



Malaysia first to regulate P2P financing, after SC introduced six P2P operators

By Goh Thean Eu | Nov 03, 2016

- *SC introduced six registered P2P financing platform operators, after receiving over 50 applications*
- *Gives entrepreneurs additional avenues to raise funds for working capital*



SC chairman Ranjit Ajit Singh (fourth from left) and Second Finance Minister Johari Abdul Ghani (fifth from left) with the representatives of the six registered P2P financing platform operators

MALAYSIA became the first country in Southeast Asia to regulate P2P financing, after the Securities Commission Malaysia (SC) has introduced six registered peer-to-peer (P2P) financing platform operators in Malaysia. The six registered P2P operators are B2B FinPAL, Ethis Kapital, FundedByMe Malaysia, ManagedPay Services, Modalku Ventures and Peoplender. These companies are expected to be operational in 2017. The SC said that the plan to introduce the six P2P operators is to give more funding avenues for entrepreneurs and small and medium

enterprises (SME), and to help narrow the financing gap in the SME sector. "According to some estimates, the Malaysian SME sector has a financing gap of more than RM80 billion. We believe that market-based financing including Equity Crowdfunding (ECF) and P2P may provide alternative solutions to address the financing needs of our SMEs," said SC chairman Ranjit Ajit Singh during the opening of SCxSC Digital Finance Conference 2016 in Kuala Lumpur yesterday. SC's decision to introduce the six P2P financing platform operators was not a surprise to the industry. In April 2016, the SC announced the regulator framework for P2P financing. It also announced then that parties interested to operate a P2P financing platform, which will need to have a minimum paid up capital of RM5 million, may submit their application to the SC from May 2, 2016, onwards. (RM1 = US\$0.24) SC executive director Chin Wei Min revealed that there were more than 50 applicants interested to operate a P2P financing platform. "The selection of the six P2P financing platform operators was based on various factors -- the business model, operational capability, technology, the management team as well as the go-to-market strategy. We will look at that in totality and we will then make the evaluation," said Chin during the press conference.

SC taking the lead in SEA

Based on the recent track record, it seems that the SC is taking the lead when comes to providing regulatory framework/ regulating in the area of non-traditional/ digital fund-raising mechanism. In February 2015, SC released a similar regulatory framework for ECF. That came after a period of public feedback after the release of a consultation paper in August 2014. During the SCxSC conference in June last year, the SC announced the six ECF platform operators.

"I would like to commend the SC taking the lead by starting our digital journey in 2014, and facilitating market-based financing avenues for SMEs, namely ECF and P2P. This is the first step towards channelling the power of digital markets to open new doors and democratising opportunities for small businesses and retail investors, giving them access to products and services previously deemed too costly to be offered to the masses," said Second Finance Minister Johari Abdul Ghani.

Ranjit also revealed that the ECF platforms have seen good traction since its introduction about a year ago. "Since ECF operationalisation in mid-2016, we have witnessed the encouraging take-up of innovative local SMEs seeking financing on

the ECF platforms. Within a space of six months, a total of RM8 million has been raised for 11 Malaysian businesses through the registered ECF operators. "This include a mix of both tech and non-tech companies... The platforms have also received widespread interest from across 38 different sectors," said Ranjit.

A brief look at the six P2P operators

B2B FinPAL, founded by Dr Lee Thean Seong, is a subsidiary of B2B Commerce Sdn Bhd. B2B Commerce was founded in 1999 and it provides cloud-based Internet commerce technologies to create a collaborative platform for business supply chain management. According to Lee, one of his plans for the B2B FinPAL is to target the high networth individuals and to get these individuals to take part in P2P financing. *Ethis Kapital*, through its P2P platform ethiskapital.com, seeks to create a sustainable tech-based Islamic funding market place for equitable socio-economic development, combining the capabilities of EthisCrowd and Kapital Boost. Umar Munshi is the cofounder and CEO of Ethis Kapital. *FundedByMe Malaysia* is one of the six equity crowdfunding operators registered by SC in 2015. It is a joint-venture company between digital marketing agency Alix Global and FundedByMe Sweden. FundedByMe, a Swedish-based company, is the fastest growing crowdfunding platform in europe with more than 72,000 investors across 178 countries; raised over 28 million euros for over 500 companies. Daniel Goettfert is the cofounder and managing director of FundedByMe Malaysia. *ManagePay Services* is the managed payment services arm of ACE-listed ManagePay Systems Bhd. According to ManagePay Services, its mission is to make credit more affordable for SMEs and investing more rewarding for investors -- via its platform QuickKash.

Modalku Ventures, through its P2P platform Funding Societies, aims to be the most trusted P2P platform in South East Asia. Founded by Harvard Business School graduates in 2015, Funding Societies has originated almost US\$13.8 million in invoice financing and business term loans for SMEs to grow their businesses. Funding Societies is funded by leading global and regional venture capital firm, Sequoia Capital India and Alpha JWC in 2016. Kelvin Teo is the cofounder and CEO of Modalku Ventures. *Peoplender* hopes that its P2P platform could help serve the SMEs and micro-entrepreneurs' funding needs. It also hopes to allow more Malaysians to take part in the P2P financing -- by enabling them to invest from as low as RM50. Kristine Ng is the CEO of Peoplender.