



New facilities: Securities Commission (SC) chairman Datuk Ranjit Ajit Singh speaks at the Synergy and Crowdfunding Forum 2015. The SC is creating an avenue for businesses too small to get funding from banks and capital markets to raise capital direct from investors. > See story on page 3

Financial respite for 'too-small' businesses

SC gives nod to 6 equity crowdfunding firms to start operations

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KUALA LUMPUR: The Securities Commission (SC) is creating an avenue for businesses too small to get funding from banks and capital markets to raise capital direct from investors.

It has given the green light to six equity crowdfunding (ECF) platforms to start their operations by the end of the year.

"It is timely to further widen access through innovation in financial technologies such as the equity crowdfunding framework," its chairman Datuk Ranjit Ajit Singh said.

"The establishment of the ECF is a component of SC's strategy to democratise finance," he said at the Synergy and Crowdfunding Forum 2015 (SCxSC) yesterday.

The move by the SC makes Malaysia the first country in Asia-Pacific to legislate ECF.

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Datuk Ranjit Ajit Singh

"Over the years, Malaysia has developed a diversified and well established RM2.8 trillion capital market, helping businesses to grow as well as financing long-term investments in the economy.

"However, for capital markets to be inclusive, small and medium enterprises and start-ups must also be able to obtain market-based financing," he added.

ECF works almost like the stock market for public listed companies, where the platform operator runs the market.

The six platforms operators are Alix Global, Ata Plus, Crowdonomic, Eureeca, PitchIN and Propellar Crowd+, which were picked from a list of 27 applications.

The operators will charge fees ranging between 5% and 8% of the total fund raised, or a flat management fee, or a combination of both.

Essentially, the platform operators act as a middleman between a young venture looking for capital and accredited investors registered on an online platform.

Under the SC framework for ECF, eligible issuers can raise up to RM3mil within a 12-month period and be able to tap on investments from retail, sophisticated and angel investors subject to limits as provided in the guidelines.

"Issuing companies would set their own valuations, we don't do that. It is the entrepreneurs who decide what they sell and put it in the offer," said Eureeca co-founder and CEO Christopher Thomas.

Alix Global is in partnership with FundedByMe, a Swedish crowdfunding platform with a Scandinavian nexus of investors. Ata Plus is a crowdfunding platform, matching syariah-compliant businesses with investors seeking substantial business opportunities. The firm focuses on local SMEs and social impact initiatives.

Crowdonomic has the backing of US and Japanese investors as well as a presence in Singapore.

Dubai-based Eureeca is a UK Financial Conduct Authority-regulated entity, which provides Malaysian companies an opportunity to raise funds from the Gulf region.

Malaysian crowdfunding operator PitchIN is a rewards-based platform with tie-ups and partnerships with government agencies and angel investors networks.

Propellar Crowd+ has partners in both North Asian and Oceania markets such as Hong Kong, China, Taiwan and New Zealand.