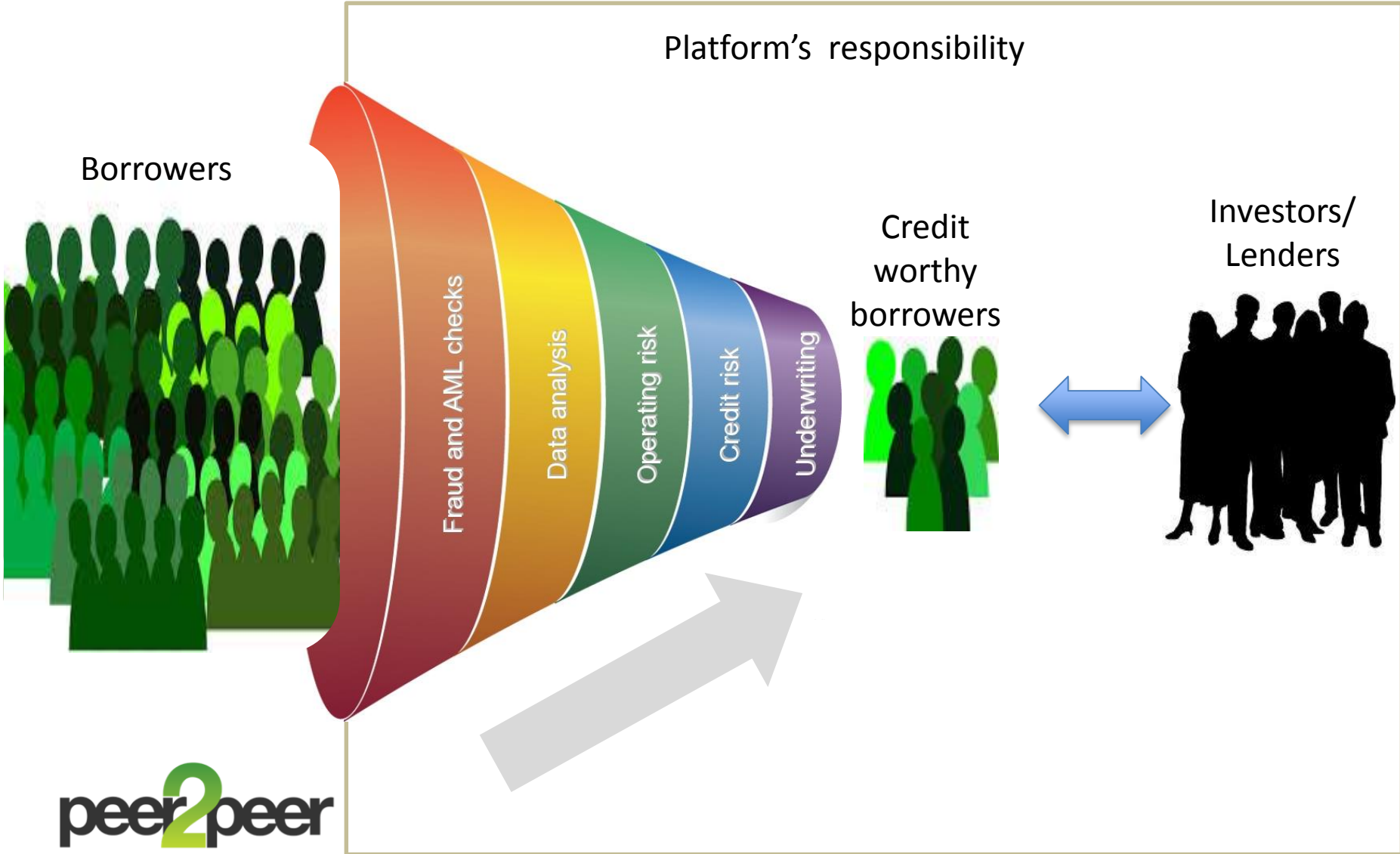




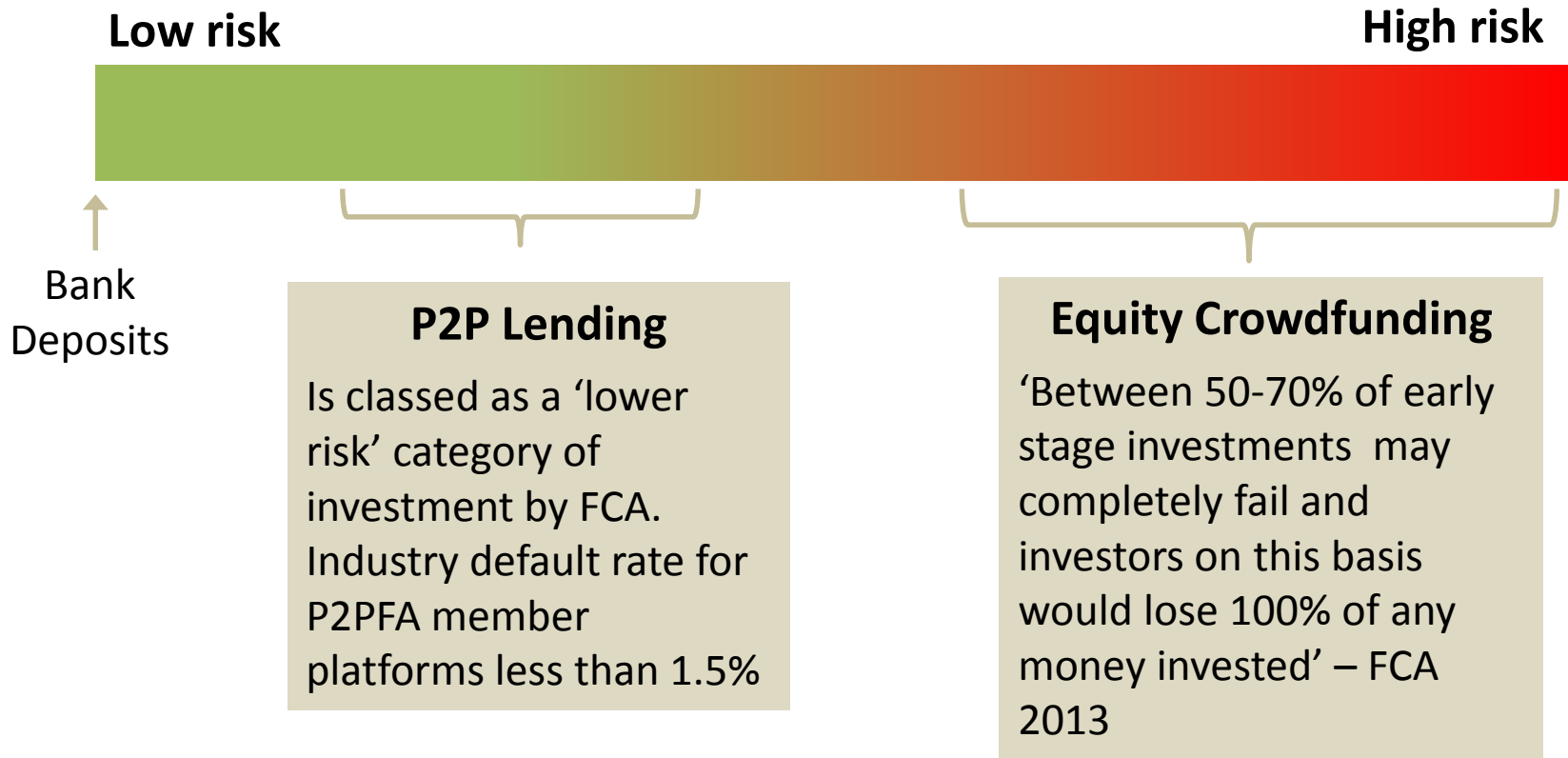
# Peer-to-Peer lending and the P2PFA

Website: [www.p2pfa.info](http://www.p2pfa.info)

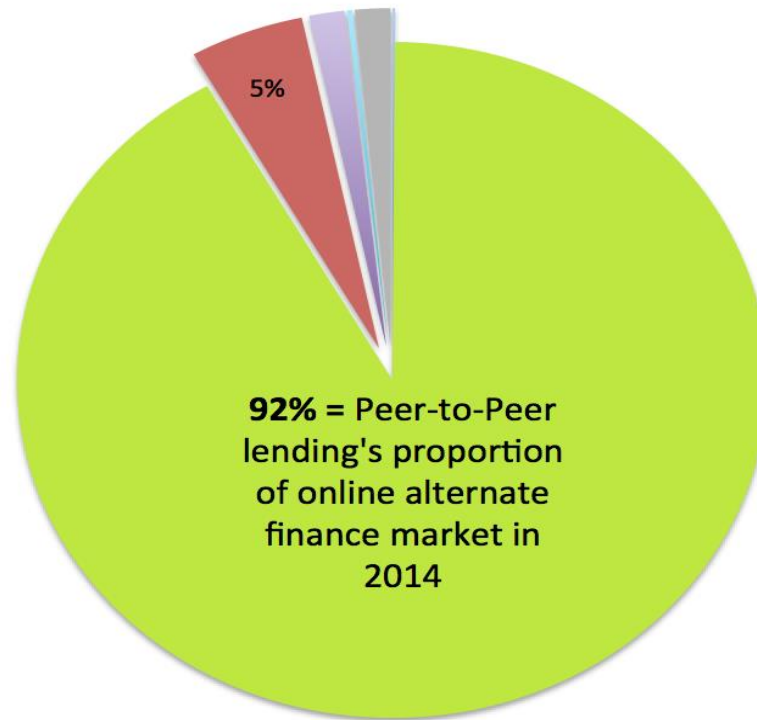
# Diagram of structure of P2P platform



# Risk Profile P2P Lending vs Equity Crowdfunding

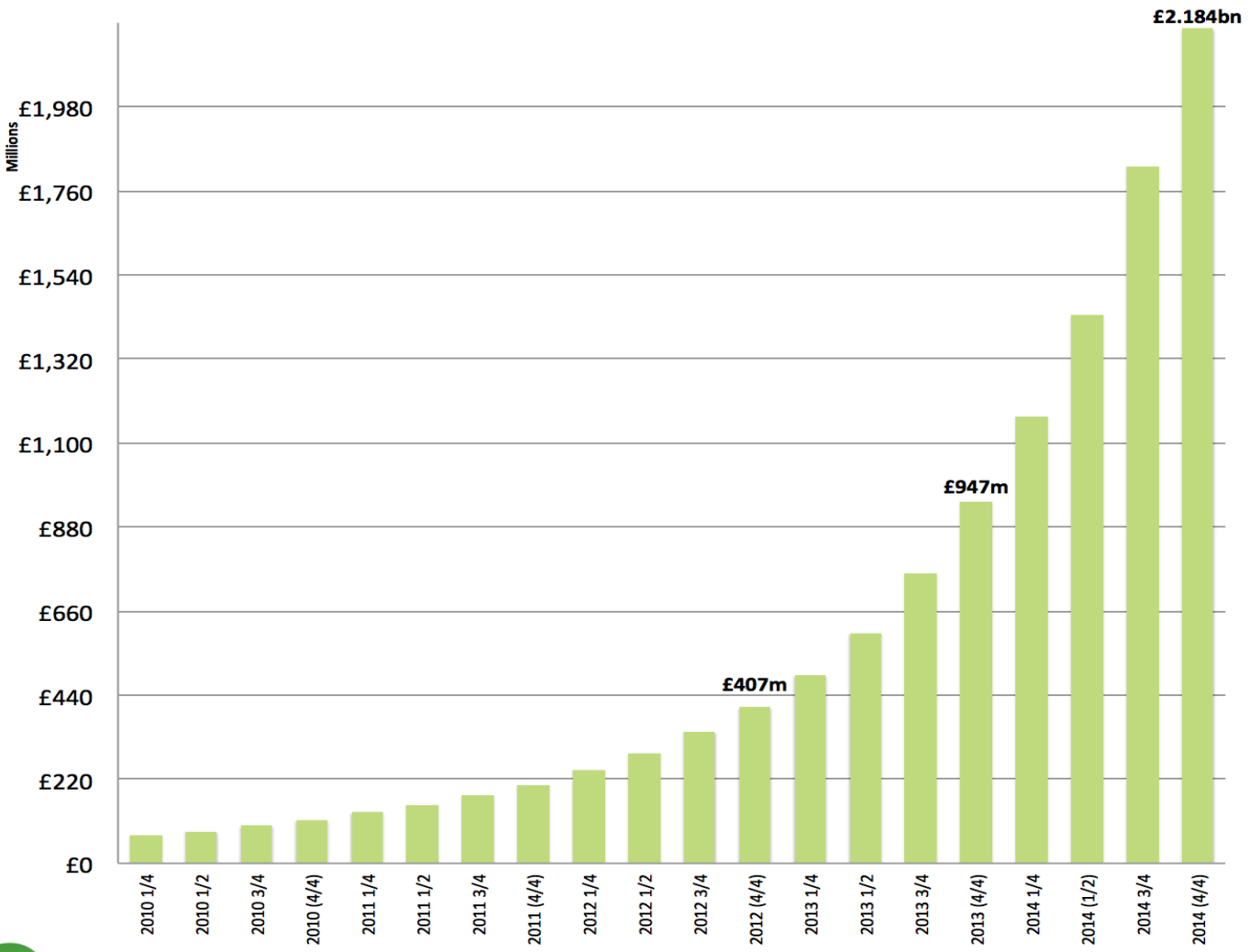


# UK Alternative Finance Market 2014



- Donation Based Crowdfunding
- Equity-based Crowdfunding
- Debt-based Crowdfunding
- Peer-to-Peer lending
- Reward-Based Crowdfunding
- Microfinance/Community shares

# P2PFA Cumulative Lending Data



# Quarterly data from P2PFA

## 2014: 4th Quarter data for P2PFA members

<b>Aggregate P2PFA member data</b>		<b>Q3 2014</b>	<b>Q4 2014</b>
Cumulative lending	£	1,824,541,275	2,184,116,938
Stock of loans (Outstanding loan book)	£	950,319,347	1,146,098,225
New lending	£	328,066,478	346,165,202
Capital repaid	£	154,562,109	148,131,648
Net lending flow	£	173,510,503	198,048,021
<i>o/w lending to individuals</i>	£	68,165,915	71,183,737
<i>o/w lending to SMEs</i>	£	105,344,588	126,864,285
Number of current lenders	#	106,902	114,697
Number of current borrowers	#	116,842	139,749

# P2PFA Membership



FINANCE ASSOCIATION

# P2PFA Operating Principles

1. Senior management
2. Minimum operating capital requirements
3. Segregation of participants' funds and auditing of the segregated bank account
4. Appropriate credit and affordability assessment
5. Appropriate anti-money laundering and anti-fraud measures
6. Clear rules governing use of the platform, consistent with these Operating Principles
7. Marketing and customer communications that are clear, fair and not misleading
8. Secure and reliable IT systems
9. Fair complaints handling
10. The orderly administration of contracts in the event a platform ceases to operate





# UK Regulation

- P2P lending activities are defined in RAO 36H
- Consumer lending covered by consumer credit regulation
- FCA regulation started 1<sup>st</sup> April 2014
  - Disclosure based regime (FinProm requirements started Oct 2014)
  - Operating capital requirements (interim min £20K, 2017 min £50K)
  - Reporting requirements (complaints, financial status etc)
  - Client money requirements (April 1<sup>st</sup> 2014)
  - FCA Higher principals (April 1<sup>st</sup> 2014)



# European Commission

- Currently lack of data of P2P and crowdfunding activities across EU
- Regulation of sector varies and in some countries ambiguity makes firm establishment impossible
- Currently EU has expert group looking at 'crowdfunding' and possible need for code of conduct/quality mark

# Key points

- The P2P sector is disrupting the traditional oligopolies in retail investment, consumer and businesses lending
- P2P lending largest form of alternate finance and provide vital access to finance for SMEs and consumers
- Sustainable P2P platforms perform thorough due diligence on borrowers to ensure they offer low risk returns to investors