

Consultation Paper

AFSA-P-CE-2025-0003

Amendments to the AIFC Crowdfunding Platforms Framework

Unrestricted

21 July 2025

INTRODUCTION

Why are we issuing this Consultation Paper (CP)?

1. The Astana Financial Services Authority (AFSA) has issued this Consultation Paper to seek views on our proposed amendments to the Crowdfunding Platforms Framework.

Who should read this CP?

2. The proposals in this paper will be of interest to Crowdfunding Platforms, Authorised Persons, all users of Crowdfunding Platforms and any other interested stakeholders.

Terminology

3. Defined terms have the initial letter of the word capitalised, or of each word in a phrase. Definitions are set out in AIFC Glossary. Unless the context otherwise requires, where capitalisation of the initial letter is not used, the expression has its natural meaning.

What are the next steps?

4. We invite comments from interested stakeholders on the proposed framework. All comments should be in writing and sent to the email specified below. When sending your comments by email, please use “Consultation Paper AFSA-P-CE-2025-0003” in the subject line. You may, if relevant, identify the organisation you represent when providing your comments. AFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise. Comments supported by reasoning and evidence will be given more weight by the AFSA.
5. The deadline for providing comments on the proposed framework is 15 **September 2025**. Once we receive your comments, we shall consider if any refinements are required to this proposal.
6. Following the public consultation, we may proceed with making relevant changes to the AIFC Acts as appropriate to reflect the points raised in the consultation. You should not act on the proposals until the framework is enacted.
7. The AFSA prefers to receive comments by email at consultation@afsa.kz.

Structure of this CP

Part I – Background

Part II – Legislative Proposals

Part III – Public Consultation Questions

Annex 1 – Proposed Amendments to AIFC Rules

PART I – BACKGROUND

The AIFC Crowdfunding Market

1. In 2019, the AFSA introduced the first dedicated regulatory framework in the Central Asian region for loan- and investment-based crowdfunding platforms, developed with the support by the European Bank for Reconstruction and Development (EBRD). The framework was designed to provide alternative financing channels for SMEs and start-ups by facilitating access to capital through online platforms. Recognising the potential of crowdfunding to support entrepreneurial activity, economic growth, and financial inclusion, the AFSA positioned this initiative as part of its broader commitment to financial innovation, while maintaining high standards of investor protection and market integrity.
2. Although the regulatory framework for crowdfunding activities in the AIFC had been in place from an early stage, most platforms initially entered the market through the AFSA FinTech Lab, which served as a controlled environment for testing innovative business models under a limited licence. This approach allowed firms to demonstrate the viability of their models while contributing to the refinement of the broader regulatory framework. While most crowdfunding platforms followed this sandbox pathway, one firm was authorised directly under the full regulatory regime from the outset, without undergoing the testing phase.
3. Based on the experience gained through the sandbox and the increasing maturity of the sector, the AFSA concluded in 2023 that the regulatory environment was sufficiently developed to support direct entry into the market. As a result, new applicants for crowdfunding licences were encouraged to apply directly for full authorisation under the full regime, without prior participation in the sandbox. This transition reflects the successful evolution of crowdfunding regulation in the AIFC and the integration of crowdfunding into the broader financial services landscape.
4. As of now, two crowdfunding platforms operate under the full regulatory regime in the AIFC, one of which obtained full authorisation after participating in the FinTech Lab. Two additional platforms continue to operate under the sandbox regime with limited licences. This reflects the transitional nature of the sector, where both fully authorised platforms and those in the testing phase are active.

Need for regulatory enhancement

5. While the continued growth of the crowdfunding sector demonstrates its potential as an alternative financing tool, it has also revealed regulatory and operational challenges that affect investor confidence and platform performance. Feedback received from users of existing platforms pointed to gaps in areas such as transparency, disclosure quality, and alignment of platform conduct with investor expectations. In light of the issues observed in platform practices and investor experience, the AFSA identified the revision of the crowdfunding regulatory framework as a policy priority for 2025.

International Context

6. The proposals draw on regulatory developments in comparable jurisdictions, particularly the Dubai International Financial Centre (DIFC). The amendments also reflect global best practices established by regulators including the UK's Financial Conduct Authority and the ADGM's Financial Services Regulatory Authority.

PART II – LEGISLATIVE PROPOSALS

A. Harmonisation of Client Classification and Suitability Assessment

Proposed changes

7. The proposed amendments to AMI rules 7.3.1, 7.3.5, 7.3.7, 7.3.23, and 7.3.24, along with COB 1.2.2, harmonise client classification terminology within the AIFC crowdfunding regulatory framework by replacing sector-specific designations of "Retail Lender", "Retail Investor", "Accredited Lender" and "Accredited Investor" with the standardised categories of "Retail Client" and "Professional Client" used throughout the broader AIFC regulatory system. This harmonisation eliminates terminology inconsistencies that have created regulatory complexity while aligning crowdfunding platform client classification with the established AIFC regulatory framework. The amendments aim at enhancing regulatory coherence while maintaining appropriate client protection levels through consistent application of suitability and disclosure requirements.
8. Furthermore, the AFSA proposes to introduce a new requirement to ensure crowdfunding platforms carry out a dedicated suitability assessment for retail clients. To strengthen the existing framework and given the standardised client classification framework introduced for crowdfunding regulations, the AMI Rules will be amended to explicitly require platforms to assess retail clients to ensure they understand both the risks and suitability of the products and services offered. This assessment should encompass evaluating the client's investment knowledge and previous experience with similar financial products, their current financial circumstances including income stability and existing financial commitments, their stated investment objectives, and risk tolerance.

B. Strengthened Due Diligence and Permitting Sole Proprietors

Proposed changes

9. Recognising the need for more robust due diligence, the AFSA proposes expanding requirements under AMI 7.3.6 "Due diligence on Borrowers or Issuers" include a broader set of criteria assessing the issuer's or borrower's integrity, financial soundness, and operational legitimacy. Specifically, platforms would be required to evaluate fitness and propriety, financial strength (including review of financial statements and credit history), claimed credentials, business valuation and funding status, the credibility of the business proposal, management commitment and potential flight risk, legal compliance in the

relevant jurisdiction, and any other information deemed necessary by the AFSA to assess risk and suitability.

10. The proposed amendments will strengthen safeguards against financial, legal, or reputational risks through refined due diligence processes. In addition to the proposed enhancements to minimum due diligence standards, a separate provision has been included to explicitly reserve that AFSA may direct Authorised Crowdfunding Platforms to amend their due diligence procedures. This ensures that, beyond baseline requirements, the AFSA retains the ability to intervene where necessary to address evolving risks or concerns arising from supervisory review.
11. Additionally, it is proposed to allow sole proprietors to use services of crowdfunding platforms as borrowers and issuers, contingent upon the AFSA approval. This provision introduces a conditional framework that would expand eligibility beyond the current Body Corporate requirement while maintaining regulatory oversight through the AFSA's discretionary approval process. The proposed change builds on the existing class modification previously granted by the AFSA, which permits such participation under specific conditions.
12. The suggested amendment acknowledges the potential market demand for sole proprietor participation in crowdfunding while recognising the need for appropriate regulatory safeguards and supervisory conditions to address the distinct risk profile of individual entrepreneurs compared to incorporated entities. Market data supports this expansion, as the overwhelming majority of active SME entities in Kazakhstan are individual entrepreneurs (sole proprietors), comprising 69.7% (1.4 million) of the total. This demonstrates that restricting crowdfunding access to Body Corporates alone excludes the largest segment of the SME market, potentially limiting the sector's growth and access to alternative financing mechanisms.

C. Enhanced Disclosure Framework for Defaults and Overdue Payments

Proposed changes

13. To strengthen investor protection while reflecting local market realities, the AFSA proposes enhancing AMI 7.3.3 to improve transparency on loan and investment defaults. Under the proposed enhancement, platforms would be required to disclose default and delinquency data on a quarterly basis, within 10 days following the end of each quarter. The categorisation would focus on pre-default delinquency statistics, ensuring early warning signals are captured. It is also proposed to define default as loans more than 90 days past due.
14. Additionally, to enhance consistency and reliability in the calculation of expected default or failure rates, the AFSA proposes adding guidance to clarify that the assumptions used in determining these rates should be based on the creditworthiness assessment framework under AMI 7.3.7(f) and reflect the specific risk characteristics of loans offered through the platform.

15. To prevent inconsistent or potentially misleading reporting, standardised default ratios should be mandated across the industry. These should include: (a) the actual default rate, calculated as a percentage of all loans originated through the crowdfunding platform; and (b) the ratio of overdue principal amounts to the total outstanding loan portfolio. Requiring both metrics would enhance clarity around the volume and impact of defaults, providing investors and stakeholders with a more accurate basis for risk assessment and decision-making.
16. Moreover, it is proposed to introduce a new provision under AMI 7.3.7 “Disclosure of information about the Borrower or Issuer” requiring Authorised Crowdfunding Platform to disclose the historical information on each Borrower or Issuer in relation to any overdue payments, defaults or failures, and the relevant details of such events. This amendment enhances investor protection by providing transparency regarding past performance patterns and enabling more informed investment decisions based on the available data for risk assessment.
17. In connection with these provisions, it is also proposed to simultaneously strengthen AMI 7.3.4 “Information about the service and lender or Investor education tools” and introduce enhanced requirement for crowdfunding platform to disclose key information about how its service operates in relation to how and when notification on defaults, failures, and overdue payments will be communicated to clients. This requirement ensures that potential lenders and investors are informed about notification protocols and are not left uninformed about material developments affecting their investments. This enhanced communication framework directly connects to AMI 7.3.10 “Material Changes”, which establishes the foundational obligation for platforms to notify clients of significant developments that may affect a borrower’s and issuer’s ability to meet payment obligations or carry out their business proposal.

D. Restriction on New Lending Proposals

Proposed changes

18. In addition to the enhanced disclosure framework for defaults, overdue payments and failures, it is also proposed to introduce a new provision, which requires loan crowdfunding platforms to restrict borrowers with existing payment difficulties from accessing new lending opportunities. Under this provision, platforms must not permit borrowers to use their services for new lending proposals, where the borrower has any loans in default or with overdue payments, until all payment obligations under the relevant loan agreements have been fulfilled. This measure addresses the risk of borrowers accumulating unsustainable debt levels by accessing multiple lending sources while in financial distress and strengthens consumer protection by preventing potentially harmful borrowing patterns.
19. The proposed restriction aligns with responsible lending expectations and requires platforms to implement appropriate systems to monitor borrower

payment performance across their loan portfolios. The AFSA expects this measure to reduce credit risk for lenders while protecting vulnerable borrowers from over-indebtedness.

E. Enforcing Creditworthiness Grading Standards

Proposed changes

20. **The AFSA proposes to clarify that platforms are expected to produce creditworthiness assessments, addressing previous inconsistencies in the application of this requirement.** Furthermore, this refinement should help ensure that the expected default rates disclosed are based on more objective assumptions and methodologies.
21. To that end, it is also proposed to introduce a new clause authorising the AFSA to require amendments to a platform's grading or rating assessment framework under AMI 7.3.7(f). This addition would provide the necessary regulatory tool to intervene where credit assessment methodologies may be insufficient, unclear, or inconsistent with investor protection objectives, helping to align market practices with supervisory expectations.

F. New Lending and Investment limits for Retail Clients

Proposed changes

22. Given the elevated risk profile inherent in crowdfunding platform offerings, differentiated regulatory limits are needed to enhance retail client protection. It is suggested to implement an additional annual calendar limit for the retail clients at the AIFC of USD 50,000 per crowdfunding platform, supplementing existing per borrower and issuer restrictions. This dual-limit structure would provide enhanced risk mitigation. The proposed annual calendar limit is based on observed retail client investment patterns, with an average investment amount and the need for retail clients to diversify their portfolios within the limit.

G. Improving Financial Literacy and Education via Enhanced Risk Disclosure

Proposed changes

23. The revised framework introduces clearer language regarding investment risks, stating that investing in Permitted Loans or Permitted Investments involves risks where lenders or investors may lose all or part of their money or experience payment delays. The amendments separate disclosure of new business risks into a distinct provision, while maintaining emphasis on the elevated risk profile of borrowers and Issuers who may apply funds to higher-risk activities.
24. The enhanced disclosure framework introduces two critical new provisions addressing protection gaps and leveraged investment risks. Platforms ought to explicitly disclose that Permitted Loans or Permitted Investments lack protection from deposit guarantee schemes, investor compensation schemes, or any other

form of guarantee, with potential for partial or total capital loss. Additionally, platforms must warn clients about the amplified risks associated with using credit or borrowed money for crowdfunding investments, emphasising that repayment obligations persist regardless of investment performance or loan recovery outcomes.

25. Additionally, AMI 7.3.5 “Risk acknowledgement form”, is proposed to strengthen the form by allowing the AFSA to mandate additional information requirements for risk acknowledgement forms beyond the currently specified risk disclosures. This expands the AFSA's authority to require supplementary disclosures in risk acknowledgement forms as needed, providing regulatory flexibility to address emerging risks or compliance gaps.

H. Excluding a Providing Private Financing Platform licence

Proposed changes

26. Comparative analysis with the ADGM reveals that the definition of Operating a Private Financing Platform contains several elements that overlap substantially with the Market Activity of Operating a Loan and Investment Crowdfunding Platform, which is already subject to comprehensive regulation within the AIFC. Notably, ADGM does not maintain separate licensing categories for Operating a Loan/Investment Crowdfunding Platform, instead incorporating such activities under its Private Financing Platform framework. This jurisdictional difference highlights the potential for regulatory duplication and inconsistency.
27. Previous market requests around Private Financing Platform licence have revealed significant uncertainty and ambiguity, rather than clear demand. Stakeholders have raised recurring questions regarding the scope, distinction, and practical application of this licence, indicating a lack of shared understanding rather than a defined market need. Given the existing overlap with established crowdfunding regulations, it is suggested to exclude the Private Financing Platform licence from the regulatory framework from GEN 1.2 and GEN's Schedule 4 (6).

I. Technical corrections

Proposed changes

28. Several typographical errors have been identified within AMI 7.3.22 and AMI 7.3.3 that require correction to ensure regulatory clarity and consistency. These errors, while minor in nature, may create ambiguity in regulatory interpretation and compliance requirements for market participants. It is proposed that these typographical errors are corrected to eliminate potential confusion and maintain the high standards expected of regulatory documentation within the AIFC framework.

PART III – PUBLIC CONSULTATION QUESTIONS

Question 1: Do you agree with the proposed simplification of client classification terminology, replacing "Retail Lender/Retail Investor" and "Accredited Lender/Accredited Investor" with the standard "Retail Client" and "Professional Client or Market Counterparty" categories?

Question 2: Do you agree with the proposed expansion of risk disclosures to include disclosure on "any other electronic medium through which services can be accessed" beyond just websites? Are there practical implementation challenges with this requirement?

Question 3: Do you support the addition of new mandatory risk disclosures? Are these disclosures sufficient to ensure investor's understanding?

Question 4: Do you agree with the proposed detailed breakdown of overdue payment categories for loan crowdfunding platforms? Is this level of granularity appropriate and useful for investor decision-making?

Question 5: Do you support quarterly reporting requirements for default and overdue payment statistics? What concerns, if any, do you have regarding the implementation of quarterly reporting requirements for default and overdue payment statistics?

Question 6: Do you agree with the significantly expanded due diligence requirements for borrowers and issuers?

Question 7: Do you support allowing sole proprietors to use crowdfunding platforms, subject to the AFSA approval and conditions?-If not, please explain your concerns.

Question 8: Do you agree with our proposal to introduce an annual calendar limit of USD 50,000 per crowdfunding platform for retail clients?

Question 9: Do you agree with the complete removal of "Operating a Private Financing Platform" as a Market Activity? If not, please explain your concerns.

Question 10: In your view, what would be a reasonable implementation timeline for these amendments, considering the operational changes that may be required for existing platforms?

Question 11: In your view, are there any additional safeguards or requirements that should be included in the crowdfunding framework that are not addressed in these amendments?

Question 12: Do you have any other comments on the proposed amendments to the AIFC Crowdfunding Platforms Framework?

PROPOSED AMENDMENTS TO AIFC RULES

In these amendments, underlining indicates a new text and strikethrough indicates a removed text.

AIFC AUTHORISED MARKET INSTITUTION RULES

(...)

7. RULES APPLICABLE TO AN AUTHORISED CROWDFUNDING PLATFORM

(...)

7.3. Requirements for Authorised Crowdfunding Platforms

7.3.1 Clients of an Authorised Crowdfunding Platform

- (1) Both Borrowers and lenders (in the case of a Loan Crowdfunding Platform) and Issuers and Investors (in the case of an Investment Crowdfunding Platform) will be Clients of an Authorised Crowdfunding Platform.
- (2) An Authorised Crowdfunding Platform must classify ~~Clients~~ lenders and Investors as being in one of the following categories:
 - (a) ~~a Retail Lender or Retail Investor~~ a Retail Client; or
 - (b) ~~an Accredited Lender or Accredited Investor~~ a Professional Client.
- (3) An Authorised Crowdfunding Platform must notify a new Client of its classification in accordance with AMI 7.3.1(2) in respect of the services provided by it to that Client.
- (3-1) An Authorised Crowdfunding Platform must take reasonable steps to ensure that Permitted Loan or Permitted Investment is suitable for the Retail Client. For this purpose, the Authorised Crowdfunding Platform must undertake an appropriate assessment of the particular Retail Client's needs and objectives, knowledge, experience and financial situation, and also, to the extent relevant, risk tolerance, and understanding of the risks involved.
- (4) ~~An Authorised Crowdfunding Platform must classify as a Retail Lender or Retail Investor any Client that is not an Accredited Lender or Accredited Investor.~~
[intentionally omitted]
- (5) ~~For the purposes of AMI 7, "Accredited Lender or Accredited Investor" means:~~
[intentionally omitted]
 - (a) ~~in respect of a Loan Crowdfunding Platform, any natural person who lends or intends to lend for a total consideration of at least USD100,000 (or an equivalent amount in another currency) per Borrower across one or more Permitted Loans in any 12-month period; or~~

- ~~(b) in respect of an Investment Crowdfunding Platform, any natural person who acquires or intends to acquire Permitted Investments for a total consideration of at least USD 100,000 (or an equivalent amount in another currency) per Issuer across one or more offers in any 12 month period; or~~
- ~~(c) an Authorised Person; or~~
- ~~(d) a Body Corporate.~~

7.3.2 Crowdfunding risk disclosure

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website and on any other electronic medium through which its services can be accessed the main risks to lenders or Investors using a Crowdfunding Platform, including (as applicable) that:
 - ~~(a) Borrowers or Issuers using the Authorised Crowdfunding Platform may include new businesses and, as many new businesses fail, a loan to such a Borrower or an Investment with such an Issuer may involve high risks, including the loss of investing in Permitted Loans or Permitted Investments through the Crowdfunding Platform involves risks, and the lender or Investor may lose all or part of the lender or Investor's their money; or experience delays in payment or the realization of gains in being paid;~~
 - (a-1) Borrowers or Issuers using the Crowdfunding Platform may include new businesses and, as many new businesses fail, a loan to such a Borrower or an Investment with such an Issuer may involve high risks;
 - (b) Borrowers or Issuers on the Crowdfunding Platform may apply funds borrowed to higher risk activities or investments (for example, to a prospective investments in a property development) and, consequently, a loan to such a Borrower or ~~a Permitted Investment~~ an Investment with such an Issuer may involve high risks;
 - (c) failure to diversify a portfolio of Permitted Loans or Permitted Investments may lead to greater losses in the event of the default of a relevant Borrower or Issuer;
 - (d) the lender may not be able to transfer their Permitted Loans or the Investor may not be able to sell their Permitted Investment when they wish to, or at all; ~~and~~
 - (e) if for any reason the Authorised Crowdfunding Platform ceases to carry on its business, the lender or Investor may lose their money, incur costs or experience delays in being paid;
 - ~~(f) Permitted Loans or Permitted Investments are not protected by any deposit guarantee scheme or investor compensation scheme, or any other form of guarantee, and the lender or Investor may lose all or part of their money; and~~
 - (g) the use of credit or borrowed money to invest or lend on the Crowdfunding Platform creates greater risk. For example, even if the loan or Investment is not repaid or declines in value, the lender or Investor will still need to meet their repayment obligations.
- (2) The disclosure referred to in (1) must be presented in a way that is fair, clear and not misleading.

7.3.3 Information about default or failure rates

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website and on any other electronic medium through which its services can be accessed (as applicable):
 - (a) ~~for a Loan Crowdfunding Platform, the actual and expected default rates for Permitted Loans entered into on the Authorised Crowdfunding Platform; and;~~
 - (i) the number and aggregate value of loans in default;
 - (ii) the actual default rates as a percentage of loans entered into on the Crowdfunding Platform;
 - (iii) the total principal amount of loans in default as a percentage of all outstanding loans on the Crowdfunding Platform;
 - (iv) the expected default rates; and
 - (b) for an Investment Crowdfunding Platform, the actual and expected failure rate of ~~Permitted Investments~~ Issuers who use the Authorised Crowdfunding Platform.
- (2) The information referred to in (1) must:
 - (a) for actual default or failure rates, cover the period since the Authorised Crowdfunding Platform began providing the service;
 - (b) for expected default or failure rates, set out a summary of the assumptions used in determining those expected rates; and
 - (c) be presented in a way that is fair, clear and not misleading.
- (3) Where an Authorised Crowdfunding Platform is within its first 12 months of operation, it does not need to disclose actual default or failure rates if no such data is yet available. Where no such data is available during this period, an Authorised Crowdfunding Platform shall disclose that no historic data is available and all default or failure rates disclosed are expected default or failure rates only.
- (4) For the purposes of AMI 7, a Loan Crowdfunding Platform shall treat loans that are over 90 days past the due date as being in default, with the number of days past due measured from the earliest contractual due date on which a payment is due but has not been made.
- (5) A Loan Crowdfunding Platform must, in addition to the information referred to in (1), disclose prominently on its website and on any other electronic medium through which its services can be accessed, the total number of loans entered into on the Crowdfunding Platform for which repayment has not been made by the due date, and include a breakdown of overdue payments according to the following categories:
 - (a) 30 days or less past the due date;
 - (b) 31 to 59 days past the due date;
 - (c) 60 to 90 days past the due date;

- (d) more than 90 days past the due date, as defined in (4) as being in default.
- (6) Save where the AFSA otherwise directs, the disclosures required under AMI 7.3.3 must be disclosed as at the end of each quarter of a calendar year and updated within 10 days after the end of each relevant quarter.
- (7) The AFSA may by written notice require an Authorised Crowdfunding Platform to disclose additional information on actual and expected default by a Borrower or failure of an Issuer.

Guidance

- (1) AMI 7.3.3 requires a Loan Crowdfunding Platform to disclose historical information about the default rates of loans entered into on Crowdfunding Platform. It also requires the Crowdfunding Platform to set out expected default rates in the future for loans entered into on the Crowdfunding Platform.
- (2) An Investment Crowdfunding Platform is required to disclose similar information about the failure rates of Issuers on its platform. In this context, failure of an Issuer should include where an Issuer defaults on payments, becomes insolvent, is wound up or ceases to carry on business.
- (3) Information about default and failure rates is intended to assist potential lenders or Investors to assess the risks of lending or investing using the Crowdfunding Platform.
- (4) The assumptions used in determining the expected default or failure rates under AMI 7.3.3(1) should be based on the creditworthiness assessment framework under AMI 7.3.7(f) and reflect the specific risk characteristics of loans offered through the platform.
- (5) In order to meet the requirements in AMI 7.3.3 (5), the Loan Crowdfunding Platform should measure the number of days past the due date from the earliest contractual date on which a payment is due but has not been made.

7.3.4 Information about the service and lender or Investor education tools

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website in a way that is fair, clear and not misleading key information about how its service operates (as applicable), including:
 - (a) details of how the Authorised Crowdfunding Platform functions;
 - (b) details of how and by whom an Authorised Crowdfunding Platform is remunerated for the service it provides, including fees and charges it imposes;
 - (c) any financial interest of an Authorised Crowdfunding Platform or a Related Person that may create a conflict of interest;
 - (d) the eligibility criteria for Borrowers or Issuers that use the service;
 - (e) the minimum and maximum amounts, if any, of Permitted Loans or Permitted Investments that may be sought by a Borrower or an Issuer using the service;
 - (f) what, if any, security or collateral is usually sought from Borrowers or Issuers, when might rights to enforce such security or apply such collateral be exercised and any limitations in connection therewith;

- (g) the eligibility criteria for lenders or Investors that use the service;
 - (h) any limits on the amounts a lender may lend or an Investor may invest using the service, including limits for individual Permitted Loans or Permitted Investments and limits that apply over any 12-month period;
 - (i) when a lender or Investor may withdraw a commitment to provide funding, and the procedure for exercising such a right;
 - (j) what will happen if Permitted Loans sought by a Borrower or funds sought by an Issuer either fail to meet, or exceed, the target level;
 - (k) steps an Authorised Crowdfunding Platform will take if there is a material change in a Borrower's or Issuer's circumstances and the rights of the lender and Borrower or Issuer and Investor in that situation;
 - (l) how an Authorised Crowdfunding Platform will deal with overdue payments or a default by a Borrower, or failure of an Issuer, including how an Authorised Crowdfunding Platform will notify lenders or Investors of such events, and the timing and means of such notification;
 - (m) which jurisdiction's laws will govern the loan agreement between the lender and Borrower or the Investment between Investor and Issuer;
 - (n) arrangements and safeguards for Client Assets held or controlled by an Authorised Crowdfunding Platform, including details of any legal arrangements (such as nominee companies) that may be used to hold Client Assets;
 - (o) any facility an Authorised Crowdfunding Platform provides to facilitate the transfer of Permitted Loans or sale of Permitted Investments, the conditions for using the facility and any risks relating to the use of that facility;
 - (p) measures the Authorised Crowdfunding Platform has in place to ensure the Crowdfunding Platform is not used for money-laundering or other unlawful activities;
 - (q) measures the Authorised Crowdfunding Platform has in place for the security of information technology systems and data protection; and
 - (r) contingency arrangements the Authorised Crowdfunding Platform has in place to ensure the orderly administration of Permitted Loans if it ceases to carry on business.
- (2) For the purposes of (1), "significant influence" refers to the ability to participate in, direct, or otherwise control the operating decisions of an entity. The existence of significant influence may be evidence in one or more of the following ways:
- (a) representation on the board of directors or equivalent governing body of the entity;
 - (b) participation in the policy or decision making process of the entity;
 - (c) material transactions between the entity and the person with influence;
 - (d) changes to managerial personnel directed by the person with influence; or
 - (e) the provision of otherwise sensitive information to the person with influence.

- (3) An Authorised Crowdfunding Platform must make available on its website one or more interactive educational tools which are reasonably designed to promote lender understanding of the services offered by the Authorised Crowdfunding Platform, as ~~further~~ described in (1), and of the key risks of using these services, as ~~further~~ described in AMI 7.3.2.

7.3.5 Risk acknowledgement form

- (1) An Authorised Crowdfunding Platform must ensure that a Retail ~~Lender or Retail Investor~~ Client provides a signed risk acknowledgement form for each Permitted Loan or Permitted Investment (as applicable) that it makes using the platform.
- (2) The risk acknowledgement form under (1) must:
 - (a) set out clearly the risks referred to in AMI 7.3.2, 7.3.4 and such other information as the AFSA may prescribe;
 - (b) require the Retail Client to confirm that ~~they~~ he understands those risks; and
 - (c) be provided before, or at the same time as, the Retail ~~Lender or Retail Investor~~ Client commits to making the Permitted Loan or Permitted Investment (as applicable).

7.3.6 Due diligence on Borrowers or Issuers

- (1) An Authorised Crowdfunding Platform must not permit a Borrower or Issuer to use its service unless the Borrower or Issuer is a Body Corporate or a sole proprietor, provided that the AFSA has granted permission for the Authorised Crowdfunding Platform to offer its services to sole proprietors, under such conditions as the AFSA may specify.
- (2) An Authorised Crowdfunding Platform must conduct due diligence on each Borrower or Issuer before allowing it to use its service.
- (3) The due diligence under (2) must include, as a minimum, taking reasonable steps to verify in relation to the Borrower or Issuer (as applicable):
 - (a) its identity, including details of its incorporation and business registration; ~~and~~
 - (b) the identity and place of domicile of each of its Directors, officers and Controllers;
 - (c) its fitness and propriety and that of each of the Persons referred to in (b);
 - (d) its financial strength, based on the review of financial statements;
 - (e) its financial history and past performance and its credit history, including checking with external credit agencies;
 - (f) any credentials or expertise it claims to have;
 - (g) the valuation of its business, current borrowing or funding levels (if any) and the source of any existing borrowing or funding;
 - (h) its business proposal;

- (i) its commitment and that of its Directors, officers and Controllers to the business, including how much capital they have provided and any potential flight risk;
 - (j) that its business is being carried on in accordance with applicable laws in the jurisdiction where it is based;
 - (k) any other information necessary to assess the suitability and potential risk associated with the Borrower or Issuer, as may be directed by the AFSA.
- (4) The AFSA may by written notice, require an Authorised Crowdfunding Platform to conduct additional due diligence on Borrowers and/or Issuers before such Borrowers and/or Issuers are permitted to use the service provided by the Authorised Crowdfunding Platform.
- (5) The AFSA may require by written notice an Authorised Crowdfunding Platform to make amendments to its due diligence process under (2) and (3) as prescribed by the AFSA.

Guidance

- (1) The type of background checks the AFSA expects an Authorised Crowdfunding Platform to conduct under AMI 7.3.6 include, for example, whether the Person has been:
- (a) found guilty of a criminal offence;
 - (b) the subject of any finding in a civil proceeding of fraud, misfeasance or other misconduct;
 - (c) the subject of a judgment or agreed settlement in a civil proceeding exceeding \$10,000;
 - (d) disqualified from acting as a director or taking part in the management of a company; or
 - (f) bankrupt or the director, or a person concerned in the management, of a company which has gone into liquidation or administration.
- (2) The purpose of the due diligence under AMI 7.3.6(3)(j) is to check that the business itself is lawful in the place in which it is being carried on i.e. that the owner has the necessary permits and that the activity is lawful. The borrower or Issuer should certify these matters and provide relevant documents where appropriate.

7.3.7 Disclosure of information about the Borrower or Issuer

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website relevant information about each Borrower or Issuer, including as a minimum:
- (a) the name of the Borrower or Issuer, the full name and position of each of its Directors and officers and the full name of each Controller;
 - (b) the place of incorporation of the Borrower or Issuer and the place of domicile of each Director, officer and Controller;
 - (c) a description of the Borrower or Issuer's business;
 - (d) a detailed description of the proposal for which it is seeking funding including:

- (i) the target level of funding sought and what will happen if that level is not met or is exceeded; and
 - (ii) how the funds will be used.
- (e) the results of any due diligence carried out by the Authorised Crowdfunding Platform on the Borrower or Issuer and any limits on the due diligence that could be carried out;
- (f) the grading or rating by the Authorised Crowdfunding Platform of the Borrower or Issuer's creditworthiness ~~(if any)~~, including:
 - (i) how the grading or rating has been assessed;
 - (ii) an explanation of what the different grading or rating levels mean; and
 - (iii) a clear statement that this should not be taken as advice about whether money should be lent to the Borrower or an Investment should be made with the Issuer;
- (f-1) the historical information on each Borrower or Issuer in relation to any overdue payments, defaults or failures, and the relevant details of such events; and
- (g) that the Borrower or Issuer, and information provided about the Borrower or Issuer, are not checked or approved by the AFSA; and
- (h) other disclosure documents that contain the necessary information which is material to ~~Retail Investors or Retail Lenders~~ Clients for making an informed investment decision.
- (2) The disclosures referred to in (1) must be presented in a way that is fair, clear and not misleading.
- (3) The AFSA may require by written notice an Authorised Crowdfunding Platform to make amendments to its grading or rating assessment framework under (1)(f) as prescribed by the AFSA.

7.3.8 Disclosure of information about the Permitted Loan or Permitted Investment

- (1) An Authorised Crowdfunding Platform must disclose prominently on its website relevant information about each Permitted Loan or Permitted Investment offered by a Borrower or Issuer (as applicable), including as a minimum:
 - (a) for a Permitted Loan, the duration of the Permitted Loan, details of interest payable and any other rights attaching to the Permitted Loan;
 - (b) for an issue of Permitted Investments, any rights attaching to the Permitted Investments, such as a dividend, voting or pre-emption rights;
 - (c) whether any security is being provided and, if so, the details of that security including the circumstances in which it might be exercised and any limitations on its use;
 - (d) for a Permitted Loan, if applicable, any other reward or benefit attaching to the Permitted Loan and the terms on which it is available; and

- (e) for an issue of Permitted Investments, whether Investors have any protection from their interest or holding being diluted by the issue of further Permitted Investments.
- (2) The disclosures referred to in (1) must be presented in a way that is fair, clear and not misleading.

(...)

7.3.10-1 Restriction on new lending proposals

- (1) A Loan Crowdfunding Platform must not permit a Borrower to use the Crowdfunding Platform for new lending proposal where the Borrower has any loans in default or with overdue payments, until the Borrower has fulfilled its payment obligations under the relevant loan agreement.

(...)

7.3.22 Target funding amount

- (1) An Authorised Crowdfunding Platform must ensure that all loan proceeds are only provided to the Borrower or offering proceeds are only provided to the ~~Investor~~ Issuer when the aggregate capital raised from all lenders or Investors is equal to or greater than the target funding amount and allow all lenders or Investors to cancel their commitments to lend or invest, as the AFSA shall determine appropriate.

7.3.23 Lending and Investment limits

- (1) An Authorised Crowdfunding Platform must maintain effective systems and controls to ensure that a Retail ~~Lender or Retail Investor~~ Client using its service does not lend or invest, ~~in respect of any single Borrower or Issuer and in aggregate calculated over a period of 12 months, an amount which exceeds the greater of more than:~~
 - (a) USD 2,000; or in respect of any single Borrower or Issuer and in aggregate calculated over a period of 12 months, an amount which exceeds the greater of:
 - (i) USD 2,000; or
 - (ii) the lesser of
 - 10 percent of the annual income; or
 - 5 percent of net worth of such Retail ~~Lender or Retail Investor~~ Client (excluding the value of the primary residence)., ~~up to a maximum aggregate amount of USD100,000. and~~
 - (b) USD 50,000 in total in any calendar year using its service.

7.3.24 Fundraising limits

- (1) An Authorised Crowdfunding Platform must maintain effective systems and controls to ensure that:
 - (a) a Borrower does not borrow from:
 - (i) Retail Lenders Clients more than USD 5,000,000 in total; and
 - (ii) ~~Accredited Lenders~~ Professional Clients more than USD 50,000,000 in total; and/or

- (b) the total aggregate consideration for the Permitted Investments offered by an Issuer to:
- (i) ~~Retail Investors~~ Clients using its service is USD 5,000,000 or less; and
 - (ii) ~~Accredited Investors~~ Professional Clients using its service is USD 50,000,000 or less;
- or an equivalent amount in another currency, calculated over a period of 12 months.

AIFC CONDUCT OF BUSINESS RULES

(...)

1. APPLICATION

(...)

1.2. Modifications and exclusions

(...)

1.2.2. Exclusions in relation to certain categories of Centre Participant

For the avoidance of doubt, the requirements in COB do not apply to:

- (a) a Representative Office;
- (b) unless otherwise provided under Rules made by the AFSA, an Authorised Market Institution (other than an Authorised Crowdfunding Platform), except for COB 3 (Communications with Clients and Financial Promotions);
- (c) an Authorised Crowdfunding Platform, except for COB 3 (Communications with Clients and Financial Promotions), COB 4 (Key Information and Client Agreement), COB 7 (Conflicts of Interest), COB 8 (Client Assets) and COB Schedule 2 (Key Information and Content of Client Agreement); or
- (d) ***[intentionally omitted]***
- (e) unless otherwise provided under Rules made by the AFSA, a MTF Operator and an OTF Operator, except for COB 15 (Complaints Handling and Dispute Resolution);
- (f) a Credit Rating Agency, except for COB 14 (Credit Rating Agencies).

For the purposes of 1.2.2(c), references in COB 3, COB 4, COB 7, COB 8 and COB Schedule 2 to:

- (a) "Authorised Firms" shall be read as if it were a reference to "an Authorised Crowdfunding Platforms";
- (b) "Regulated Activities" shall be read as if it were a reference to "Market Activities";
- ~~(c) references to "Professional Client" or a "Market Counterparty" shall be read as if they were a reference to "Accredited Lender or Accredited Investor"; and~~
[intentionally omitted]
- ~~(d) references to "Retail Client" shall be read as if they were a reference to "Retail Lender or Retail Investor".~~ ***[intentionally omitted]***

(...)

AIFC GENERAL RULES

(...)

1. LICENSING OF CENTRE PARTICIPANTS

(...)

1.2. Authorised Market Institutions

Guidance: Definition of Market Activity

Market Activity is defined in the section 18 of the Framework Regulations as:

- (a) Operating an Exchange;
- (b) Operating a Clearing House;
- (c) *[intentionally omitted]*
- (d) Operating a Loan Crowdfunding Platform;
- (e) Operating an Investment Crowdfunding Platform;
- ~~(f) Operating a Private Financing Platform. *[intentionally omitted]*~~

(...)

SCHEDULE 4: MARKET ACTIVITIES

(...)

6. ~~Operating a Private Financing Platform~~ *[intentionally omitted]*

~~(1) Operating a Private Financing Platform means operating an electronic platform which brings together multiple third parties directly or indirectly buying an instrument acknowledging or creating indebtedness arising from the supply of goods or the delivery of services.~~

~~(2) Operating an Operating a Private Financing Platform also includes:~~

- ~~(a) entering into an arrangement with a party for the purpose facilitating the activity described in (1) whether through an intermediary investment vehicle or otherwise;~~
- ~~(b) facilitating an arrangement described in (2)(a); and/or~~
- ~~(c) holding or controlling Client Money or Arranging Custody in connection with an arrangement described in (1), (2)(a), or (2)(b) above.~~