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CROWDO

Item #3 "Innovation in Lending"

The Advisory Group on APEC Financial System Capacity-Building

April 16th, 2018

Crowdo Group CEO Reona Shimada



S Introduction: Crowdo

- Launched: Commercially launched in 2013
- Vision: Region's First Digital Financial Institution #UnlockYourPossibility
- Business Model: Artificial Intelligence-driven Online Marketplace for Lending and Investments
- Community: Emerging Asia Small Medium Enterprises x Global Investor Community
- Operations: Regional Singapore, Indonesia and Malaysia
- Financial Institution Status: Licensed / Registered by the Monetary Authority of Singapore,

Otoritas Jasa Keuangan, Securities Commission Malaysia



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Problem Statement: SMEs / Entrepreneurs – Inefficient Access to Capital

Massive and Dynamic Micro Small Medium Size (MSME) Enterprise in SE. Asia











Motorbike Taxi

Private hire transport

Online merchants

Informal Retail

Small Medium Enterprises

75 million

Up to 99%

Up to 97%

Up to 58%

700k / 1 million

of MSMEs

% of all business establishments

% of all employment

% of GDP contribution

of Go-Jek / Grab Drivers

Negligible to Hostile Financing Environment



40 to 45% <u>Under</u>served; 8 to 10% <u>Un</u>served



Financing: Lengthy & complicated; High rejection rates



Rampant predatory financing



Business Model and Innovation

Marketplace Dynamics

Issuers / Borrowers

Mission: Drive financial inclusion thru the innovative use of data to help un/der-served businesses establish credit profiles and gain access to a wide spectrum of Investors / Lenders

Crowdo Marketplace Principles

- Full Disclosures / Transparency
- Robust Transaction Infrastructure
- Lifetime Transaction Management

Investors / Lenders

Mission: Generate wealth creation opportunities through democratic access to investment opportunities that allow individuals to diversify their investment portfolio / advance their economic status

Underlying Technology Infra and Modules

Technology Adoption to Drive Innovation, Scalability AND Lower the Cost to Serve

Artificial Intelligence -aided DD

e-KYC

Mobile / Web Applications

Fully Digital LMS*

Cloud-based Infra

Virtual Account

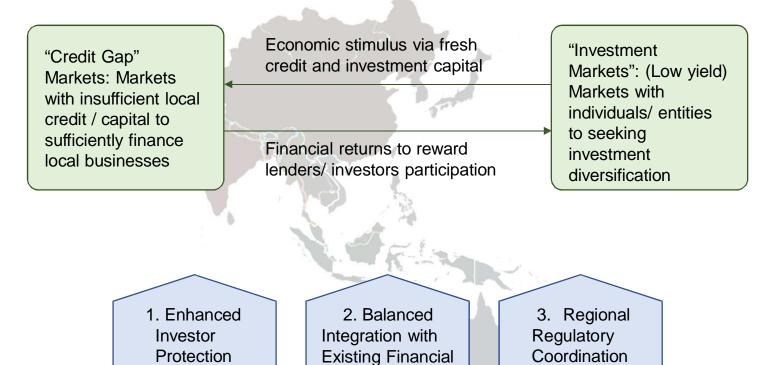
^{*} LMS: Loan Management System



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Future Vision: Building a Regional Fintech Bridge for Alternative Financing

Regional Reciprocal Economic Exchange



Key Enablers to Realize Regional Fintech Bridge

Industry





(1) Breakthroughs: Enhanced Investor Protection

Create an environment which reduces information asymmetry as well as boosts confidence in the alternative financing market to accelerate mass adoption (and increase credit access to SMEs)

Enablers to Enhance Investor Protection via Alternative Lending

Credit Data Access

Insurance / Guarantee

Secured Transactions/
Collateral Mgmt / Liquidation

Level Playing Ground for Access to Borrower Credit Info

- Ability to access / contribute to Central Bank blacklists upon DD / based on performance
- Access cross border data
 without local in-market entity

Subsidies of Financial Costs for Protection Mechanisms

- Subsidy of insurance premiums
- , or provide a guarantee on the loan
- Incentivize insurance
 companies to participate in
 the industry

- Enabling the Use of a Wider Range of Movable Assets as Collateral
- Collective Rights as a Creditor
- Facilitate Purchase of Distressed Loans



(2) Breakthroughs: Balanced Integration with the Existing Financial Industry

Areas that Benefit from Integration with Conventional Finance

Facilitate integration to aid ramp up of Fintech industry and mutual exchange of knowledge

Pooling of User ID and Access for e-KYC purposes

Distribution of Alternative Financing Products

Financial Institution / Bank Balance Sheet investments into P2B Loans

Referral and Graduation Program between Alternative and Conventional Operators

Knowledge Sharing on Alternative and Conventional Credit Analysis

Support to Facilitate Cost Competitive / Faster Cross Border Monies Handling

Areas that may Adversely Impact Fintech Performance thru Forced Integration

Areas that may materially increase cost to serve and make transactions economically unviable

Monies Handling via Bank Escrow

Traditional Remittance Services

Securities Handling via Trustee

Mandatory bank account set up for users



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(3) Breakthroughs: Realizing Regional Potential thru a Centralized Centre of Excellence

Major Regional Scalability Challenges

Regulatory Engagement:

Regulatory / Licensing Compliance:

Cross Border Regulatory
Support:

- Market by Market
- Different PIC by jurisdiction

- Regulation adopted to Fintech
- Fintech fit into existing regulation

 Mostly insular domestic market perspectives

- A regional and centralized Fintech office / team to coordinate access to multiple markets
- Regional initiative(s) organized around cross border / regional themes
- Centralize repository for regulatory / legal know-how and information



S Wrap-up

- Crowdo: Artificial Intelligence-enabled Online Marketplace for Lending / Investments
- Micro Entrepreneurs / SMEs A Driving Force for Economic Activity. Credit and Capital Starved
- Breakthrough in Alternative Financing is in Creating a Regional Market and Ecosystem
- Opportunity to Introduce Well Defined and High Impact Initiatives to Build This Market
- (1) Enhancing Investor Protection; (2) Balanced Integration with Conventional FIs; (3) Regional Centre
 of Excellence
- Thank you!

