FREQUENTLY-ASKED QUESTIONS
PROPERTY CROWDFUNDING FRAMEWORK

(Date of Issuance: 17 May 2019)

Background of framework:

As a general guidance, the property crowdfunding framework under the guidelines sets out the requirements to be imposed on a property crowdfunding operator (PCF operator). The SC's regulatory framework does not endorse or prescribe for a specific property crowdfunding model to be adopted.

The framework sets out among others, the obligations of the PCF operator including requirements to ensure full disclosure for homebuyers and investors to understand the scheme, eligibility criteria for the homebuyer and properties to be hosted and for the PCF operator to provide exit certainty for all.

1. What is a property crowdfunding scheme?

There is no legal definition for property crowdfunding however, as a concept, it refers to a form of fundraising that envisages a homebuyer obtaining funds to pay for the purchase price of a property by way of investments from a relatively large number of investors, through an online platform responsible for publicising and facilitating such transactions.

As per above, under the SC's regulatory framework for property crowdfunding, the SC does not endorse or prescribe for any one specific property crowdfunding model. This is to encourage and enable ongoing innovation by the industry and PCF operators.

Homebuyers and investors alike are strongly encouraged to familiarise themselves with the features offered by a property crowdfunding scheme, including understanding all relevant obligations and actual and potential risks involved, prior to participating in any such scheme.

In addition, the SC has set out several requirements that must be fulfilled by a PCF operator to ensure that the interest of homebuyers and investors are protected as set out in the relevant SC's guidelines.

2. Who is eligible to be a homebuyer under a property crowdfunding scheme?

Only an individual first time homebuyer is allowed to crowdfund under a property crowdfunding scheme. The individual must also be able to satisfy the following criteria:

(a) Is a Malaysian citizen;
(b) At least 21 years of age; and
(c) Has never owned a property whether solely or jointly.

3. **What type of properties can be crowdfunded?**

Under the SC's property crowdfunding framework, a homebuyer is only permitted to crowdfund for a residential property. A residential property is defined as a house, a condominium unit, an apartment, a service apartment or a flat, purchased or obtained solely to be used as a dwelling house. In addition, the property must–

(a) be a completed residential property located in Malaysia;
(b) have a valid and effective legal title with no encumbrances attached;
(c) have been issued a certificate of completion and compliance by the relevant authority; and
(d) be valued at RM500,000 or below.

4. **Does the requirement for the property to be valued at RM500,000 or below, refer to the actual price of the property or the price less any discounts or rebates provided?**

Under the SC's property crowdfunding framework, the operator must appoint an independent property valuer to value the properties hosted on its platform. Only a property that is valued up to a maximum of RM 500,000 may be hosted on the platform. The value of the property refers to the price of the property before the deduction of any discount, rebate or any other reduction provided on the price of the property.

5. **How long is the tenor of the scheme?**

The SC does not prescribe the tenor of an investment note. The tenor will depend on the property crowdfunding scheme on offer.

6. **Can a homebuyer sell the property that he has crowdfunded?**

A homebuyer is not allowed to sell or transfer the property during the scheme's tenor. The homebuyer must also ensure that he stays in the property during the same period. This is to ensure that the scheme stays true to the policy intention of facilitating homeownership for first time homebuyers and to prevent the purchase of a property for speculative purposes.

7. **Can a homebuyer sell or rent out the property that he has crowdfunded?**

As mentioned earlier, a homebuyer must ensure that he stays at the property. However, he is permitted to rent out rooms in the property during the scheme's tenor. For example, if the property has three rooms, he can stay in one room and rent out the other two rooms.

8. **What is the homebuyer and the investor's right at the end of the scheme's tenor?**

It is envisaged that at the end of the scheme's tenor, the homebuyer should be able to pay back to investors what they are due under the scheme.

However, in the event that the homebuyer is not able to pay back investors, the PCF operator must provide an avenue to exit the scheme for both the homebuyer and the investors.

Below are some examples of exit options that a PCP operator may offer–

(a) the PCF operator may facilitate for the public sale of the property via its website. The returns to the homebuyer and investors, if any, will be the difference between their initial investment and the amount of money raised from the sale of the property;

(b) the PCF operator may provide a warehousing facility, where a homebuyer has a right to sell the property to the platform operator or any third party that the operator has an arrangement with, based on a market value determined by an independent valuer; or

(c) the PCF operator may have in place an underwriting arrangement with a bank to provide a loan to pay off the amount due to the investors.

A PCF operator will be required to ensure that the exit terms including how returns, if any, will be distributed to the scheme's participants are disclosed and agreed to before the participants enter the scheme.

9. Can investors sell their investment note and Islamic investment note?

A PCF operator will be allowed to offer secondary trading of investment notes relating to the scheme on its platform. As such, investors may sell their notes via the platform. This would enable investors to sell their investment notes and cash out their position without the need to wait for the scheme's tenor to end. A PCF operator who provides such secondary trading is required to ensure that they operate a fair and transparent market.

The SC however does not mandate that a PCF operator offer a secondary market for trading. Investors are therefore advised to check with their platform operator as to whether they will be offering a secondary market on their platform.