

Claire O'Brien

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**From:** Stephen Ryan [REDACTED]  
**Sent:** 09 May 2017 08:43  
**To:** Crowd Funding Consultation  
**Subject:** Crowd funding regulation

To whom it concerns

My main point around crowdfunding is that the platforms should be bound by client asset rules and require totally separate client and business accounts so that in the event of a failure, the client assets are protected. Much in the same way as investment brokers operate today. The platform I currently invest with already operates this way and have done since their inception so it can't be too much of a burden to do so.

Around potential conflicts of interest, something is needed but I'm unsure of how do so without being overly burdensome. Due to how the platforms work with auto-bid type systems, they could in an extreme case, add a loan for themselves and have it funded by the same auto bid system. None of the platform rules would have been broken and it technically wouldn't be fraud as the loan went through the same process as other loans.

Even in the case of forced disclosure, a similar loan could pass through any auto bid system unless there was an option to avoid loans with a conflict of interest. No such option could ever exist as it would be a massive red flag and cause an exodus of investors even without any loans triggering it.

Related to the costs associated with regulation is the Revenue view of this type of investing. Currently there is no loss relief on the investments as it isn't treated as a collective investment. Tax is due on the interest earned. This is partly why such a high rate of return is required to be competitive with other investment types.

To give an example, you can invest €1000, broken up across 10 loans at 10% interest. Say 1 of the loans goes bad straight away resulting in a total loss of capital, the other 9 complete their term earning €90 in interest. The account balance at this point is €990 (€900 in returned capital, €90 in interest). There is still a tax bill on the €90 interest.

Fixing this, perhaps by following the UK and allowing loss relief on bad loans, or by allowing the first €10k of interested to be earned tax free - similar to the rent a room scheme - would offset any increased costs due to additional regulation measures.

Regards  
Stephen

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This is the signature  
Really??? Imagine that