



Monetary Authority of Singapore

**SECURITIES AND FUTURES ACT
(CAP.289)
FINANCIAL ADVISERS ACT
(CAP. 110)**

**FREQUENTLY ASKED QUESTIONS (FAQs) ON LENDING-
BASED CROWDFUNDING**

Disclaimer: These FAQs are meant to provide guidance on lending-based crowdfunding. They do not constitute legal advice. MAS expects persons making an offer of capital markets products and crowdfunding platforms facilitating such offers to be familiar with their obligations under all applicable laws, rules and regulations in Singapore. Where in doubt, these persons should seek independent legal advice on how they should comply with these requirements.

What is lending-based crowdfunding?

1. Lending-based crowdfunding by businesses, also commonly referred to as peer-to-peer lending to businesses (“P2P lending”), generally refers to a fundraising model where many persons lend sums of money to a company and in return receive the company’s legally-binding commitment to repay the loan at pre-determined time intervals and interest rates. The lending is typically conducted through an online platform. Lending-based crowdfunding, or P2P lending, is one of two financial return crowdfunding models (the other being equity-based crowdfunding).

Is lending-based crowdfunding regulated by MAS? How is lending-based crowdfunding regulated?

2. Fundraising from the public through lending-based crowdfunding, or P2P lending, is regulated by MAS under the Securities and Futures Act (Cap. 289) (the “SFA”) and the Financial Advisers Act (Cap. 110) (the “FAA”).

Prospectus Requirement

3. Under section 239(3) of the SFA, any invitation to lend money to an entity (e.g. a company) is deemed to be an offer of debentures, which is a type of security. The entity offering debentures is required to prepare and register a prospectus with MAS in accordance with Division 1 Subdivision 2 of Part XIII of the SFA (“Prospectus Requirements”) unless it can fall within one of the several prospectus exemptions. The prospectus exemptions available to companies include the following:

- Small offers. Under section 272A of the SFA, offerors may make personal offers of securities, up to \$5 million within any 12-month period, without a prospectus subject to certain conditions. A personal offer is one that is directed at a pre-identified individual or entity, which would include offers made to persons who have previous professional or other connection with the offeror. As the word “personal” suggests, each offer must be made personally by the offeror or by a person acting on its behalf to the pre-identified individual or entity and can only be accepted by the pre-identified individual or entity to whom the offer was made. Further details on the criteria for a “personal” offer can be found in the Guidelines on Personal Offers made pursuant to the Exemption for Small Offers.
- Private placements. Under section 272B of the SFA, offers of securities to no more than 50 persons within a 12-month period may be exempted from the Prospectus Requirement subject to certain conditions.

- Institutional investors. Under section 274 of the SFA, offers of securities to institutional investors are exempted from the Prospectus Requirements.
- Accredited investors. Under section 275 of the SFA, offers of securities to accredited investors may be exempted from the Prospectus Requirements subject to certain conditions.

Licensing Requirements

4. In addition to the Prospectus Requirements, the operator of the platform that facilitates the offers of debentures (even if the platform operator does not itself offer the debentures) may be considered as carrying on the business of the regulated activity of “dealing in capital markets products”. The operator would be required to hold a capital markets services (“CMS”) licence under the SFA. The requirement under the FAA may also apply where financial advice is provided to investors who wish to purchase the securities.

5. When in doubt, any person who wishes to raise funds through crowdfunding or to establish and operate a crowdfunding platform is encouraged to seek legal advice to ensure that the proposed activities are in compliance with all applicable laws, rules and regulations in Singapore.

Is there an exclusion of promissory notes from the definition of securities? Is crowdfunding with promissory notes exempted from the Prospectus Requirements?

6. Crowdfunding with promissory notes is not exempted from the Prospectus Requirements. The Securities and Futures (Amendment) Act 2017 has removed the exclusions in respect of promissory notes from the definitions of “securities” in section 2 and of “debenture” in section 239 of the SFA with effect from 8 October 2018.