The Finance Innovation Lab is designed to inspire a profound change in the financial system. We incubate and accelerate new forms of prosperity, for people and planet.

Over the last four years we have built a credible and proven strategy for systemic change. We’ve developed a rigorous methodology to work at levels of both breadth and depth.

We liken our principles to those of cathedral building. The Lab is a community effort and a channel for creative energy. Being involved requires a willingness to be part of a process larger than oneself and accepting you may not see the impact of your work in your lifetime.

Our style of working is inspiring, we create movement by connecting people, illuminating their work and demonstrating what new parts of the system could look like. Our process aims to create meaningful change in the financial system.

Two partners, WWF-UK and ICAEW established and still lead the project. In 2012 we were recognised by NESTA and the Guardian as one of the ‘50 New Radicals’ that have transformed our society.
About the summit

The Peer-to-Peer Finance Policy Summit explored the role of regulation in the growth of non-bank finance for consumers and small businesses. Over 80 people attended, including the chief executives of more than 15 peer-to-peer finance platforms, as well as trade body representatives, academics, policy-makers and regulatory officials.

The summit was held in partnership with Keystone Law, a leading law firm specialising in peer-to-peer finance, and Nesta, the independent charity promoting social innovation. It was part of a wider Finance Innovation Lab project on disruptive finance policy, supported by the Calouste Gulbenkian Foundation.

The Treasury added its emphasis to the summit by announcing there will be a consultation in January 2013 on how the new Financial Conduct Authority should regulate peer-to-peer loans and other forms of credit under the Financial Services Bill from April 2014. This confirmed an earlier commitment made by Lord Sassoon during the reading of the Financial Services Bill in the House of Lords.
**Agenda**

**Welcome & introduction - Chris Hewett, Finance Innovation Lab**

**The role for peer-to-peer finance in our economic recovery**
- Chair: Stephanie Flanders, BBC Economics Editor
- Baroness Kramer, Lib Dem front bench spokesperson on Financial Services Bill
- Giles Andrews, Chief Executive, Zopa
- Darren Westlake, Chief Executive, Crowdcube
- Graeme Fisher, Head of Policy, Federation of Small Businesses

**How P2P finance models work, the main risks/controls and regulatory barriers**
- Simon Deane-Johns, Keystone Law

**Proportionate regulatory solutions to control risks yet remove barriers**
- Break out discussions on removing regulatory barriers to the development of alternative finance from three different perspectives:
  - Investors and savers
  - Financial entrepreneurs and innovators
  - Business and individuals with funding needs

**How can financial regulators actively support innovation for the public good?**
- Chaired by Geoff Mulgan, Chief Executive Officer, Nesta
- Val Smith, Head of Permissions, FSA Authorisations
- Tim Shakesby, DG Internal Market and Services, European Commission
- Emma Simmonds, HM Treasury
- Priya Ramdas, BIS
Participants

Arturo Cervera, comunitae.com
David Penston, Assetz Development Capital Limited
Andy Payne, Gambitious
Kevin Caley, Business Loan Network
Mark Davies, Camberton Stuart Law, Assetz capital
Andy headl, Generation Community
Kristof De Buysere, Tilburg University
Paul Toon, Elevate Capital
emmanuel korie, Datech
Daisy Meyland-Smith, Conservative Policy Forum
Jason Eppleston, Comufin
Ragini Ghosh, CrowdMission
Damian Horton, Comufin
James Hood, ICOF
Graeme Fisher, Federation of Small Business
Tim Shakesby, European Commission
Baroness Kramer, Liberal Democrats
Priya Ramdas, BIS
Emma Simmonds, HM Treasury
Leander Bindewald, New Economics Foundation
David James, Hult International Business School
William Robins, Keystone Law
Bartosz Clepaj, myELEN
Sue Lewis, et al consultants
Andrew Freeman, Demos finance
Justine Prain, Create and Sustain Ltd
Laura Smith, CBI
tony watts, keystone law
Nathaniel Tkacz, University of Warwick
festus Marinho Marinho, sharedimpact
Oliver Cooke, SharedImpact
David Blair, Osborne Clarke
Rudi Guraziu, International Business and Diplomatic Exchange
Verena Ulrich, All Street
Paul Langley, Durham University
Katie Hill, City of London Corporation
Matthew Spencer, Green Alliance
Rachel Sinha, Finance Innovation Lab
Alfredo Bello, Zoflo Cooper
Kate Damania, Office of Fair Trading
stefano tresca, iSeed
Gabrielle Patrick, iSeed
Emma Vartolomei, All Street
Louisa Hooper, Calouste Gulbenkian Foundation
Duncan White, CrowdMission
Karen Darby, CrowdMission
Stephen Lloyd, Bates Wells & Braithwaite London LLP
Luke Fletcher, Bates Wells & Braithwaite London LLP
Ryan Steele, Prodigy Finance
Darren Westlake, Crowdcube
Alison Fernando, FSA
Alex Raguet, Lumo
Peter O’Mahony, Linked Finance
Caroline Macfarland, ResPublica
Julia Groves, Trillion Fund
Andy Payne, Gambitious
Liam Collins, Nesta
Penny Shepherd, UKSIF
karl harder, Abundance Generation
Martin Campbell, Beacon Strategic

Comms
Giles Andrews, Zopa
Rhydian Lewis, RateSetter
Bruce Davis, Abundance Generation
Nick Underhill, People fund it
Jeff Lynn, Seedrs
Simon Deane-Johns, Keystone Law
Kylie MacLellan, Thomson Reuters
Caroline Julian, ResPublica
Greg Ford, Finance Watch
Robin Brownsell, Tusmor Ltd.
Simon Dixon, BankToTheFuture.com
Daniel Wood, Ukie
Chris Hewett, The Finance Lab
Chris Pearson, RBS
Joycein Dawes, Friends Provident Charitable Foundation
Jo Twist, Ukie
Christine Farnish, Consumer Focus
Christopher Shaw, Platform Black Ltd
Jane fuller, fuller analysis
Andrew Davis, CSFI
Rob Parker, Cabinet Office
Ayan Mitra, CrowdBnk
philippe gelis, Kantox
Theresa Burton, Buzzbnk
Peter Baeck, Nesta
Sietske de Groot, Federation of Small Businesses
Frederic Baud, Crowdfunding France
David de Koning, Funding Circle
john spindler, Capital Enterprise
Ilana Taub, ICAEW
Niall Smith, Participle
The opening panel, chaired by BBC Economics Editor Stephanie Flanders, focused on “the role for peer-to-peer finance in our economic recovery”. Stephanie was joined by Baroness Kramer (the Liberal Democrat spokesperson on the Financial Services Bill and banking reform), Graeme Fisher (the Head of Policy from the Federation of Small Businesses), Giles Andrews (Chair of the P2P Finance Association) and Darren Westlake (CEO of Crowdcube, the crowd-investing platform).

The remarks of the panel members were recorded and are available on our website. Simon Deane-Johns, a lawyer who co-organised the summit, then explained how P2P platforms work, as well as common operational risks and controls and regulatory barriers. His presentation is also available on our website.
Participants then formed a series of smaller groups to consider how to remove the regulatory barriers to the responsible growth of the three main types of regulated peer-to-peer finance. Some groups took the perspective of peer-to-peer lending, while others looked at crowd-investing in shares or debt securities. Each group considered the different perspectives of the saver/investor, the platform operator, or the person or business trying to raise finance. Over 100 comments were generated in the course of these discussions, as briefly summarised under four main themes below.

Nesta CEO Geoff Mulgan put the most common suggestions to a closing panel of officials from the European Commission, Business Innovation and Skills, the Treasury and the Financial Services Authority. The panel operated under the Chatham House Rule. However, while no concrete commitments were made beyond the earlier Treasury announcement, it was clear that officials welcomed the innovation and competition that peer-to-peer finance platforms bring to the retail financial services market. There is clearly a willingness to consider the various issues and potential solutions that were identified.
Regulatory Barriers and Solutions

Lack of awareness

There is a lack of knowledge and awareness of alternative finance options, including concerns about legitimacy, who is allowed to participate and how platforms work within the law.

- Self-regulatory code(s)
- Treasury clarification
- Removal of regulatory overlap/duplication
- Distinct authorisation for P2P activity, with separate ombudsman
- Fast-track FSA authorisation
- Stakeholder engagement in participative regulation
- A dedicated “Innovation unit” at the FSA
- A single source of information about P2P platforms and the industry

Exclusive financial language

Financial regulation involves risk warnings and other language that only appeals to sophisticated savers and investors rather than everyone.

- An exemption from standard financial promotions restrictions for savers/investors on all types of P2P platform (e.g. as for High Net Worth investors)
- Self-certification for anyone not saving/investing more than 20% of their net worth
- Separate, lighter regulation of advice and distribution on all types of P2P platform
Unfair tax incentives

Tax incentives do not provide a level playing field for providers of new and alternative financial services

- Include instruments agreed on P2P finance platforms in ISAs
- Treasury to clarify what the incentives are, how they work and how they impact the markets for both regulated and unregulated retail financial services

Differences in protection and risk

Not all types of financial instrument are treated the same way, which leads to differing levels of transparency, saver/investor protection and risk to borrowers/entrepreneurs

- An exemption from standard restrictions for savers/investors on all types of P2P platform
- Self-certification for anyone not saving/investing more than 20% of their net worth
- Separate, lighter regulation of advice and distribution via all types of P2P platform
Open Letter

from the Peer-to-Peer Finance Industry to EU Policy-makers on the Need for a Clear Regulatory Framework

14 December 2012

Economic recovery is being hampered by the failure of our financial system to enable the efficient flow of savings to people and businesses who need capital. Banks have become even less willing and able to lend to the productive economy since the 2008 crisis. Insufficient competition in the markets for consumer and business finance is eroding our long term financial security. Failure to finance entrepreneurial activity today will only prolong the period of low growth. It is therefore vital that we encourage new entrants, innovation and competition in these markets.

The most successful new alternatives to retail bank finance are online marketplaces which facilitate small-scale, direct finance transactions between individuals and businesses, cutting out the ‘middle-man’ and reducing costs to the real economy. But the operators of these platforms find it difficult to launch and flourish because existing EU and national regulation does not fit the new models. In particular, regulations aimed at lending and investing unreasonably limit customer access and make platforms unnecessarily complex.

In these circumstances, it is unrealistic to assume new business models will thrive without regulatory change to make it easier to launch peer-to-peer finance platforms and reassure potential savers, investors, borrowers and entrepreneurs that these marketplaces are a responsible and legitimate means of fundraising.

As a result, various industry participants have been calling for clear and proportionate regulation of their platforms at national level for some time, and some operators have agreed self-regulation to control the most common operational risks.

Yet the authorities have so far declined to make any changes to the existing regulatory framework.

Accordingly, the peer-to-peer finance industry now calls upon policy-makers in the European Commission and each of the EU member states to facilitate the growth of this sector by introducing a distinct, proportionately regulated activity of “operating a direct finance platform” for loans and investments.