Press Release
LCQ5: Regulation of online crowdfunding and lending platforms
Wednesday, May 17, 2017

Following is a question by the Hon Alice Mak and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (May 17):

Question:

Platforms for raising funds from and lending small loans to members of the public through the Internet (crowdfunding and lending platforms) have become popular in recent years. However, some financial advisers have pointed out that investors participating in crowdfunding activities are exposed to considerable risks. In this connection, will the Government inform this Council:

(1) whether it knows the number of companies currently operating local crowdfunding and lending platforms, and the number of complaints received by the authorities in the past three years concerning crowdfunding activities, with a breakdown by type of complaints;

(2) how the current legislation regulates the fundraising and lending activities conducted through crowdfunding and lending platforms;

(3) as some financial advisers have pointed out that investors provide funds through such platforms, which in turn lend the funds to borrowers, whether the authorities will, to avoid such investors breaching the law inadvertently, clarify if such investors are regarded as money lenders under the Money Lenders Ordinance (Cap. 163) and therefore are required to obtain money lender licences; and

(4) whether the authorities will conduct public education activities on the risks faced by investors participating in crowdfunding activities; if so, of the details?

Reply:

President,

(1) We do not have information about the number of companies currently operating local crowdfunding and lending platforms.

The Companies Registry has not received any complaints against crowdfunding and lending business in the past three years.

The numbers of complaints received by the Securities and Futures Commission (SFC) in the past three years regarding crowdfunding and lending platforms are tabulated as below:

Year	No. of complaints about crowdfunding	No. of complaints about lending platforms
2015	0	6
2016	4	1
2017 (as at end March)	0	0

(2) and (3) Depending on the specific structure and features of the relevant arrangement, some types of crowdfunding activities, in particular equity crowdfunding and peer-to-peer lending, may be subject to the provisions of the Securities and Futures Ordinance (Cap.571), and/or the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32). For further details, please refer to the SFC's "Notice on Potential Regulations Applicable to, and Risks of, Crowd-funding Activities" issued on May 7, 2014.

According to the Money Lenders Ordinance (MLO) (Cap. 163), a person carrying on business as a money lender must obtain a money lender's licence. Licensed money lenders must operate their money lending business pursuant to the requirements in the MLO. The Police is the enforcement authority of the MLO. If we receive any complaints about carrying on unlicensed money lending business, we will refer the complaints to the Police.

As the business operation of each crowdfunding and lending platform is different, we will not comment on individual cases.

(4) We will ensure that investors and consumers of crowdfunding and lending platforms will receive proper protection under Hong Kong's regulatory rules

and standards. In view of the rapid development of financial technologies (Fintech), the Investor Education Centre (IEC) is working on a series of articles to introduce various Fintech services/products, associated risks and regulatory framework to the public. Topics will include equity crowdfunding, peer-to-peer lending, robo-advice, etc. These articles will be published in the coming months on various Chin Family platforms of the IEC, including its Website, Facebook page, newspaper columns and blog. The Chin Family website already carries an article explaining to the general public the risks of participating in crowdfunding activities.

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