

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 offers¹ 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.

¹ 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.

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Currently, the base capital requirement for certain SCF platforms² 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.

² 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.**