Marketplace Lending for SMEs: From P2P to institutional investors

Origination fee

Servicing fee

Funds

MPL Platform

Funds

Interest and principal

Security notes

SMEs

INVESTORS

Sale of loan

Loan origination

BANK

Partnering bank

BALANCE SHEET

Retail

Accredited

Institutional

(Asset managers / banks / Insurers / pension funds/ other)

+ Governments

Risks to MPLs business model

Lack of regulatory capital rules	Lack of duration matching	Funding instability
Risks of misaligned interests and moral hazard	No stress testing of MPL	Absence of secondary market

Supporting SME financing MPL

- SME financing via MPL limited to US and UK so far
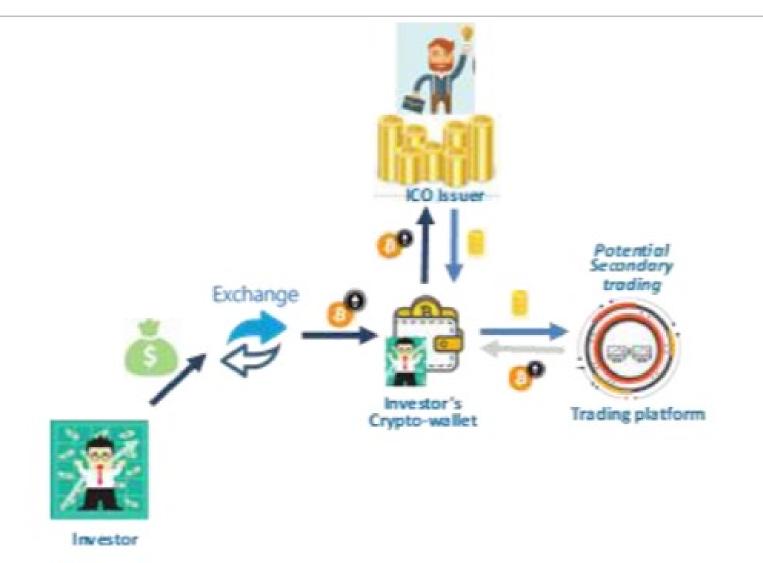
Role of institutional investors key

Substantial involvement of institutional investors	MPLs not subject to capital requirements (yet)	More independent analysis of MPL platform

Blockchain-based financing: ICO

Benefits and risks of ICOs

Regulated ICOs can be more inclusive

Exchange of value without central authority involvement

Faster to implement than IPOs

Raising risk capital without ownership rights

Pricing is a challenge

Supporting SME financing with ICOs

- ICOs allow small retail investors to participate in financing of SMEs and startups

ICOs can provide SMEs with direct access to an unlimited investor pool

Establishment of a regulatory and supervisory framework for ICOs	Standardised disclosure requirements
Enhanced investor protection	AML/CFT requirements

Examples of AI applications in financial market activities

				BACK OFFICE	MIDDLE OFFICE	FRONT OFFICE
Asset management	Algorithmic trading	Credit intermediation	Blockchain-based finance	Post-trade processing	Risk management	Asset allocation
				Trading P&L, reconciliations	KYC checks	Robo-advisors, Chatbots
				Reporting and record management	Compliance	Biometric authentication
				Data analytics	Control functions/ processes	Trade execution
				Credit scoring / risk underwriting	AML / CFT	Personalised recommendations
				IT / infrastructure	Anti-fraud	Customer service

Risks of AI in finance

Data management, privacy/confidentiality and concentration risks

Algorithmic bias and discrimination

The explainability conundrum

Training, validation and testing of AI models to promote their robustness and resilience

Governance of AI systems and accountability

Regulatory considerations, employment and skills

THANK YOU

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