



MEDIA RELEASE:

DFSA Proposes Framework for Loan-based Crowdfunding to support SME Financing

Dubai, UAE, 31 January 2017: The Dubai Financial Services Authority (DFSA) has today launched a consultation on its proposed framework for regulating loan-based crowdfunding platforms. The consultation is the first in a series of papers which set out the DFSA's approach to the regulation of crowdfunding platforms and the financial technology (FinTech) industry within the Dubai International Financial Centre (DIFC).

The DFSA has been monitoring developments in FinTech both internationally and regionally since 2015, and has been engaged in discussions with firms looking to establish a presence in the DIFC. In some cases, these firms have been considering activities that would be regulated, such as loan-based crowdfunding.

Crowdfunding is a way in which individuals, organisations and businesses, including business start-ups, can raise money through online portals, or crowdfunding platforms, to finance or re-finance their activities and enterprises. Specifically, loan-based crowdfunding has become a valuable source of financing for the SME sector in several jurisdictions. Well-regulated crowdfunding can contribute to the development of this important sector for Dubai and the UAE economy.

Ian Johnston, Chief Executive at the DFSA said: "Crowdfunding offers an additional avenue for the SME sector to access financing. Establishing a clearly defined regulatory framework, that takes into account the specific needs of loan-based crowdfunding

operators, supports the sustainable development of this important funding source for SMEs.”

The key proposals in the consultation paper include:

- A tailored regime specifically designed for loan-based crowdfunding platform operators.
- Minimum standards for systems and controls.
- Operational transparency and adequate disclosure to all participants – borrowers and lenders - on the platform.
- Suitable checks on platform participants (borrowers and lenders).
- Appropriate safeguarding and segregation of client money.
- The development of business cessation plans.
- Enabling the transfer of rights or obligations under a loan agreement between lenders.

The consultation is part of the DFSA’s contribution to creating an infrastructure that fosters innovation. It aligns with the UAE’s National Innovation Strategy, promoted by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, and Ruler of Dubai, to create an innovation-friendly ecosystem.

The initiative follows the launch of DIFC’s FinTech Hive Accelerator programme earlier this month. The programme provides a platform for financial services and technology firms to build solutions for the financial sector.

The consultation paper can be accessed by the following link:

http://dfsacomplinet.com/en/display/display_main.html?rbid=1547&element_id=23297

- Ends -

For further information please contact:

Corporate Communications
Dubai Financial Services Authority
Level 13, The Gate, West Wing
Dubai, UAE
Tel: +971 (0)4 362 1613



Email: DFSAcorpcomms@dfsa.ae
www.dfsa.ae

Editor's notes:

The Dubai Financial Services Authority (DFSA) on FinTech

In 2015, the DFSA said that it was looking at the evolving world of financial technology, or FinTech, and how this could be accommodated within the DFSA's regulatory regime and facilitated within the DIFC. The DFSA has been encouraged by the number of firms wanting to discuss opportunities in the FinTech area with the DFSA. Some of these firms are considering activities that would – in the normal course of events – be regulated, while some are considering, or already carrying out, activities that do not need to be regulated by the DFSA. The DFSA has stated that it is very much 'open for business' when it comes to FinTech and will deal with each firm, proposition, or idea, and its unique circumstances, on a case-by-case basis.

The DFSA is the independent regulator of financial services conducted in or from the Dubai International Financial Centre (DIFC), a purpose-built financial free-zone in Dubai. The DFSA's regulatory mandate covers asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange and an international commodities derivatives exchange. In addition to regulating financial and ancillary services, the DFSA is responsible for supervising and enforcing Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) requirements applicable in the DIFC. The DFSA also exercises delegated enforcement powers under the DIFC Companies Law. These include powers to investigate the affairs of DIFC companies and partnerships where a material breach of DIFC Companies Law is suspected and to pursue enforcement remedies available to the Registrar of Companies (Roc).

Ian Johnston was appointed as Chief Executive of the DFSA in June 2012. Ian joined the DFSA in November 2006, as a Managing Director, to head the Policy and Legal Services Division.

Ian was admitted to practice Law in Australia in the early 1980s and has spent most of his career in the private sector. He held a number of senior positions within the financial sector and was CEO of one of Australia's major Trustee Companies. During that time, Ian played a leading role in the Trustee industry and served on the National Council of the Trustee Corporations Association.

In 1999, Ian joined the Australian Securities and Investments Commission where he held the position of Executive Director, Financial Services regulation, and spent several terms as an acting Commissioner. In 2005, Ian took up a position with the Hong Kong Securities and Futures Commission as a Special Advisor.

Ian is a past Chairman of the Joint Forum, which comprise representatives of the major international regulatory standard-setters (IOSCO, IAIS and the Basel Committee). In August 2016, he was re-elected to IOSCO's Growth and Emerging Markets Steering Committee, a position he has held since 2013. He is also a member of the Financial Stability and Technical Committee (FSTC) of the IAIS, the global standard-setting body for insurance regulation, and was a member of the Board of Directors of the Financial Planning Standards Board (from Jan 2011 – Mar 2016).