

Crowdfunding Regulation: goes live after 10th November

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FINANŠU UN
KAPITĀLA
TIRGUS
KOMISIJA



Objectives

- Mandate of FCMC
- The scope of Crowdfunding
- Registration requirements and procedures
- To do list



Mandate of FCMC

issuers
investors
credit institutions
insurers
insurance brokers
reinsurers
reinsurance brokers
private pension funds
regulated market makers
depositories
reinsurance brokerage companies
investment management companies
savings and loan associations
external credit assessment institutions (rating agencies)
alternative investment fund managers
payment institutions and electronic money institutions

The Scope of Crowdfunding



Types of Crowdfunding covered by the Regulation

This Regulation **applies to:**

Lending-based Crowdfunding

Equity-based Crowdfunding

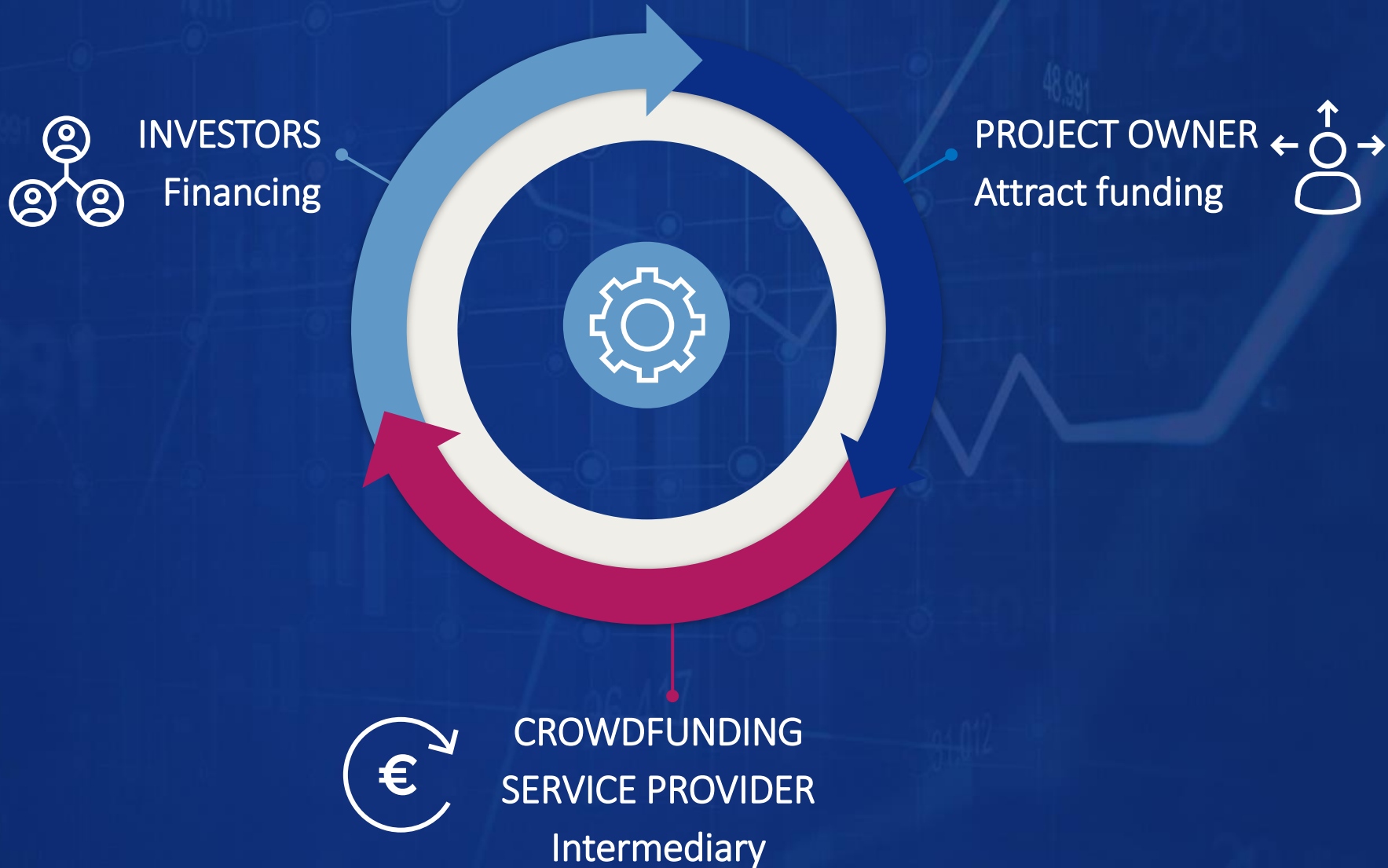
The Regulation **does not apply to:**

- P2P (consumer credit to consumer) (<https://www.finbee.lt/>)
- Donation and utility models (www.ziedot.lv)
- Investment platforms that require an IBF or credit institution license

Collective financing and other public offers together can't be exceeded of total amount of 5 mil(.) *euro* per year



Participants involved in Crowdfunding





Requirements and rights for the CFSP

Requirements

- **Provision of payment services** – only PSP (it's not an AML entity)
- Publication of the **default rate** (once in a year for 3 years)
- Pre-contractual reflection period (4 days)
- **Obligations to investors** (KIIS, suitability)
- Reporting to the FCMC

Rights

- **Secondary market** just as a bulletin board
- Risk mitigation measures (guarantees etc.)
- Individual loan portfolio management
- **Establishment of an Emergency Fund**
- Freedom to provide services
- SPV only in special cases

Crowdfunding service provider is a legal entity



Crowdfunding fund flow



Payment services provider (PSP)
segregated account PSD2

INVESTORS

CROWDFUNDING
SERVICE PROVIDER

PROJECT OWNER

~~Segregated account
in bank on CFSP name~~

Funds flow if CFSP don't have PSP license
Funds flow if CFSP is PSP agent



Project owner and responsibility



The project owner - a person (non-consumer) or legal person who is looking for funding

The CFSP is required to perform a due diligence of the project owners - which includes:

- criminal records and
- does not cooperate with third countries of high level of AML / TF.

The project owner **prepares information in KIIS** for each Crowdfunding offer

The project **owner is responsible for the information in KIIS**

The exception is submitted information of CFSP in KIIS at platform level

Investor classification and evaluation



Non-sophisticated
investor

- suitability test
- warnings
- performing a simulation of the ability to suffer losses
- key investment information sheet
- the rights of pre-contractual reflection period

Registration requirements and procedures



Key licensing documents

Operational program

Management procedures

Resources and procedures for the control and protection of data processing systems

Prudential requirements and protection measures

Business continuity plan

Reputation, knowledge, skills and experience of Crowdfunding management

Procedures for the prevention of IC, including the control of prohibited transactions

For cooperation with the payment institution

Outsourcing and complaint handling procedures

KIIS and investment limit verification control procedures



Registration process

25 working days before the start of licensing application evaluation (check list)

1

2

If the application is not completed, will be set out deadline for submitting the missing information

If the application is completed, the registration process will start and take up to three months

3

If someone wants to add additional services, the procedure starts from the beginning

4



Advantages of receiving a registration in Latvia

LATVIA - POPULAR FINTECH DESTINATION

STARTUP LAW AND TAX BENEFITS

STARTUP VISA AND EASY REALLOCATION

OPENNESS AND INDIVIDUAL APPROACH

THE FCMC IS OPEN TO NEW IDEAS,
DIALOGUE AND CONSULTATIONS, SUPPORTS
TO OBTAIN REGISTRATION

TRANSPARENT REGISTRATION PROCESS

THE REGISTRATION IS A MARK OF QUALITY
ALLOWS TO OPERATE ACROSS EU



WELL DEVELOPED INFRASTRUCTURE

STABLE AND SECURE FINANCIAL
ENVIRONMENT, IT INFRASTRUCTURE,
ELECTRONICAL REPORT SUBMISSION

SCALABILITY

OPPORTUNITIES TO WORK THROUGHOUT
THE EU FROM LATVIA

ACCESS TO EQUITY AND TALENTS

TALENT POOL IN IT AND FINANCE,
FUNDRAISING OPPORTUNITIES

Next steps for platforms:

Newcomers:

- choose the business model
- apply for a consultation with the FCMC
- prepare registration documents
- submit an application and obtain registration

Operating platforms:



- apply for a consultation with the FCMC
- finalize registration documents
- submit an application and obtain registration



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