No

Notes:

- The DFSA reserves the right to publish, including on its website, any comments you provide. However, if you wish your comments to be kept anonymous, you must expressly request at the time of making comments that this should be the case.
- Your answers may require explanations. Please include those in the second column.
- If you do not wish to comment on any issue, please select the “no comments” box.

Ref.	Response	Comments on proposal
Q1:	Do you think there are any other risks relating to crowdfunding that we should seek to consider and address?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q2:	Do you agree with our proposal to create a new Financial Services Activity, the description of that activity and the accompanying terminology? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q3:	Do you agree with our proposal not to permit the provision of advice and discretionary portfolio management services by a person providing loan-based crowdfunding services? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q4:	Should an AMI be able to obtain a license to carry out the activity of operating a Loan-based Crowdfunding Platform? If so, should this be on the same terms as Authorised Firms or should modifications be made?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q5:	Do you agree that a loan-based crowdfunding platform wishing to hold out its services as being Shari'ah compliant must comply with IFR rules? If not, why not? What alternative measures for oversight and review could be appropriate instead of the appointment of a Shari'ah Supervisory Board?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q6:	Do you agree that a regulated loan-based crowdfunding platform wishing to carry out other unregulated crowdfunding activities (reward or donation) must make it clear to its customers what activities are regulated and not regulated? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q7:	Do you agree with our proposal to categorise those operating a loan-based crowdfunding platform as a PIB Category 4 Authorised Firm? If not, what alternative PIB Category could be applied, and why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q8:	Do you agree with our proposal to require Branches to hold capital as per the Category 4 Capital Requirements? If not, what alternatives could be suggested?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q9:	Do you agree with our proposals to deal with PII cover for such businesses? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q10:	Do you agree with our proposal to require those carrying out the activity of operating a Loan-based Crowdfunding Platform to comply with GEN requirements? If not, why and what alternatives would you propose?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q11:	Do you agree with our proposal to create a new chapter in COB for those carrying out the activity of operating a Loan-based Crowdfunding Platform? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q12:	Do you agree with our proposal to allow platform operators to treat borrowers as	

Ref.	Response	Comments on proposal
	'service-based' Professional Clients under COB 2.3? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q13:	Do you agree with our proposal to apply COB 3.3 relating to Key Information and Client Agreements? If not why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q14:	Do you agree with our proposal to add further information requirements to COB App2 relating to Client Agreements? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q15:	Do you agree with our proposal to require a written legally enforceable loan agreement? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q16:	Do you have any comments on our proposed approach to requiring risk warnings and other disclosures by those carrying out the activity of operating a Loan-based Crowdfunding Platform?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q17:	Do you agree with our proposal to:	
	<ul style="list-style-type: none"> • apply COB 3.5 relating to Conflicts of Interests; • add a crowdfunding loan agreement to the definition of a Financial Product for the purposes of Article 41B (the prohibition against misconduct) and • include a prohibition on those connected to the operator from lending or borrowing using that platform 	
	If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q18:	What are your views on whether a platform operator should be able to participate in loans administered by the platform? What controls could be put in place to address conflicts of interest that could arise under such a proposal? What are your views on whether a platform operator should be mandated to take a small interest in each loan administered via the platform?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
	<input type="checkbox"/> No comments	
Q19:	Do you agree with the proposed minimum due diligence requirements to be applied to borrowers wishing to join a loan-based crowdfunding platform? If not, what alternatives would you propose?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q20:	Do you agree with that those carrying out the activity of operating a Loan-based Crowdfunding Platform should be subject to our Client Money requirements if they control Client Money? If not, why, and what adjustments or changes would you propose?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q21:	Do you agree with our proposal to set limits on the amounts retail lenders can lend through a loan-based crowdfunding platform? If not, why, and what changes would you propose?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments

Ref.	Response	Comments on proposal
	<input type="checkbox"/> No	
Q22:	Do you agree with our proposal to allow those operating a loan-based platform to establish an information forum? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q23:	Do you agree with our proposals to develop requirements relating to the fair treatment of lenders? If not, why, and what changes would you propose?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q24:	Do you agree with our proposal to apply further IT resilience requirements to those carrying out the activity of operating a Loan-based Crowdfunding Platform? If not, can you explain why they should not be applied and what could be applied in their place?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q25:	Do you agree that those carrying out the activity of operating a Loan-based Crowdfunding Platform should be required to have a Business Cessation Plan in place in the event the operator fails? If not, why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q26:	Do you agree that those operating a loan-based crowdfunding platform should be able to operate a facility to assist lenders to transfer their obligations under a loan agreement? Do you have any concerns with the proposed requirements that must be met if setting up a facility, for example, the requirement to transfer the whole loan? If so, why, and what changes would you propose?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q27:	Do you agree with our proposal to require those carrying out the activity of operating a Loan-based Crowdfunding Platform to comply with the AML Module? If not, why? What adjustments would you propose?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	
Q28:	Are the levels of the proposed fees considered appropriate? If not, what alternative would you suggest, and why?	
	<input type="checkbox"/> Yes	<input type="checkbox"/> No comments
	<input type="checkbox"/> No	