



مصرف الإمارات العربية المتحدة المركزي  
CENTRAL BANK OF THE U.A.E.

نظام التمويل الجماعي القائم  
على القروض ورقة تشاورية  
Loan based crowdfunding  
regulation consultation paper

## PREFACE

### **Why are we issuing this Consultation Paper (CP)?**

1. The Central Bank of UAE (CBUAE) is continuing its work in enhancing the regulatory framework to enable the development of the UAE financial sector. In line with this objective, the CBUAE is seeking to expand its regulatory framework to support the development of Fintech business in the UAE in a prudent manner. In this respect, the CBUAE has developed a draft regulation for loan-based crowdfunding platforms (CFPs) operating in the UAE. This regulation seeks to establish an appropriate regulatory oversight framework for CFPs to carry on business in the UAE while seeking to create a balance between market development, risk mitigation and consumer protection.

### **Who should read this CP?**

2. The proposals in this Paper should be of interest to relevant persons, including persons who intend to operate a CFP in the UAE, existing licensed financial institutions, persons providing legal accounting, audit and compliance services in the UAE and potential lenders and borrowers.

### **What are the next steps?**

3. Please send any comments to [crowdfundingreg@cbuae.gov.ae](mailto:crowdfundingreg@cbuae.gov.ae) using the table provided below. Please refer to the regulation name in the subject line. Please provide your name and the name of the organization you represent in submitting comments. The CB reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise at the time of making the comments. The deadline for providing comments is 10 October 2019.
4. Once we receive your comments, we shall consider if any further refinements are required to this framework. We shall then proceed to make the relevant changes to the regulation in preparation for issue. You should not act on this draft regulation until it has been formally approved by the CBUAE and published in the Official Gazette.

### **Structure of this CP**

5. The remainder of this CP contains:
  - a) Background information;
  - b) Table of comments; and
  - c) The draft Loan-Based Crowdfunding Regulation

## BACKGROUND INFORMATION

### What is Crowdfunding?

6. Crowdfunding is a relatively simple concept. It is a term used to describe the use of small amounts of money, obtained from a large number of individuals, to fund a project through an online platform.

### Types of Crowdfunding

7. While there are many Crowdfunding models, which have different purposes, essentially four types of Crowdfunding models have emerged. These are:
  - a) Donation;
  - b) Reward/loyalty;
  - c) Loan-Based (sometimes called Debt or P2P lending); and
  - d) Investment (sometimes called Equity)
8. The proposed Regulation seeks to establish a framework for Loan-Based Crowdfunding only. Specifically, the framework proposed by the CBUAE covers conduit/bidding type business models only at this time. This business model is defined in Article 1 of the draft Regulation.

## TABLE OF COMMENTS

Name of commentator:	
Name of entity (if applicable):	
Is your response confidential?	Yes No
If your response to the previous question is Yes, please state your reasons for such a request:	

## RESPONSES SOUGHT

Ref.	Response	Comments on Proposal	
<b>Q1:</b>	<b>Is the proposed framework adequate in protecting lenders and borrowers?</b>		
	Yes		No comments
	No		
<b>Q2:</b>	<b>Are the disclosure requirements sufficient?</b>		
	Yes		No comments
	No		

## RESPONSES SOUGHT

Ref.	Response	Comments on Proposal	
<b>Q3:</b>	<b>Is the proposed framework sufficient to develop a Loan-Based Crowdfunding market in the UAE?</b>		
	Yes		No comments
	No		
<b>Q4:</b>	<b>Is the proposal to limit access to participate in Crowdfunding to Professional Lenders appropriate?</b>		
	Yes		No comments
	No		
<b>Q5:</b>	<b>Are the proposed capital and other regulatory requirements for Crowdfunding Platforms appropriate?</b>		
	Yes		No comments
	No		
<b>Q6:</b>	<b>Do you agree to the proposal to limit Crowdfunding Platforms to the bidding/ conduit business model type only, for now?</b>		
	Yes		No comments
	No		