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FOR IMMEDIATE RELEASE

MAS to Improve Access to Crowd-funding for Start-ups and SMEs

Singapore, 8 June 2016… The Monetary Authority of Singapore (MAS) announced today that it will make it easier for start-ups and Small and Medium Enterprises (SMEs) to access securities-based crowd-funding (SCF) in two ways.

2 First, MAS will make it easier for SCF platform operators to rely on the existing regulatory framework for small offers, to raise funds through SCF including from retail investors. For such platform operators, MAS will *simplify the pre-qualifications* that currently allow issuers raising less than $5 million within 12 months to do so without having to issue a prospectus.[1] As a safeguard for investors, MAS will require these SCF platform operators to document and disclose the key risks of SCF investments and obtain investors' acknowledgement that they have read and understood these risks.

3 Second, MAS will reduce the financial requirements for SCF platform operators who want to raise funds through SCF only from accredited and institutional investors. MAS will *ease the financial requirements* for these platform operators to be licensed as dealing intermediaries, as long as they do not handle or hold customer monies, assets or positions, and do not act as principal against their customers. Both the base capital requirement and minimum operational risk requirement for such intermediaries will be reduced from $250,000 to $50,000. The requirement for a $100,000 security deposit will also be removed. This will allow more qualifying SCF platform operators to operate in this restricted space and takes into account the limited systemic and business conduct risks posed by such intermediaries.

4 MAS will publish new guidelines on SCF-related advertising and Frequently Asked Questions (FAQs) on lending-based crowdfunding. The new guidelines will clarify that the advertising restrictions in the Securities and Futures Act (Cap. 289)[2] do not prohibit SCF platform operators from publicising their services and provide guidance on the manner in which such advertisements can be made. The FAQs will help market participants, including SCF platform operators, better understand the regulatory framework underpinning lending-based crowdfunding.

5 Mr Lee Boon Ngiap, Assistant Managing Director, Capital Markets, MAS said, "Securities-based crowdfunding is a useful addition to our financing landscape. At the same

[1] Under section 272A of the Securities and Futures Act (Cap. 289), offerors may make personal offers of securities, up to $5 million within any 12-month period, without a prospectus (the small offers exemption), subject to conditions. MAS' Guidelines on Personal Offers made pursuant to the Exemption for Small Offers provides further guidance on the application of the exemption.

[2] The new guidelines provide guidance on the scope of the advertising restrictions in sections 272A, 272B and 275 of the Securities and Futures Act (Cap. 289).

time, SCF investments can be quite risky. The measures we are implementing seek to strike the right balance between improving access to SCF for start-ups and SMEs and protecting investor interests. The public consultation exercise has been very useful in helping us arrive at this balanced approach."

6 MAS' response to the public consultation can be found here.

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ANNEX A

FACTSHEET ON MAS' PROPOSALS FOR SECURITIES-BASED CROWDFUNDING (SCF)

MAS' objective

Strike a balance between **improving access to SCF for start-ups and SMEs, and enhancing safeguards for investors.**

Improving access to SCF for start-ups and SMEs

SMEs and start-ups benefit from potentially greater access to funding from investors, including retail investors, with the simplified pre-qualification checks on investors.

The lowering of the base capital and minimum operational risk requirement for SCF platforms may lead to a greater choice of licensed SCF platforms for SMEs and start-ups to tap on, if they wish to raise funds from accredited and institutional investors.

What has changed for SCF platforms

SCF platforms facilitating small offers[3] to investors (including retail investors) are currently required to determine that these investors (i) have the financial competence **and** (ii) are suitable to invest in SCF, given their investment objectives, financial means and risk tolerance. To demonstrate financial competence, SCF platforms have to ensure that investors possess both the knowledge and experience to invest in SCF.

The changes will simplify **the pre-qualification checks for investors so that the process can be completed more easily**. SCF operators need only determine that investors have **either** the financial competence **or** are suitable to invest in SCF given their investment objectives and risk tolerance. As demonstration of financial competence, SCF operators only need to ensure that investors have **either** the knowledge or experience to invest in SCF.

[3] Under the Small Offers Exemption under the Securities and Futures Act (SFA), offers raising less than $5 million within 12 months are exempted from prospectus requirements.

Currently, the base capital requirement for certain SCF platforms[4] serving accredited and institutional investors is $250,000. The minimum operational risk requirement for such platforms is $100,000.	With the changes, both the base capital and minimum operational risk requirements for these SCF platforms will be reduced to $50,000.
These SCF platforms are also required to put up a security deposit of $100,000.	In addition, the $100,000 security deposit requirement for these SCF platforms will be removed. The changes will **enable SCF platforms to apply for a license under the SFA more easily.**
SCF platforms provided feedback that they were not sure of the type of information relating to their platforms and services that they could publicise.	New guidelines, to clarify and guide SCF platforms on the parameters within which they can publicise their platforms and services, have been published. In particular, the guidelines will clarify that the advertising restrictions under the SFA do not prohibit SCF platform operators from publicising their services provided no information on specific issuers are disclosed.

[4] Only SCF platforms that serve only accredited and institutional investors, do not handle or hold customers monies, assets or positions, and do not act as principal in transactions with customers qualify for the revised financial requirements.

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What has changed for accredited and institutional investors

The lowering of the financial requirements for SCF platforms may lead to a greater choice of licensed SCF platforms serving only accredited and institutional investors.

What has changed for retail investors

Currently, investors, including retail investors, may access SCF offers under the Small Offers Exemption if they meet certain pre-qualifications. The investors are currently not required to acknowledge the risks involved in SCF investments.

The pre-qualifications for investors, including retail investors, to access SCF offers have been simplified. **The investors will also be alerted to the risks involved in SCF investments, and will have to acknowledge these risks before making an investment.**