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**Article**

## A Case of Regulatory Evolution – A Review of the UK Financial Conduct Authority's Approach to Crowdfunding

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## A CASE OF REGULATORY EVOLUTION – A REVIEW OF THE UK FINANCIAL CONDUCT AUTHORITY’S APPROACH TO CROWDFUNDING

ROBERT WARDROP AND  
TANIA ZIEGLER<sup>1</sup>

### Introduction

Across Europe, crowdfunding is quickly moving from a fringe funding instrument to becoming a mainstream finance channel, connecting “crowds” to fund businesses, projects and individuals. In its recently published *Report on Crowdfunding in the EU Capital Markets Union*, the European Commission details the importance of crowdfunding as “an important source of non-bank financing in support of job creation, economic growth and competitiveness” (European Commission 2016). While there remains no harmonised regulatory framework applicable to crowdfunding across Europe, individual member states have adopted national regulatory approaches to supervise crowdfunding activities – “tailoring their regulatory frameworks to the characteristics and needs of local markets and investors, which results in differences on how the rules are designed and implemented” (European Commission 2016, 4-5). This article will focus on the regulatory regime in the United Kingdom that regulates and supervises online alternative finance activities that fall under the crowdfunding umbrella.

The United Kingdom is the leader in online alternative finance in the European market, accounting for just under 75 percent of all transaction volumes in Europe (Wardrop et al. 2015). In 2015, online alternative finance in the United Kingdom grew to GBP 3.2 billion, increasing by 84 percent from GBP 1.74 billion in 2014 (Zhang et al. 2016). Sizeable growth in 2015 coincided with

successful integration of sector regulation, alongside continued government support for alternative finance. While many member states have opted for a “wait and see” approach to crowdfunding regulation, the United Kingdom was of the first nations to create bespoke regulation for crowdfunding activities. As the regulating body that monitors and supervises crowdfunding activities in the UK is the Financial Conduct Authority (FCA)<sup>2</sup>, this article will centre on the regulatory regime that it has adopted.

The FCA defines crowdfunding as an umbrella term to capture various “categories” of activity, some of which are regulated whilst others are not. The general definition of crowdfunding, according to the FCA is “an internet-based business model [...] in which people and businesses (including start-ups) can try to raise money from the public, to support a business, project, campaign or individual” (FCA 2016a). This broad term includes four sub-categories:

- **Donation-based crowdfunding:** people give money to enterprises or organisations whose activities they want to support.
- **Pre-payment or rewards-based crowdfunding:** people give money in return for a reward, service or product (such as concert tickets, an innovative product, or a computer game).
- **Loan-based crowdfunding:** also known as “peer-to-peer lending”, this is where consumers lend money in return for interest payments and a repayment of capital over time.
- **Investment-based crowdfunding:** consumers invest directly or indirectly in new or established businesses by buying investments such as shares or debentures (FCA 2016a).

The first two categories are exempt from regulatory oversight from the FCA, as the party providing funds does so for altruistic purposes or to receive a “reward”, rather than to profit financially. As such, these two cat-



<sup>2</sup> It should be noted that the financial regulation of crowdfunding often involves several other government bodies or agencies, including HM Treasury, the Prudential Regulation Authority, etc. Although other agencies and bodies have impacted the way in which crowdfunding has developed in the UK, this article will only review the regulatory regime put in place by the FCA, as the FCA serves as the key regulator and supervisor of crowdfunding activity in the UK. Discussion of policy or regulation that overlaps with additional government agencies will only be discussed in the context of how activity is supervised by the FCA.

<sup>1</sup> Cambridge Centre for Alternative Finance (CCAF) and Cambridge Judge Business School (both).

Table 1

| Alternative finance models                  |   |  |
|---|---|--|
| Model name                                  | FCA Crowdfunding Category                 | Definition   |
| Peer-to-Peer Business Lending               | Loan-based Crowdfunding                   | Secured and unsecured debt-based transactions between individuals/institutions and businesses with trading history; most of which are SMEs.  |
| Peer-to-Peer Business Lending (Real Estate) | Loan-based Crowdfunding                   | Property-based debt transactions between individuals/institutions to businesses; most of which are property developers.  |
| Peer-to-Peer Consumer Lending               | Loan-based Crowdfunding                   | Debt-based transactions between individuals/institutions to an individual; most are unsecured personal loans.  |
| Invoice Trading                             | Loan-based Crowdfunding                   | Businesses sell their invoices or receivables to a pool of primarily high net worth individuals or institutional investors.  |
| Equity-based Crowdfunding                   | Investment-based Crowdfunding             | Sale of registered securities, by mostly early stage firms, to both retail, sophisticated and institutional investors.   |
| Equity-based Crowdfunding (Real Estate)     | Investment-based Crowdfunding             | Direct investment into a property by individuals, usually through the sale of a registered security in a special purpose vehicle (SPV).  |
| Debt-based securities                       | Investment-based Crowdfunding             | Individuals purchase debt-based securities (typically a bond or debenture) at a fixed interest rate. Lenders receive full repayment plus interest paid at full maturity.   |
| Reward-based Crowdfunding                   | Pre-payment or rewards-based Crowdfunding | Donors have an expectation that fund recipients will provide a tangible but non-financial reward or product in exchange for their contributions. This model falls outside of FCA purview.                            |
| Donation-based Crowdfunding                 | Donation-based Crowdfunding               | Non-investment model in which no legally binding financial obligation is incurred by fund recipients to donors; no financial or material returns are expected by the donor. This model falls outside of FCA purview. |

Source: Zhang et al. 2016.

egories fall outside of the FCA remit and are exempt from requiring FCA authorisation in order to operate. The second two categories are monitored and supervised by the FCA, as these categories are transactional activities where financial profit is possible for the individual funder. Given the broad definition employed by the FCA, Table 1 indicates the category under which key alternative finance models fall within. These model definitions are based upon the working industry taxonomy created by the Cambridge Centre for Alternative Finance and its research partners (Zhang et al. 2016).

In February 2015, the FCA published its review on the state of crowdfunding since the sector fell under its auspices in April 2014, pending a transition period for key activities (FCA 2015a). Examining the implementation of the new crowdfunding rules, the review discussed the efficacy of the newly-formed regulatory regime. The review raised several key concerns around promotions to retail clients, and pre-empted the FCA's plan to publish additional guidance around consumer communication relating to promotion and advice. While additional rules and guidance around "segregation of client money",

"social promotion" and "P2P Advice" were set forth in 2016, this review document serves as the most comprehensive analysis of the authorisation process for investment-based and loan-based crowdfunding.

### Investment-based crowdfunding

Investment-based crowdfunding, as noted above, relates to activities in which individuals invest in unlisted shares or debt securities issued by a business. At the time of the February 2015 review, the FCA publicly acknowledged the full authorisation of ten firms as of 1 April 2014, with an additional four platforms receiving authorisation by the end of 2014. The document noted an additional ten applications in review at the start of 2015. The ten firms that were authorised on or before 1 April had until 1 October 2014 to become fully compliant with the new rules, whilst any platform that began the authorisation process after 1 April 2014 had to comply with all the new rules from their date of authorisation. While the FCA has yet to release a 2016 crowdfunding review, our assessment is that as of March 2016, a to-

tal of 24 crowdfunding platforms have permission to function as an investment-based crowdfunding business in the UK. Additionally, a closer examination of the FCA's registry indicates that at least 12 platforms are operating an investment-based crowdfunding business as an appointed representative (see Appendix).

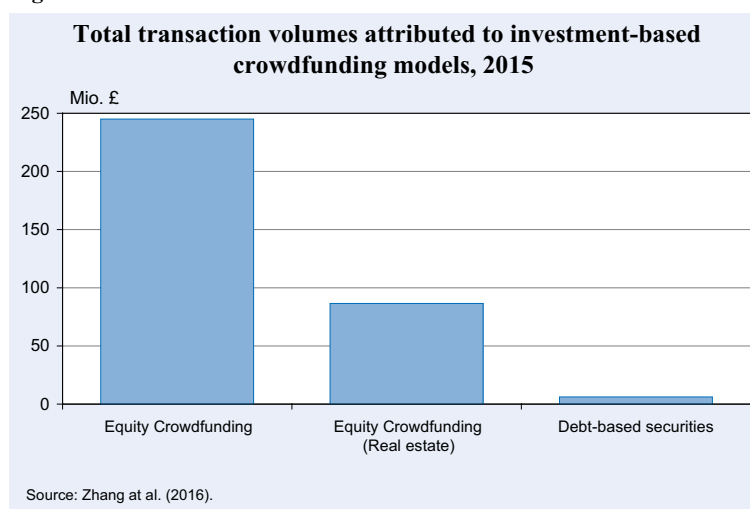
### ***The size of investment-based crowdfunding***

As noted in Table 1, investment-based crowdfunding is an umbrella term which captures the activities of a number of online alternative finance models including equity-based crowdfunding, real estate equity-based crowdfunding and debt-based securities, such as mini-bonds and debentures. At the end of 2015, these models raised GBP 337.8 million.

As Figure 1 indicates, the dominant share of volume came from the equity crowdfunding model. Yet a significant proportion of investment-based crowdfunding volumes came from the relatively new model, equity crowdfunding in real estate. As noted in the *Pushing Boundaries* report, this model enables investors to acquire ownership of a property asset via the purchase of property shares. Upon analysis of the investor profile breakdown, the study found that this model principally caters to sophisticated and high net-worth investors, with 77 percent of funders identifying as such.<sup>3</sup> Ten percent of those participating in deals across this model were identified as ordinary retail investors, leaving only three percent of funders from institutional backgrounds (Zhang et al. 2016, 42). The emphasis of retail money in this model is important, as this model is relatively new and has yet to incur additional specific requirements beyond those outlined and required for investment-based crowdfunding. It is likely that 2016 will bring additional guidance and/or requirements for firms dealing with property-assets, given their distinct nature compared to other typical non-readily realisable asset-classes.

<sup>3</sup> The FCA defines a Sophisticated Investor as an individual with extensive investment experience, who is "better able to understand and evaluate the risks and potential rewards of unusual, complex and/or illiquid investments." A High net-worth individual is defined as an individual with an "annual income over GBP 100,000 or having investable net assets of more than GBP 250,000." Finally, an Ordinary Retail Investor is defined as an 'investor of ordinary means and experience [...] such investors face difficulty understanding the terms and features of complex financial products.'

**Figure 1**



### ***Application of new rules***

The FCA defines the instruments traded on investment-based crowdfunding as "non-readily realisable securities" that are not listed on regulated stock markets, and are distributed and sold over the internet. Given this definition, the key activities performed by investment-based crowdfunding, especially those in the equity crowdfunding space, already fell under the FCA's regulatory purview. As such, requirements around disclosure, client monies, and promotion were already in place for platforms in the space. New rules pertaining to investment-based crowdfunding related primarily to marketing restrictions, in the form of consumer protection rules, which dictate how firms can make direct offers to retail clients, and how said retail clients are defined.

Based upon their ability to meet certain criteria, the FCA divides retail consumers into three categories: the high-net worth individual, the sophisticated investor and the ordinary retail investor. Depending upon the categorisation of the individual investor, a platform may only direct offer promotions to retail consumers that meet the following criteria:

- Certified high net-worth or sophisticated investors;
- Ordinary retail investors who receive regulated advice;
- Ordinary retail investors who invest less than ten percent of net assets. In this instance, firms are required to check consumer understanding of risks if not receiving regulated advice.

Platforms operating in the investment-based crowdfunding space must also verify that the retail investor is aware of the risks associated with their activity.

In addition to the base-line rules enacted in April 2014, the FCA released finalised guidance in March 2015 to further define rules around social media and customer communications (FCA 2015b). These rules also apply to loan-based crowdfunding platforms. While strict requirements around “fair, clear and not misleading” promotions were included in the original rules, the FCA provided additional guidance to how the FCA would approach defining the use of social media for financial promotion, and how the FCA would supervise said social promotions.<sup>4</sup> The core of the FCA’s supervisory approach is the notion that “any and all communication that can be deemed as a promotion be reflective not only of any benefits to a consumer, but must also address any relevant risk associated with the use of the product being promoted.” To put this into context, the key purpose of this guidance is to address and define the parameters in which platforms might use social media platforms, especially where character limitations may prevent sufficient and appropriate risk warnings. Although most (77 percent) operational platforms in the UK view the FCA’s approach to social media as “adequate and appropriate”, 21 percent of platforms view guidance social media promotions as “excessive and strict” for their crowdfunding activity (Zhang et al. 2016, 31).

### ***Potential areas of risk***

In addition to use of social media for financial promotion, equity crowdfunding platforms must also navigate potential additional supervision of the “online forums” typical for most crowdfunding campaigns. While the existing guidance does not specifically discuss how online forums should be supervised, this is probably an area that will attract attention in the future. Since communication to potential investors, even if originated by the fundraising party, may be viewed as financial promotion, constructing compliant communication rules on online forums remains a potential challenge for platforms.

Another potential area of risk may relate to the required due-diligence that platforms must undertake before

<sup>4</sup> Within the context of the FCA, a social promotion is defined as “any form of communication (including through social media) [which can constitute] a financial promotion, depending on whether it includes an invitation or inducement to engage in financial activity” (FCA 2015b, Section 1.9-Finalised Guidance).

allowing businesses to raise equity on their platform. In a recent report by CrowdRating, a study found that investors in crowdfunding deals “will recognise if a campaign has a really strong management team in place and equally if it doesn’t have a great product or service. However, [investors] are largely indifferent to valuation or the anticipated financial performance of a company that is fundraising (Rees-Mogg and Harris 2016). The study concluded that entrepreneurs were incentivised to set a high, often overly-inflated valuation, as the crowd investor was, wilfully or otherwise, insufficiently reviewing the financials of the propositions they funded. Effectively, these findings challenge the concept that platforms are sufficiently “provid[ing] appropriate information about designated investments, so that the client is reasonably able to understand the nature and risks and to take investment decisions on an informed basis” (FCA 2016b). This report, alongside an array of headlines pointing to over-valuation of crowd-driven campaigns, may compel the FCA to implement rules relating to upfront due-diligence procedures, thus altering the platform’s role, which will evolve away from being purely an intermediary.

In 2015, equity-based crowdfunding experienced 295 percent growth compared to the previous year (Zhang et al. 2016, 41). An important development within equity-based crowdfunding was continued innovation in the products offered by platforms, which introduced a blend of debt-products, including mini-bonds, convertible notes, real-estate investment trusts, to name just a few of them. The influx of new products, while certainly positive for the development of the crowdfunding sector, may raise issues in terms of how the FCA supervises activities. At present, there is no specific additional guidance, but platforms may need to apply for additional permissions depending upon their activity.

### **Loan-based crowdfunding**

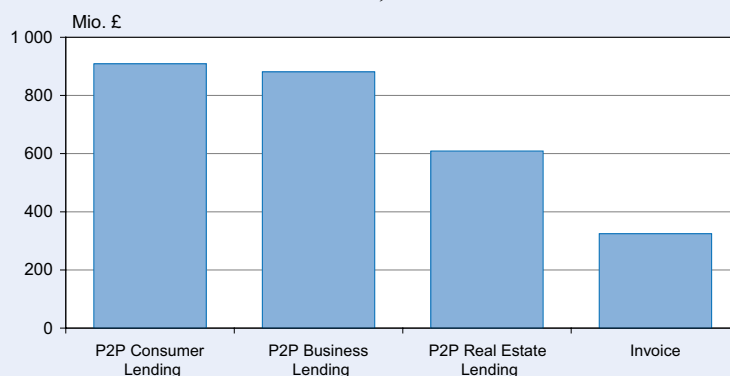
Unlike the investment-based crowdfunding model, loan-based crowdfunding refers to a class of consumer credit activities that previously fell under the auspices of the Office of Fair Trade (OFT). With the introduction of crowdfunding rules in April 2014, the oversight of consumer credit activities, including the newly-defined loan-based crowdfunding, transitioned to FCA supervision. In preparation for this transition, the 2014 rules included certain transitional arrangements applicable to firms holding OFT licenses. Any firm that had an OFT license before 1 April 2014 was granted interim per-

missions, which allows firms to adhere to top-level FCA rules and requirements, whilst still being fully operational and preparing their application or awaiting full authorisation. Any firm entering the marketplace after 1 April 2014 was subject to all FCA rules at once and could not enjoy the benefits of interim permissions (FCA 2015a).

At the time of its publication, the FCA's crowdfunding review indicated that only one firm had been fully authorised, with an additional eight pending applications. The FCA also indicated that 56 firms were operating within the marketplace, or seeking to enter the space, at the end of 2014. Platforms operating in the market did so either with interim permissions or by becoming an appointed representative to an authorised firm. In March 2016, the FCA indicated that a total of eight firms (only an additional seven in the course of a year) had received full authorisation to operate as a P2P platform, with a further 86 firms awaiting a decision.<sup>5</sup> Of these 86 platforms, only 44 have interim permissions related to their previously held OFT license (FCA 2016c). With respect to the remaining 42 applicant platforms, a number are operating as an appointed representative. While the breakdown remains unclear, (as the FCA does not explicitly publish the authorisation status of specific platforms), close inspection of the FCA registry indicates that at least five of these platforms are operating as an Appointed Representative (see Appendix). Interestingly, it seems as though one particular firm, Resolution Capital (FCA 2016d), is "currently attached to" approximately 25 businesses, including several firms operating in the P2P lending space. As such, it seems like a considerable number of appointed representative firms are using the Resolution Capital license. For the remaining businesses that are not appointed representatives, they are unable to operate within the marketplace. The FCA has noted that a delay in authorising additional firms stems from "recent changes to legislation which clarifies how operating a P2P platform fits with other regulated activities" (FCA 2016c). Namely, changes to rules regarding the segregation of client money and

**Figure 2**

**Total transaction volumes attributed to loan-based crowdfunding models, 2015**



Source: Zhang et al. (2016).

rules related to advice came into effect March and April respectively.

### *The size of loan-based crowdfunding*

In the simplest of terms, the FCA outlines loan-based crowdfunding activities as an activity that "facilitates loans between individual [lenders] and individuals and business [borrowers]" (FCA 2015a) and is defined as a "firms that operate[s] electronic systems in relation to lending" (FCA 2015a). As noted previously, loan-based crowdfunding captures the activities of a number of online alternative finance models, including peer-to-peer (P2P) lending models that include P2P Business Lending, P2P Business Lending for Real Estate, and P2P Consumer Lending, and invoice trading. A total of GBP 2.7 billion was facilitated by these online alternative finance models in 2015. As indicated by Figure 2, P2P Consumer Lending and P2P Business Lending contributed the most significant proportions of lending in 2015. The very same year, however, proved to be a watershed for the relative newcomer, P2P Real Estate Lending. In the *Pushing Boundaries* report, this segment of P2P Lending is associated with P2P Business Lending, as only businesses may participate as borrowers at present.<sup>6</sup>

<sup>5</sup> The Financial Times indicated that the eight firms that received full authorisation to function as a P2P lending firm include: EdAid, Go2Partners, Formax Credit, Crowdstacker, Resolution Compliance, Clasp Investments, Crowd2Fund, and Gracombex (Williams 2016).

<sup>6</sup> It is likely that the "restriction" on business borrowers in Real-Estate P2P Lending relates to rules set out by the Financial Services and Markets Act, which dictates the conditions that must be satisfied between the borrower and lender. According to the regulated activity order summarised, certain stipulations must be satisfied depending upon an individual borrower, or a business or partnership entity borrower.



### *Application of new rules*

As noted above, it was only on 1 April 2014 that regulation of the consumer credit marketplace, and thus firms in the loan-based crowdfunding space, fell under the auspices of the FCA. Key changes to loan-based platform activity dealt with the application of core consumer protections by the regulator, including guidance and supervision relating to promotions, anti-money laundering, etc. In particular, the FCA implemented prudential requirements (FCA 2015a), which reflect the standardised capital reserves that a platform must comply with. As this was not a previous requirement, the FCA is phasing in capital requirements to give firms time to adjust to their new obligations. A key component of the implementation of prudential requirements relates to the reporting requirements imposed upon platforms once they are fully authorised. Utilising the GABRIEL portal, platforms are expected to report to the FCA on a quarterly basis, with monthly reporting of any information relating to the holding of client monies (FCA 2016e). Although prudential rules are not easy to generalise, as they are based upon the individual permissions and activities of each platform, P2P lending firms do have a base capital requirement of GBP 50k, with a GBP 20k requirement during the transition period. At present, firms are obliged to meet minimum capital requirements only upon authorisation, with a transitional period until April 2017 (FCA 2015a). A platform operating in the P2P space is also required to notify the FCA should the value of their loans outstanding increase by 15 percent or more, thus necessitating a recalculation of any prudential requirements. In addition to financial reporting, platforms are required to report any disputes between consumers and the platform.

In addition to capital requirements, platforms are obliged to conform to Client Money Rules, as outlined in the FCA Handbook in the section relating to their Client Asset Sourcebook rules (or CASS) related to “adequate protection”—i.e. no co-mingling of client monies, clear and transparent holding of client monies, etc. (FCA 2016f). Rules related to client money were further modified in 2016, following the Consultation Paper entitled: “Loan-based Crowdfunding Platforms and Segregation of Client Money”. The issue that this consultation paper aimed to rectify related to how firms dealt with investor money (from the regulated P2P agreement) alongside monies from unregulated Business to Business lending (B2B) agreements (FCA 2016g). Effectively, this consultation paper proposed a less onerous process for dealing with monies generated by a P2P agreement (i.e.

funds from an individual) versus those of B2B funds (i.e. funds from an institutional investor, and falling outside of the consumer credit regulation purview). The FCA suggested (and ultimately implemented) a revised policy that would allow firms to elect to hold money from both regulated and unregulated client money together, as long as all client money was separate from the firm’s own funds. The new rules are covered in CASS 7.13, which refers specifically to how Client Money ought to be separated, as well as guidelines on how to submit client money and asset return statements (FCA 2016f, CASS 7.13).

The implication of the client money rule change is timely and necessary, as institutional investment in the P2P lending space continues to grow rapidly. In 2015, 32 percent of P2P Consumer Lending was derived from institutional lenders. Illustrating the trend that institutional involvement is on the rise, P2P Consumer Lending saw levels of institutional lending increase dramatically over the span of the year, recording only 17 percent of lending from institutions in Q1 of 2015, and rising to 38 percent by Q3 and Q4 of the same year. P2P business lending also saw considerable levels of institutional lending, with 26 percent of total funding in 2015 attributed to institutional investors (Zhang et al. 2016, 27). Institutional lending is expected to continue to grow in 2016, the ability to hold both regulated and unregulated client money should provide loan-based crowdfunding firms with greater flexibility when dealing with the treatment of client money.

Loan-based crowdfunding platforms must comply with disclosure requirements, where all communications are “fair, clear and not misleading”. There is a minimum set of information points that a firm must share with consumers, including but not limited to information on the performance of products, comparative information, and relevant transaction information. In light of the introduction of the Innovate Finance Individual Savings Account (IFISA) on 6 April 2016, the FCA published a second consultation paper to address potential changes in regulated advising on peer-to-peer agreements (FCA 2016h) and to allow for loan-based crowdfunding investments (under Article 36H agreements in the Regulated Activities Order (RAO)) to be included in Individual Savings Accounts (ISA’s). This consultation document makes heavy reference to the recently amended FCA and HM Treasury Financial Advice Market Review (FAMR) recommendations, which came into effect in January 2016. The purpose of the recommendations was to improve consumers’ access to advice, narrowing the

definition of regulated advice to contain “personal recommendation” (HM Treasury 2015). Thanks to the narrow definition of advice adopted, platforms that provide risk ratings, guidance services or research into potential investments were effectively able to do so without these services being considered “advice”. As such, the FCA’s consultation recommends that, given the narrowing of scope, certain peer-to-peer agreements may not require regulation vis-à-vis advice.

In the final rules issued by the FCA’s policy statement, “PS16/8: FCA Handbook changes regarding the segregation of client money on loan-based crowdfunding platforms, the Innovative Finance ISA, and the regulated activity of advising on peer-to-peer agreements” (FCA 2016i) the recommendations from the previously discussed consultation documents were implemented as official policy. To coincide with the introduction of the IFISA in April 2016, the FCA has issued new rules that align “advice” on P2P agreements with regulation on advising specified investments. Specifically, “the FCA will apply the suitability requirements contained in chapter 9 of the Conduct of Business Sourcebook (COBS) and the rule on inducements found in COBS 2.3.1R to firms that make personal recommendations in relation to P2P agreements” (Lexology 2016). At its core, this shift in the regulation of advice allows platforms to provide more “decision-making” information on a given P2P agreement, and only obliges “personal recommendations” of rules on advice.

This policy statement also amends the FCA handbook by setting out guidance and clarification on the type of information that firms must provide their consumers with in relation to ISAs. Specifically, the FCA requires that firms disclose any potential tax disadvantages related to repayment failure or firm failure, the procedure and potential consequences of liquidating a P2P loan help within the IFISA Wrapper, and the procedure and potential tax disadvantage of transferring P2P loan help within the wrapper from one ISA manager to another (Lexology 2016). Ultimately, this policy statement and subsequent guidance expand upon existing rules on financial promotion and disclosure and provide clear guidelines for P2P Lending platforms that wish to manage an IFISA.

### Potential risks

In the *Pushing Boundaries* report, P2P Lending platforms indicated that the introduction of the IFISA

would constitute significant growth. P2P Consumer and Business Lending platforms indicated an anticipated annual growth in volume of approximately 27 percent to their respective models, while P2P Real-Estate Lenders expect 52 percent growth in their transaction volume (Zhang et al. 2016, 32). Given the high hopes of the industry, it is curious to note that none of the major P2P Lending platforms may currently use an IFISA, as only P2P loans on fully authorised platforms are eligible investments for the IFISA. The significant back-log of FCA applications for authorisation has left many wondering if the impact of the ISA will be delayed into the second half of the year.

As far as the authorisation process is concerned, one additional potential risk is that of industry consolidation within the next year, with the merger of P2P lending platforms with each other or to another type of intermediary. When a firm applies for authorisation, a key component of the application is the platform ownership structure. Any change in ownership requires pre-approval and subsequent re-authorisation. The levels of concern over the merging of consumer data, client monies, etc. remain an unknown quantity, and such merging would probably cause considerable upheaval at a procedural level.

### Closing thoughts

The FCA’s approach to crowdfunding is often lauded as the “gold-standard” for crowdfunding regulation. With regulation now having been in place for over a year, it is interesting to note the high levels of satisfaction registered by crowdfunding platforms. In the *Pushing Boundaries* UK industry report, the platforms surveyed were asked to indicate their levels of satisfaction with the existing regulatory framework, and to gauge their perceptions of prospective regulatory changes.

Of the P2P Lending (loan-based crowdfunding) platforms surveyed, 91 percent regarded the current regulatory regime as “adequate and appropriate” to their activities, with only 5.66 percent suggesting that “tighter or stricter” regulation need to be implemented. A mere 3.77 percent viewed regulation as “excessive and too strict” (Zhang et al. 2016, 31). Similarly, equity-based crowdfunding registered high levels of satisfaction with the FCA’s regulatory approach, with 89 percent of platforms viewing the regulatory regime as “adequate and appropriate”. Just under eight percent of the equity-based platforms surveyed advocated a tighter and



stricter regulatory approach, while only three percent of platforms regarded the current FCA regulation as too “excessive and strict” (Zhang et al. 2016).

Given the positive industry sentiment towards its regulator, and an evolving framework to address concerns or potential growth-barriers as they arise, the FCA’s approach to crowdfunding has proven a resounding success to date.

## Appendix

**A non-exhaustive list of operational platform authorisation status\***

| Platform name                      | Primary activity **                             | Authorisation status                  |
|------------------------------------|---|---------------------------------------|
| A Piece of London                  | Equity-based Crowdfunding                       | Appointed Rep                         |
| Ablrate                            | P2P Lending                                     | Interim permission                    |
| Abundance                          | Debt-based Securities                           | Authorised                            |
| Amplifi Capital                    | P2P Lending                                     | Interim permission                    |
| Angels Den                         | Equity-based Crowdfunding                       | Authorised                            |
| ArchOver                           | P2P Lending                                     | Interim permission                    |
| AssetMatch                         | Alternative Equity Market                       | Authorised                            |
| Assetz Capital                     | P2P Lending                                     | Interim permission                    |
| BankToTheFuture.com                | Hybridised Crowdfunding (With mixed models)     | Appointed Representative              |
| Business Loan Network t/a ThinCats | P2P Lending                                     | Interim permission                    |
| Capital Stackers                   | P2P Lending                                     | Interim permission                    |
| Clifton Asset Management Plc       | Pension-led Funding                             | Appointed Representative              |
| CoFunder (NI) Ltd                  | P2P Lending                                     | Interim permission                    |
| Cogress                            | Equity-based Crowdfunding                       | Authorised                            |
| Commuter Club                      | P2P Lending                                     | Interim permission                    |
| Crowd Estates                      | P2P Lending                                     | Interim permission                    |
| Crowd for Angels (UK) Limited      | Equity-based Crowdfunding                       | Authorised                            |
| Crowd Lords                        | Equity-based Crowdfunding                       | Appointed Representative              |
| Crowd Property                     | P2P Lending                                     | Interim permission                    |
| Crowd Racing                       | Profit-Share (Crowdfunding of Horse)            | Exemption                             |
| Crowd2Fund                         | Hybridised Crowdfunding (including P2P Lending) | Authorised                            |
| Crowdahouse                        | Equity-based Crowdfunding                       | Appointed Representative              |
| CrowdBnk                           | Equity-based Crowdfunding                       | Authorised                            |
| Crowdcube                          | Hybridised Crowdfunding (With mixed models)     | Authorised                            |
| CrowdInvest                        | Equity-based Crowdfunding                       | Appointed Representative              |
| Crowdshed                          | Mixed model                                     | Interim permission                    |
| Crowdstacker                       | P2P Lending                                     | Authorised                            |
| EdAid                              | P2P Lending                                     | Authorised                            |
| Emerging Crowd                     | Equity-based Crowdfunding                       | Appointed Rep (Resolution Compliance) |
| eMoney Union                       | P2P Lending                                     | Interim permission                    |
| Ethex                              | Debt-based Securities                           | Exemption                             |
| Ezbob                              | P2P Lending                                     | Authorised                            |
| F6s                                | Equity-based Crowdfunding                       | Authorised                            |
| Fireflock.com Ltd                  | Equity-based Crowdfunding                       | Appointed Representative              |
| Fleximize                          | P2P Lending                                     | Interim permission (lapsed)           |
| Folk2Folk                          | P2P Lending                                     | Interim permission                    |
| Formax Credit                      | P2P Lending                                     | Authorised                            |
| Fruitful                           | P2P Lending                                     | Interim permission                    |
| Funding Circle                     | P2P Lending                                     | Interim permission                    |
| Funding Empire                     | P2P Lending                                     | Interim permission                    |
| Funding Tree                       | P2P Lending                                     | Authorised                            |
| FundingKnight                      | P2P Lending                                     | Appointed Representative              |
| Fundingsecure                      | P2P Lending                                     | Interim permission                    |
| GamCrowd                           | Hybridised Crowdfunding (With mixed models)     | Authorised                            |
| Go2 Business Loans (Go2 Partners)  | P2P Lending                                     | Authorised                            |
| GrowthDeck                         | Equity-based Crowdfunding                       | Appointed Representative              |
| GrowthFunders                      | Equity-based Crowdfunding                       | Authorised                            |
| GrowthStreet                       | P2P Lending                                     | Appointed Representative              |

|                                |   |                                       |
|--------------------------------|---|---------------------------------------|
| IceDragons.co.uk               | Equity-based Crowdfunding                       | Authorised                            |
| Invest & Fund                  | P2P Lending                                     | Interim permission                    |
| Invest Den (Clasp Investments) | Equity-based Crowdfunding/Debt-based Securities | Authorised                            |
| InvestingZone                  | Equity-based Crowdfunding                       | Appointed Representative              |
| investUP                       | Mixed Model                                     | Authorised                            |
| Karadoo                        | Equity-based Crowdfunding                       | Appointed Representative              |
| Landbay                        | P2P Lending                                     | Interim permission                    |
| Lendable                       | P2P Lending                                     | Interim permission                    |
| Lending Works Limited          | P2P Lending                                     | Interim permission                    |
| LendingCrowd                   | P2P Lending                                     | Interim permission                    |
| LendInvest                     | P2P Lending                                     | Interim permission                    |
| Madiston LendLoanInvest        | P2P Lending                                     | Interim permission                    |
| Madiston plc                   | P2P Lending                                     | Interim permission                    |
| MarketInvoice                  | Invoice Trading                                 | Authorised                            |
| Money Thing                    | P2P Lending                                     | Interim permission                    |
| Money&Co.                      | P2P Lending                                     | Interim permission                    |
| Neyber                         | P2P Lending/Profit-Share                        | Interim permission                    |
| Platform Black                 | Invoice Trading                                 | Appointed Representative              |
| Portfolio Ventures             | Equity-based Crowdfunding                       | Appointed Representative              |
| Primary Bid                    | Equity-based Crowdfunding (AIM Businesses Only) | Authorised                            |
| Prodigy Finance                | P2P Lending                                     | Interim permission                    |
| Property Moose                 | Equity-based Crowdfunding                       | Appointed Rep (Resolution Compliance) |
| Property Partner               | Equity-based Crowdfunding                       | Authorised                            |
| Proplend                       | P2P Lending                                     | Interim permission                    |
| Propnology                     | Equity-based Crowdfunding                       | Authorised                            |
| QuidCycle                      | P2P Lending                                     | Interim permission                    |
| RateSetter                     | P2P Lending                                     | Interim permission                    |
| Rebuilding Society             | P2P Lending                                     | Interim permission                    |
| Relendex                       | P2P Lending                                     | Interim permission                    |
| Resolution Compliance          | Appointed Representative/Tied Agent             | Authorised                            |
| Saving Stream/ Lendy Ltd       | P2P Lending                                     | Interim permission                    |
| Seedrs                         | Equity-based Crowdfunding                       | Authorised                            |
| ShareIn Ltd                    | Equity-based Crowdfunding                       | Authorised                            |
| Simple Backing                 | P2P Lending                                     | Interim permission                    |
| SyndicateRoom                  | Equity-based Crowdfunding                       | Authorised                            |
| The Bridge Crowd               | Equity-based Crowdfunding                       | Authorised                            |
| The House Crowd                | Equity-based Crowdfunding                       | Appointed Representative              |
| The Money Platform (Gracombex) | P2P Lending                                     | Authorised                            |
| Trillion Fund                  | P2P Lending                                     | Interim permission                    |
| UK Bond Network                | Debt-based Securities                           | Appointed Representative              |
| Unbolted                       | P2P Lending                                     | Interim permission                    |
| VentureFounders                | Equity-based Crowdfunding                       | Authorised                            |
| Wellesley & Co                 | P2P Lending                                     | Interim permission                    |
| WiseAlpha                      | P2P Lending                                     | Appointed Representative              |
| YesGrowth                      | P2P Lending                                     | Appointed Representative              |
| Zopa                           | P2P Lending                                     | Interim permission                    |

\*This list was compiled inputting publically available registration numbers from platform websites onto the Financial Services Register;  
 \*\*Primary activities were assessed by reviewing platform websites, listed and/or indicated permissions and/or by news articles.

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