

## **Securities Commission Malaysia Introduces Regulatory Framework for P2P Financing**

The Securities Commission Malaysia (SC), recently announced the regulatory framework for peer-to-peer (P2P) financing, setting out requirements for the registration of platform operators. Those interested to start a P2P financing platform can submit their application to the SC starting yesterday, May 2 2016.

Last year Malaysia was the first country in South-East Asia to introduce a framework for Equity Crowdfunding (ECF), in an effort to provide wider access to financing for startups and SMEs and create a strong alternative finance market. After having released these guidelines for digital investing, the securities commission authorized the launch of six platforms (Alix Global, Ata Plus, Crowdonomic, Eureeca, PitchIN and Propellar Crowd+) allowed to facilitate digital investing for non-accredited investors.

### **INTRODUCED CRITERIA FOR P2P FINANCING PLATFORM OPERATORS**

For those interested to operate a peer-to-peer platform, there are several criteria that must taken in consideration, including that the businesses be incorporated in Malaysia with a minimum paid-up capital of RM5 million (about US\$1.3 million), and a board of directors that must be fit and proper.

Ongoing obligations are imposed on the P2P operator such as ensuring compliance with platform rules, carry out investor education programmes, having in place processes to monitor anti-money laundering as well as an efficient and transparent risk scoring system for issuer, a contingency arrangement to ensure business continuity and ensure that its rules set out a rate of financing that is not more than 18% per annum.

If you're interested to read further about the duty and responsibility of a P2P operator in Malaysia, as well as at the requirements for issuer and investor willing to participate in P2P, you can check this exhaustive document released by the SC. You can find the new rules in the Chapter 13 of the document (Guidelines on Recognised Markets).

Crowd Valley (a Grow VC Group company) is fortunate to work with some of the world's foremost pioneers in new regulatory environments on setting industry best standards in practical terms.

Similar types of regulations have emerged all over the world. To name a few in October the SEC approved the Title III of JOBS Act, making online investing possible for retail investors. A few months prior, South Korea launched "Financial Investment Services and Capital Markets Act" and Portugal regulations for securities crowdfunding. We welcome discussions with leaders in their fields on how to leverage synergies and best practices from existing frameworks in emerging environments.

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