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Loan-based crowdfunding in Finland

Alalääkkölä, Sebastian

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Loan-based crowdfunding in Finland

Sebastian Alalääkkölä
Business Administration, P2P
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Sebastian Alalääkkölä

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Opinnäytetyö on markkinatutkimus, jossa tarkastellaan lainapohjaisen joukkorahoituksen markkinoita, mahdollisuuksia, kilpailua sekä tulevaisuutta Suomessa. Tarkemmin määriteltynä työ tutkii opinnäytetyön toimeksiantajan FundedByMe:n mahdollisuuksia laajentaa toimintaansa Suomessa ottamalla mukaan tuotevalikoimaansa osakepohjaisen sekä ennakkomyyntiin pohjautuvien vaihtoehtojen lisäksi lainapohjaisen joukkorahoitusmuodon. Valmiin opinnäytetyön tavoitteena on olla tukena FundedByMe:n lainapohjaisen joukkorahoituksen lanseeramisessa Suomessa.

FundeByMe on ruotsalainen joukkorahoituspalvelu, joka on perustettu Tukholmassa maaliskuussa 2011 ratkaisemaan eurooppalaisten yrittäjien ja sijoittajien tarve saada markkinoille käyttäjäystävällinen joukkorahoituspalvelu. FundedByMe on yksi Pohjoismaiden ensimmäisistä joukkorahoituspalveluista, joka tarjoaa one-stop-shop kokonaispalvelun joukkorahoitukseen. Tämän FundedByMe tekee tarjoamalla ennakkomyynti- osake- ja lainapohjaista joukkorahoitusta. FundedByMe on erikoistunut kansainväliseen joukkorahoitukseen, joka hyödyttää molempaa yrittäjää sekä sijoittajaa ja luo myös työpaikkoja sekä talouskasvua Eurooppaan.

Teoreettisessa viitekehyksessä kuvataan joukkorahoitusta yleisesti sekä siihen liittyvää lainsäädäntöä ja säädöksiä, erityisesti lainapohjaisen joukkorahoituksen kannalta katsottuna. Opinnäytetyössä tarkastellaan myös minkälaisia pk-yritysten rahoitusvaihtoehtoja joukkorahoituksen lisäksi Suomessa on tarjolla ja mitä rajoituksia niillä mahdollisesti on. Lainapohjaista joukkorahoitusta tarkastellaan tarkemmin Suomessa lainamuotoista joukkorahoitusta tarjoavien joukkorahoituspalveluiden kautta.

Tutkimuksen toteutumistavaksi valikoitui kirjoituspöytätyö. Kirjoituspöytätyö pohjautuu jo olemassa oleviin tietoihin ja tukea näille sekundäärisille tiedoille on haettu markkinatutkimuksesta, benchmarkkauksesta sekä kilpailija-analyysistä. Lähteinä on käytetty kirjallista materiaalia, internet julkaisuja sekä tilastoja.

Opinnäytetyön kirjoitushetkellä Suomessa lainapohjaista joukkorahoitusta tarjosi kolme joukkorahoituspalvelua, jotka ovat Vauraus Suomi Oy, Fundu Oy ja Invesdor Ltd. Heillä kaikilla vaikuttava on positiivisia kokemuksia lainapohjaisen joukkorahoituksen välittämisestä ja useat yritykset ovat jo sitä kautta saaneet rahoitusta. Myös useat sijoittajat ovat saaneet tuottoa lainoilleen. Invesdor Ltd:n kautta vain yksi yritys oli opinnäytetyön kirjoittamisen aikaan järjestänyt lainapohjaisen joukkorahoituskampanjan ja kampanja oli päättynyt menestyksekkäästi ja se keräsi myös paljon sijoittajia maailmanlaajuisesti. Lainojen korot ovat keskimäärin olleet noin 6-9% luokkaa ja laina-ajat 4 kuukaudesta 6 vuoteen. Ehtoja lainaa hakeville yrityksillä on, että niillä ei ole maksuhäiriömerkintöjä ja ne ovat Suomessa rekisteröityneitä yrityksiä. Vauraus Suomi Oy sekä Fundu Oy maksavat lainoille korkoa kuukausittain, kun taas Invesdor Ltd. puolen vuoden välein.

Asiasanat, Joukkorahoitus, lainat, rahoitus, sääntely, lainsäädäntö

Sebastian Alalääkkölä

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This thesis is based around market research, which examines the market, possibilities, competition and the future of loan-based crowdfunding in Finland. To be more exact, the research is about finding out if it is efficient for the client of this thesis FundedByMe to expand their operations in Finland by adding loan-based crowdfunding as one of their offered options for crowdfunding. Currently FundedByMe is offering equity- and reward-based crowdfunding for Finnish companies. The goal for this thesis is to help FundedByMe launch their loan-based crowdfunding product in Finland.

FundedByMe is a crowdfunding platform based in Stockholm, Sweden. It was created in March 2011 to address the need for a convenient online crowdfunding solution for European entrepreneurs and non-professional investors. FundedByMe is one of the first crowdfunding platforms within the Nordic countries to offer a one-stop-shop solution for reward-based, loan-based and equity crowdfunding. The platform has a major focus on cross-border investments that benefit both entrepreneurs and investors to assist with job creation and economic growth.

The theoretical framework for this thesis describes crowdfunding in general and what kind of legislation and regulations cover it in Finland, especially the current legislation and regulations of loan-based crowdfunding. Also the thesis examines what kind of financial possibilities there are for SME companies in Finland. Loan-based crowdfunding is examined more closely through crowdfunding platforms that offer loan-based crowdfunding in Finland.

The research method chosen for this thesis was desk research, which means that the information already exists. Support for this secondary information has been collected by doing market research, benchmarking and competitor analysis. Sources used for this thesis have been original material, internet and statistics.

At the moment of writing this thesis, three crowdfunding platforms offered loan-based crowdfunding in Finland, and those three were Vauraus Suomi Oy, Fundu Oy and Invesdor Ltd. All three platforms have had positive experiences on loan-based crowdfunding and several companies have been funded. Also plenty of investors had gained profit on their loans. Invesdor Ltd. at the time of this thesis have had only one loan-based crowdfunding campaign on their platform and it was successful. Interest rates the three companies offering loan-based crowdfunding in Finland have been around 6-9% and the length of the loans from 4 months to six years. Companies applying for a loan also can't have any insolvency disturbances and have to be registered in Finland. Both Vauraus Suomi Oy and Fundu Oy prefer the method of repaying the loans in equal annual amounts in monthly installments. Invesdor Ltd. prefers biannual repayments.

Keywords: Crowdfunding, loans, financing, regulations, legislation

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1 Introduction

I have chosen market research on loan-based crowdfunding in Finland for my thesis subject because I did my internship at FundedByMe and one of their options for crowdfunding is crowdlending. At the moment the company does not offer the possibility for Finnish companies to apply for a loan-based crowdfunding and the purpose of my thesis is to research the market and the main competitors for loan-based crowdfunding in Finland and give FundedByMe as much information as possible to help their decision if it's efficient to launch the loan-based crowdfunding product in Finland.

This thesis is a market research which gives the client information about the size, competition, development cases, regulations and legislation of the loan-based crowdfunding market in Finland.

1.1 Background

The client for this thesis is FundedByMe which is a crowdfunding platform based in Stockholm, Sweden. It was created in March 2011 to address the need for a convenient crowdfunding solution for European entrepreneurs and non-professional investors. FundedByMe is one of the first crowdfunding platforms in the Nordics to offer a one-stop-shop solution for reward-based, loan-based and equity crowdfunding. The platform has a major focus on cross-border investments that benefit both entrepreneurs and investors to assist with job creation and economic growth.

1.2 Objectives

Objective for this thesis is to give FundedByMe knowledge about the loan-based crowdfunding market in Finland and what are the current players in the market and how they operate, which matters should be taken into consideration and what they could do better. Other main objective is to give FundedByMe information about the steps needed to be able to launch a loan-based crowdfunding product in Finland. I am also going to research what kind of other types of financial possibilities for SME companies in Finland there are.

1.3 Background for research methods

Research method chosen for this thesis was desk research which means that the information already exists. Support for these secondary information has been collected by doing market research, benchmarking, competitor analysis and the writers own observations. Sources used for this thesis have been literal material, internet and statistics.

1.3.1 Market research

An effective market research in business markets is a compact summary of the key data. The goal for market research for different companies is to gather information about business markets today and its possible changes. For example when moving business abroad, doing a market research helps companies minimize the risks they might face. The output of a market research will define the organization's customers, markets and business environment. Also it helps organizations to define their own and competitors' services, products and brands. Main use for market researches is to make business decisions more effective and reliable and to delimit and reduce risks. Also it helps to discover new market opportunities. (Lotti 2001, 11-12)

Market research begins by determining company's goal or problem that they want to reach/solve with market research. Next step is to create a research concept or some kind of plan to follow. After these steps have been completed starts the collection of data and analyzing the companies' determined goal or problem. Examples for market researcher's targets are market potential, target markets and industry's potential in a certain area, consumer behavior or market potential. Practical application is possible to construct for a specific company when all the information is gathered and analyzed. Different markets are defined by using market research. Collecting information and then analyzing it is what market research is for. In market research there are variety of methods how to obtain information. (Vahvaselkä 2009, 147, 149)

1.3.2 Desk research

The way information is collected divides research methods into field researches and desk researches. In desk researches the collected information already exists and then is molded according the needs of the person conducting the research. In desk researches the information is gathered from outer sources like statistics, data banks, directories, professional magazines, researches, manuals and also from companies inner sources like for example transcripts, calculation of costs and accounting. Information that you will gather with secondary research is free to use for everyone (Vahvaselkä 2009, 148-149; Lotti 2001, 124-135.)

The reason why I chose desk research for my research method is that there is already a lot of secondary information about loan-based crowdfunding in Finland and issues that are related to the subject, like for example legislation.

1.3.3 Benchmarking

Complicated management is usually involved in the internationalization process. Reason for this is the need to unify different legal, economic and sociological aspects between different countries. Studying examples of companies that have entered the markets and try to avoid their mistakes and, also learn the best ways to operate is important. It is useful to learn from companies that have already tried and failed and avoid those mistakes and in cases that companies have succeeded, adapt those methods to own operations. This is what makes benchmarking an important and useful tool. (ReVelle 2004, 8.)

Benchmarking is a process where services, processes and products are measured from those organizations that are recognized to be the leaders in their field of operations in one or more aspects. Understanding how your organisation compare against similar organizations is provided through benchmarking, even if those organizations operate on a different area of business or don't have similar customers. Benchmarking can also provide information to recognize systems or processes on a area that should be improved. Those improvements can be either dramatic (business process engineering) or incremental (continuous). (ReVelle 2004, 8.)

There are two distinct categories where benchmarking has been classified. Those categories are technical benchmarking which means when someone examines and compares especially leading competitors products or services. The other is competitive benchmarking which compares how well or badly an organization is performing compared to the leading competition, Especially important is to compare how the important functions, attributes or values associated with the organization's services or products . (ReVelle 2004, 9.)

2 Financial possibilities for SME companies in Finland

The decline in economic growth and the continued uncertainty in the financial markets have been reflected to Finland. This shows as caution in companies' investments and sluggishness in the demand for long-term debt. The amount of loans granted by banks to non-financial corporations has remained largely unchanged in the past year. Direct lending by employment pension companies to nonfinancial corporations has contracted. Tightening banking regulation and profitability pressures have constrained the terms of loans granted by banks to non-financial corporations. For example, the average margins on corporate loans have widened

already for a couple of years. Banks operating in Finland account for about 40% of the funding, and they continue to be the most important single source of funding for companies. (Suomen Pankki 2015.)

Survey conducted on SMEs by SME barometer on September 2014 shows that credit terms offered by banks have tightened and loan times shortened. The corporate finance survey published on December 2013 shows that a notable amount of companies in need of funding had issues concerning obtaining funding and also the terms of funding in the last 12 months. Most common problems with micro and small enterprises were too excessive collateral requirements or they didn't receive the wanted funding at all. (Talouselämä 2014.)

In September of 2015 there were 264,435 micro-companies in Finland that employ less than 10 people. That made 93.4% of all the companies in Finland. The number of small companies with under 50 employees in Finland was 15,675 (5.5% of all the companies in Finland) and small- and medium-sized companies 2 592 (0,9% of all the companies in Finland. (yrittäjät.)

Law strictly regulates banking and financial activities. Aim for this regulation is among others to secure the interest of depositors. Credit institution's business where deposits or other repayable funds are received from the public and offered forward in form of electric money, credit or other type of funding on their own account is regulated by The Credit Institutions Act. Term "bank" or "deposit bank" are used in everyday language, but other financing institutions are also included in this concept. Financial institution's activities are also regulated by The Credit Institutions Act. (Finanssivalvonta 2015b.)

Financing institutions and deposit banks are classified as credit institutions. They are able to accept repayable funds from the public and use them for example lending purposes. These types of activities are under the Credit Institutions Act and require authorization. Deposit bank is a credit institution that has the right to receive funds from the public exclusively. Deposit means repayable funds that are partially or entirely covered by the deposit guarantee fund. Deposit bank can also practice other statutory credit institution activities. In Finland there are more than 250 authorized deposit banks. (Finanssivalvonta 2015b.)

Credit institution that can receive other repayable funds from the general public than deposits is a financing institution. For example mortgage banks and finance companies can be financing institutions. Currently in Finland there are eight domestic financing institutions. Company who's primarily involved in financial leasing, lending or other financial activities is a financial institution and therefore is not a credit institution. Accepting deposits or other repayable funds from the public or other fund raising activities is not acceptable for financial

institutions. Many finance companies who offer loans to their customers are financial institutions. Financial institutions are not subject to authorization. (Finanssivalvonta 2015b.)

Financial Supervisory Authority supervises that those statutory requirements and limitations imposed on banks and credit institutions are being followed, as well as the requirements and limitations prescribed in Financial Supervisory Authority regulations concerning the activities, risk management, capital adequacy and risk-taking of deposit. These requirements have to be followed by deposit banks and credit organisations on a consolidation group level, which means companies that belong on the same financial group and they are being monitored by the Financial Supervisory Authority. Even though financial institutions are not supervised as individual companies, they are supervised as part of the consolidation group that the financial institution belongs to. (Finanssivalvonta 2015b.)

Loaning may be necessary when doing a major purchase. Usually the agreement is financially significant and requires long-time commitment. That makes reasonable to ask for multiple loan offers and choose the most suitable for current needs of a SME company's situation. When evaluating loan offers, it is recommendable to take the following issues into consideration:

- Repayment method
- Interest rate
- Different fees and commissions the loan has. Typical fees are for example management fee and commission on credit service fee.

All these affect the total cost of the loan, but when making a decision it's also wise to take into consideration other customer relation factors. (Finanssivalvonta 2015a.)

Before taking a loan, borrower should carefully assess their ability to repay the loan. After all the loan expenses, there still should be money left for unexpected expenses. Loan should be measured in way that if the financial situation turns for worse, there would still be room for manoeuvre. It's good to keep in mind that the loan expenses increase if the interest rates rise. When doing a loan application, banks research the applicant's ability to meet the repayments. Applicants are required to provide the banks their expenses, incomes, other loans and assets. This assessment on the applicant financial standing also helps the applicant to evaluate their ability to repay the loan. The applicant is in charge that information they give is accurate and realistic. Providing misleading information can be a cause for revoking the loan. The lender is obligated to inform the applicant the terms and conditions of the loan agreement. Regardless the applicant is responsible to examine the content and terms of the loan agreement before signing it. Possible special conditions should also be mentioned in the loan agreement. These types of special conditions can for example be moratorium, change in

the payment plan, additional instalment or replacing the reference rate. (Finanssivalvonta 2015a.)

If for some reason the borrower's ability to repay the loan is in jeopardy, it is wise to contact the lender as soon as possible. When the contact is made early, the lender and the borrower can negotiate new arrangements to repay the loan, like post-poning installments or draft an entirely new repayment plan. For example credit ratings registration from delayed payments makes arrangements considerably harder. (Finanssivalvonta 2015a.)

There are three different ways to usually repay loans and they are:

- Annuity loan - Loan is repaid in same sized installments which include loan repayment portion and also interest portion. If the reference interest rate changes, the size of the installments change but the loan period stays the same.
- Fixed installment loan - loan is paid back in the same size installments which include both the loan repayment portion and the interest portion. If the reference interest rate changes, installments stay unchanged but the loan period changes.
- Fixed period loan - Loan is paid back in the same size installments including a fixed loan repayment portion and an interest portion, but the size of the installment change as the interest rate changes. The remaining loan capital defines the interest. When the reference interest rate changes, the size of the installment change but the loan period doesn't. (Finanssivalvonta 2014e.)

Bonds are corporate, government, municipality or other entity (issuers) loans from the crowd, which are divided into a nominal value of varied bonds. Their minimum investment varies between 1,000 euros and 50,000 euros. (Talouselämä 2008.)

2008 finance crisis has had a negative effect on starting and growing SMEs funding, which shows for example also in Finland banks reluctance to take risks. In Finland the public financiers simply can't offer funding to all applicants. Banks and other traditional financing institutions strict policy on granting credit have created a demand for alternative funding channels, which is the reason why alternative funding options arrived also to Finland. Alternative funding channels are also likely to grow in future because of the weak economic situation. (Lainema 2011, 73.)

Naturally there are multiple other options for applying a loan, like for example business credit. Any type of company can apply for business credit from a company that offers credit to companies. Typically business credit is applied when the company's operation is to be one way or another expanding or to balance the company's financial situation. Requirements to

apply for a business loan is that companies can't have payment defaults and usually applicant has to be a Finnish company registered in the trade and prepayment register. (Luotot.)

In company credit, a guarantee is almost always needed and typically from someone in charge of the company, as a shareholder, member of the board or the managing director. Loan amount is usually between 2000-30 000 euros and the payment period between 1-24 months. Loans are paid in equal annual amount in monthly installments. Depending on the service, the loan includes a loan arrangement fee, account management fee and other additional costs that may occur, like changing the payment schedule. The most popular companies that offer credit to companies in Finland are Yritysluotto.fi and Fin Yritysrahoitus. (Luotot.)

Below is a chart that shows the key factors of most popular companies that offer credit to companies in Finland. Those key factors are requirements to apply for a business loan, guarantee, loan amount, loan period and preferred repayment methods.

The most popular companies that offer credit to companies	Yritysluotto.fi and Fin Yritysrahoitus
Requirements to apply for a business loan	Company can't have payment defaults and usually has to be a Finnish company registered in the trade and prepayment register
Loan amount	Usually 2000-30 000 euros
Loan period	1-24 months
Preferred repayment methods	Equal annual amount in monthly installments
Guarantee	Almost always needed and typically by someone in charge of the company, as a shareholder, member of the board or the managing director

Chart 1: Key factors of the most popular companies that offer credit to companies in Finland

Besides those, there are plenty of similar services in Finland. Services usually offer the loan decision very quickly, even the same day or the following. Many finance companies offer credit loans to both private individuals and companies. Banks offer corporate credits, which include interest rate gap. In these cases, the loan is completely eliminated with the risk from potential interest rate fluctuations. (Luotot.)

In Finland, the traditional growth companies financiers can be divided into two groups: public and private funders. Public funders for growth companies in Finland are for example Tekes and ELY-centers. Also, Finnvera and Finpro are public funders. Public Funders in Finland receive funding for their actions from the government. Private financiers may similarly be con-

sidered the banks, angel investors, venture capitalists and the entrepreneurs themselves. (Lainema 2011, 49-53, 72.)

Innovation Finance Centre Tekes finances and activates challenging research and development projects and innovations for companies, universities, colleges and research facilities. Tekes helps companies in converting viable ideas into business by offering financing and expert services. The aim is to promote the international competitiveness of enterprises, help to increase production and exports, and create a foundation for employment and well-being of society. Yearly Tekes has around 3 000 companies, 50 universities, colleges and research facilities as customers. Funding available for projects in 2015 is around 550 million euros, which allows customers to carry out more than 2 000 research and development projects. (Tekes.)

Development tasks of the central government and regional implementation are what The Centres for Economic Development, Transport and the Environment (ELY Centres) are responsible. There are currently 15 ELY Centres in Finland, which are tasked with well-being and sustainable development, curbing climate change and promoting regional competitiveness. Three areas of responsibility that ELY Centres have are:

- Infrastructure and transport
- Industry and business, labour force, competence and cultural activities
- Natural resources and environment. (ELY Centre.)

State of Finland owns Finnvera and it is a specialised financing company. It provides its clients with loans, guarantees, export credit guarantees and venture capital investments. Finnvera is the official Export Credit Agency of Finland. As a provider of financing Finnvera does not compete with banks. (Finnvera.) Sitra is a public fund which aim is to build a a successful Finland for tomorrow. Sitras activities include forward thinking and anticipating social change and its effect on people. Activities also include to stimulate business that aims at sustainable well-being and promote new operating models. (Sitra.) Finpros' aim is to help SMEs to go international, promote tourism and encourage foreign direct investments in Finland (Finpro).

2.1 Interest rates

Interest rates total costs are a combination of the loan period, the loan repayment method, commission and fees. It is important for the borrower to examine all expenses before signing the contract and whether most of them will be payable at the end or the beginning of the loan period. Overall costs of the loan will increase with a longer loan period. (Finanssivalvonta 2014e.)

Interest rates for a loan can be fixed or else linked to a reference rate:

- A fixed interest rate does not change when general interest rates changes and it remains unchanged for the duration of the agreed period.
- Interest rates varies for loans that are tied to a short reference rate: For example if 12 month Euribor is the reference rate, every 12 months the interest rate will be revised. Euribor is short for Euro Interbank Offered Rate and the Euribor rates are based on the interest rates at which panel of European banks borrow funds from one another. Banks' own prime rates and Euribor rates are the most common reference rates. Total cost of the loan will be affected by changes in the interest rate. (Finanssivalvonta 2014e.)

Reference rate plus the bank's margin or a fixed interest rate are what the actual loan interest rate consists. For example, if the banks margin is 1% and the reference rate is 3%, the actual interest on the loan is 4%. The size of the margin is dependent on for example the collateral used and the purpose of the loan. Loan interest rate and other expenses are the what the actual annual interest rate consists. Various fees and commissions, such as management fee, commission on credit and a service fee are charged by the lender for each loan that is taken out. Terms and conditions, the size of the loan and the lender determine the size of these charges. Different loan offers are difficult to compare because of these additional expenses added to the cost of a loan. Good way to compare different loan offers is to compare the actual annual interest burden. This is because the actual annual interest includes all other expenses in addition to the interest. Standard formula is used to calculate the actual annual interest rate. In the terms and conditions of the loan and also when marketing, the lender is responsible for announcing the actual annual rate in all. (Finanssivalvonta 2014e.)

For example a fixed installment loan for 100,000 euros is taken out for 15 years and it is tied to a reference rate of 3%. Bank A offers the loan at a 0.6% margin and charges no service fee. Bank B offers the same loan at a margin of 0.5% and charges a service fee of 650 euros. So should the borrower take the loan from bank A or from bank B? A quick look makes the lower margin from bank A more attractive. The offers in reality have hardly any difference considering the time value of money and the loan period. Annual expenses that include all previously mentioned fees are shown in the actual annual interest rate. (Finanssivalvonta 2014e.)

The cost of borrowing is close to the average euro area level in Finland. In December 2014 new corporate loan agreements had a average interest rate of 2.0%. In November the interest rate in the euro area was 2.2%. Across euro area countries there are differences, like for example in Germany non-financial corporations paid an average rate of 1.9% on loans and in Spain the number was 3.1%. In December 2014 new drawdowns of loans to non-financial cor-

porations (excluding credit card credit and overdrafts) amounted to 3.2 billion euros which is 0.8 billion euros less than in December 2013. From November the average interest on new company loans decreased and on December it was 2.13%. The stock of euro-denominated loans to non-financial corporations at the end of December was 68.3 billion euros. From this amount loans to housing corporations was 21.2 billion euros. (Suomen Pankki 2015.)

The nominal interest rate on bonds can be fixed or variable fixed where interest rate of the loan is based on the loan period. Variable interest changes with the market situation. Bonds usually have an expiration date, which varies from few years to decades. Bonds can be bought and sold during the loan period but usually investors keep them until the expiration date. Usually bonds offer a better profit than a deposit. The profit is influenced by general level of interest rates, the issuers credit risk, loan period and the loan marketability (liquidity). (Danske Bank 2012.)

Corporate loans usually have a higher risk for the investor than state loans. Credit rating has a central role. When determining the nominal interest rate, the risk premium is an important issue. It means the marginal, which the borrower has to pay compared to the risk-free investment (usually on top of the three-month money market rate). The interest rate the company has to pay is influenced by the company's income statement, balance sheet condition, debtors' reputation, general economic uncertainty, company's size and the availability of other funding. Because bonds usually don't have collateral, the investor in a bankruptcy situation is more vulnerable than the security holders. In return for a higher risk, the investor gets a higher profit. (Danske Bank 2012.)

2.2 Credit checks

It is important to provide the lenders accurate information about the company that they have the possibility to invest, so that the lender can be confident that borrower will live up to their obligations. This is where credit checks come in to the picture. Also in these cases, like mentioned in the last chapter, the higher the risk is, the higher the return. This chapter is going to focus on credit check providers Suomen Asiakastieto Oy, Creditsafe, Bisnode (Soliditet), Standard & Poor's and Moody's and Fitch. More specifically the focus will be on Suomen Asiakastieto Oy because FundedByMe has had cooperation with Suomen Asiakastieto Oy and also on Bisnode (Soliditet) because they would be a cheaper choice.

Suomen Asiakastieto Oy is the leading company in providing risk management, corporate and marketing and sales information services in Finland. They provide web services tailored for contractual clients, company and personal information services accessible for all and electronic services integrated into customers' decision-making processes. Their comprehensive priva-

te company information database which they maintain contains up-to-date data on all Finnish companies and their key individuals. Many other public and private data sources are in real-time contact with them and also they maintain a file on consumer credit information. Their services are mainly available available directly from the web. (Suomen Asiakastieto Oy 2015a)

Rating Alfa is the system Suomen Asiakastieto Oy score is based on. It provides a comprehensive creditworthiness and financial report on the selected company. Financial statement analysis comparing the company's financial standing to that of the line of business is also provided in addition to basic data. When making big and long-standing credit decisions Rating Alfa is a good choice. The report can also be used later on during the business relationship. For the next three years the reports forecasting ability will remain good. Rating Alfa uses an international seven-step letter classification between AAA-C to demonstrate the company's creditworthiness. Company's background, payments, and financial standing are also analyzed on a five-step scale and it also provides a distinct credit recommendation in euros. Rating Alfa report informs about the company's payment defaults and it also tells the company's probability to go bankrupt or to get into payment difficulties during the next 12 months. For example companies in the best classes AAA or AA+ has only one in a thousand probability that they will go bankrupt or get into payment difficulties during the next 12 months. Sample report of Rating Alfa is found as an attachment 1 of this thesis. (Suomen Asiakastieto Oy 2015b.)

Suomen Asiakastieto Oy also has a Payment Indicator service. This service will analyze company's payment behaviour and then presents its payment behaviour history as a table and in a graphic form. Payment delay risk is also forecasted within the next 9 months on an explicit 5-step scale. Background variables, for example the company's age and size are also used in the payment indicator, in addition to payment pattern data assembled from several millions of actual invoices. Sample report of Payment Indicator can be found as attachment 2 of this thesis. (Suomen Asiakastieto c.)

Suomen Asiakastieto Oy Risk Indicator tells if the co-operation company is financially and managerially in good shape. It tells the risk points, shows the development compared to previous dates and defines the company's risk class. Risk Indicator gives a opportunity to compare the company's risk points to the average points in the line of business and to the average points of all companies. An extensive company information database and researched statistical models are in the background of the Risk Indicator. Company's payment defaults, solvency, payment patterns, liquidity, profitability and other background data are what the classification is based on. The service is real-time, which allows access to the latest classification data on all companies entered in the Trade Register, and registered associations and foundations. (Suomen Asiakastieto Oy 2015c.)

Bisnode (Soliditet) rating system is classified the following way:

Rating classes

AAA	Highest credit worthiness
AA	Good credit worthiness
A	creditworthy
AN	Acitivity new / background is not negative
No Rating	
B	Unsatisfactory
C	Lending is not in recommended

Chart 2: Rating classes

Rating Criterias include operational rating criterias, backround rating criterias and economical rating criterias:

Operational rating criterias

Established	Been operational for over two fiscal years and is registered at VAT-, the EPR- or the Employer Register
New	Been operational less than two fiscal years and is registered at VAT-, the EPR- or the Employer Register
Registered	Marked in the official register, VAT-, EPR- or the employer registration is missing
Passive	Been active before, currently confirmation by the tax administration is missing
Receivership	Status according to YTJ
Ceased	Status according to YTJ

Chart 3: Bisnode operational rating criterias

Backround rating criterias

Positive	Positive concern backround, broad ownership etc.
Not negative	Persons in charge have a positive credit history

Neutral	Foreign parent company or persons in charge have not been individualized
Negative	Concern or the persons in charge have a negative credit history
No Rating	No persons in charge, board of directors resigned

Chart 4: Bisnode background rating criterias

Economical rating criterias

Good	Economic charecteristics excellent
Satisfactory	Economic charecteristics better than the median company
Tolerable	Economic charecteristics at same level than the median company
Neutral	Balance sheet is missing or older than 24 months
Rating not possible	Financial statement analysis is not possible due to the nature of activities
Unsatisfactory	Economic charecteristics below the median company
Weak	Economic charecteristics are weak, shareholders eqyity is often lost

Chart 5: Bisnode economical rating criterias (Bisnode.)

Other credit check providers in Finland are Creditsafe, Standard & Poor's and Moody's and Fitch. Standard & Poor's and Fitch use a rating system from AAA-D and Moody's use a system from Aaa-C. Best rating AAA means that the risk for default is approximately 0,18%. Rating BBB and Baa2 the possibility for default is around 2,11% and B/B2 the risk for default is 31,24%. (Standard and Poor's 2015.)

2.3 Collaterals

Collaterals are needed to secure the repayment of the loan to the lender. Although the loan decision is primarily based on the repayment capacity of the loan applicant, the collateral given for the loan has also significant meaning. In this chapter I will go through the main principel of collaterals. As the guarantor's liabilities are determined in the loan agreement, it is important that the guarantor carefully examines the agreement. Banks are obligated to explain the guarantor the content of the agreement. (Finanssivalvonta 2012.)

The guarantor, on the basis of personal property, assumes liability for a loan or an agreed amount in issuing a guarantee. The creditor can collect the debt directly from the guarantor if the guarantee is a directly enforceable guarantee. It is possible to have several guarantors and in these cases each guarantor is severally and jointly liable for the debt and for an overdue debt, any one of the guarantors can be ordered to pay. On the basis of the guarantee, the guarantor is entitled to collect from the borrower the amount paid to the creditor, If the debt has to be paid by the guarantor. According to the per capita shares of the debt for such amount of the principle to be paid, above their own respective share, the guarantor has the same permission vis-à-vis the other joint and many guarantors. In connection with pledging, property can be given as a security for a loan from the borrower or from another person. The creditor is allowed to sell property given for security for the loan, if the loan is not repaid and then use the profit from these sales for loan repayment. (Finanssivalvonta 2012.)

The value of the property given as security for a loan is independently determined by the creditor. The market value of the property is not the same as the collateral value. For example, deducting a specific safety margin from housing company shares or real property market value is how banks set the collateral value. This ensures that the loan repayment will not be jeopardised, even if the market value of the property should decline. However, because of a normal reduction in the value of the collateral, the bank can't demand additional collateral from a private customer. For example, banks also accept In addition to housing company shares and real property deposits and listed shares as collateral. For these types of assets the collateral value calculated by the bank has a certain safety margin deducted from their market value. Before signing the contract, the creditor must give the pledgor and guarantor information which could be considered being of relevance to the guarantor or pledgor, and information on such commitments that the debtor has and other matters relating to the borrower debt servicing capacity. If the creditor fails to comply with these disclosure requirements, the liability of the pledgor and guarantor can be adjusted. (Finanssivalvonta 2012.)

Before committing to give a pledge or act as a guarantor, the following details should be checked:

- Verifying the debtor's financial position
- Clarifying the scope and content of the pledge agreement or guarantee
- Before signing the agreement, make sure that all unclear points are cleared up
- Make sure all the conditions are documented in the agreement, like for example If liable only for a certain period of the debt or only for a portion

- Make sure to receive own copies of the pledge or guarantee agreement and copies of the promissory notes, with repayment schedules, for which the pledge or guarantee is given and also store them in a safe place
- Be always prepared for the possibility of becoming liable for the undertaken commitment. (Finanssivalvonta 2012.)

Companies that offer credit to companies a guarantee is almost always needed and it's typically by someone in charge of the company, as a shareholder, member of the Board or the Managing Director. Usually, the entrepreneur must provide around 20% of the finance before lenders (i.e banks) consider granting a loan. Banks often require a real security for the loan capital. Securities can be such as the pledging of a home or other assets. The availability of finance for smaller companies is also hindered by the scarcity of eligible collateral and higher collateral requirements. The weakening demand for corporate loans may have also contributed collateral assurance and the increased use of covenants. (Bank of Finland 2013.)

In cases where there is no collateral, the investor is in a bankruptcy situation more vulnerable than the security holders because unsecured debts are served after secured debts and other preferential claims (Danske Bank 2012).

2.4 Characteristics of Bankruptcies and Restructurings in Finland

Bankruptcy is defined by law as insolvency proceedings in which the debtor's assets shall be used to pay the debts, as far as it will be enough. At the beginning of the bankruptcy, the debtor loses control of the property and the property is transferred to the creditors control with the purpose of implementing. Bankruptcy administration, such as asset management and sales of the court orders the administrator. Assets are liquidated and the funds used for debt payment purposes. (Koulu 2004, 2.)

In a typical bankruptcy in Finland, the tax authority or other form of institutional liabilities such as banks, has applied for bankruptcy on a small or medium-sized joint-stock company that has been operational for a short period of time, usually in construction, transportation, or the information sector. Bankrupted operations are usually based on inputs from the owner of the company. Typical bankruptcy is almost fruitless for creditors because it produces no more than ten percent apportionment for ordinary creditors. Almost half of bankruptcies, no ordinary creditors accumulated at all of the apportioned share. (Koulu 2009, 23.)

Bankruptcy begins when the court declares the debtor bankrupt. Initiation of the bankruptcy notice is published in the Official Gazette, the fact shall be recorded in the Ministry of Justice bankruptcy register, the trade register and the credit repositories. (Koulu 2009, 149)

Company restructuring is based on the autonomy of the creditors, since the approval of the company restructuring is decided by the creditors. Decision-making is more complicated than in bankruptcy situations, because the creditors make decisions on groups. Groups contain creditors who have similar claims. The assumption is that those creditors have the same interests. The restructuring program usually includes the company's profitability-enhancing actions, as well as the release from debt, ie debt restructuring. The role of the court is larger in restructurings than in bankruptcies. The court will decide to start the restructurings and also confirms the restructuring program approved by the creditors. The court usually practically reduces the creditors claims or at least arranges a new payment schedule. The court will also decide disputes actualized during the procedure. (Koulu 2013, 57.)

The debtor maintains the disposal of its assets in company restructuring. The debtor, therefore can practise their business in the same form and extent as before. Measures affecting creditors' rights, however, need an administrator's consent. Also bankruptcy can only be filed with the consent from the liquidator. Liquidator in restructuring is basically same as the trustee in bankruptcy, although his powers are much more limited. Basically the liquidator is only a expert designer who also partly oversees the debtors actions. Liquidators activities also include to formulate a proposal for the restructuring program, of which the creditors will vote. It should be noted that the bankruptcy attorney has the right to supervise the liquidators actions. Under the law, the liquidator must be connected to the creditors and this has its own body, creditors' committee. The court decides the creditors' committee, unless it is considered unnecessary. The creditors committee is a representative body, the actual decision-making powers it does not have. The liquidator's duties usually end with the confirmation of the restructuring program. An administrator can be ordered to follow the execution of the program. (Koulu 2013, 58-59.)

The number of restructurings is about a tenth of the number of bankruptcies. Companies selected for restructuring are usually larger than companies gone bankrupt. The vast majority of companies selected for restructuring however are SME companies, whichs have the highest probality for restructuring. Mathematically, the restructuring produces a higher return to creditors than bankruptcy. It has been estimated that, on the basis of the restructuring program, creditors will receive about 30-50 percent of the original amount owed. In reality, about half of the companies gone through company restructuring ends up in bankruptcy within 5 years. (Koulu 2013, 60.)

3 Crowdfunding

Crowdfunding means collecting funds from a large group to fund some particular company, or project. The goal is to collect a lot of individual investments that together combine a large

sum to be used to fund a company or a project. Crowdfunding can be used to fund a variety of projects. Funds are being collected from the public for creative projects like movies and music all the way to politic campaigns. Crowdfunding is used today also to fund companies. The common factor for everyone, no matter for what purpose the funds are is that the funds are collected from a large group of people, when the risk is divided between multiple participants. Crowdfunding campaigns collect funds mainly through crowdfunding platforms that operate on the internet. (Dresner 2014, 3, 11-12.)

To receive funding for new and growing companies and different projects have been a central problem for entrepreneurs for a few decade. Even in the good financial times receiving funding have been dragging down the developement of many potential companies and projects. Especially the last few years have been difficult for entrepreneurs to get funding. Despite good business ideas, after the 2008 global finance crisis it has been really difficult to receive funding for high risk companies and projects. This is the reason why crowdfunding has constantly increased its popularity. (Dresner 2014, 15.)

Crowdfunding has opened a new way of receiving funding for diversity of projects and entrepreneurs. Entrepreneur who seeks funding through crowdfunding doesn't have to find few large investors or negotiate a loan with the bank. Entrepreneur can present their idea on the internet directly to interested investors and with their help raise the needed funding in matter of weeks. Entrepreneurs who use crowdfunding receive, in addition to funding, direct feedback to their idea/product from potential customers. The feedback can be as valuable as the funding. Feedback ables the entrepreneur to modify the product the way interested customers would like. Many campaigns fail because they don't attract enough interest in a large group. (Young 2013, 14-15.)

Crowdfunding has become especially a funding method for creative projects and companies. Many creative projects like music and movies are funded using crowdfunding. Usually creative projects don't receive funding because of the high risk involved. Entrepreneurs on the other hand especially use crowdfunding on situations when they are unable to receive funding using the traditional methods. (Young 2013, 14-15.)

Rapidly growing social media services like Facebook, Twitter, Instagram and LinkedIn have had an significant effect in the growth of crowdfunding's popularity. Through social media people can share their interests globally. This is the reason why knowledge of interesting crowdfunding campaigns spread like wildfire between a large group. (Dresner 2014, 10; Fundrise 2013.)

3.1 Crowdfunding methods

Despite the brief history of crowdfunding, it has rapidly developed as an industry and as a phenomenon. Today there is four recognizable widely different forms of crowdfunding. These forms are reward-, donation-, equity- and loan-based crowdfunding. Reward- and donation-based crowdfunding are usually used for campaigns that are oriented to increase common good. The most known form of crowdfunding at the moment is reward-based because of the pioneers of the industry Indiegogo and Kickstarter. Companies that seek equity- or loan-based crowdfunding are usually small and medium-sized companies. However, what type of crowdfunding the company ends up using depends on the needs of the company or project. (Dresner 2014, 39-42; 47-49.)

Chart 6 shows the four crowdfunding methods and what kind of reward they offer, what their target is and known platform providers and what kind of legislation they have to obey in Finland.

Crowdfunding method	Reward	Target	Known platforms	Finnish legislation
Donation	No reward	Charity Non-commercial targets	GoFundMe Kiva	Money collecting law
Reward	Reward or a product (usually the output of finished project)	Charity Creative projects Market testing	Kickstarter Indiegogo Mesenaatti.me PocketVenture FundedByMe	Consumer protection and commercial law (incl. Is supplemented regulations)
Loan	Interest paid for the loan	Private Individuals SMEs Start-Ups	Vauraus Suomi Fundu Prosper LendingClub Fixura	Financial market and consumer protection legislation (eg. AIFML, AML, LLL, SIPAL, MLL)

Equity	Shares and their value increase or dividends	Growing companies Start-Ups	Investor FundedByMe PocketVenture	Financial market legislation (eg. AIFML, AML, LLL, SIPAL, MLL)
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Chart 6: Crowdfunding methods (Finanssivalvonta 2014b; Joukkorahoituslaki - Yleisperustelut - lausuntokierros, 8-9)

3.2 Loan-based crowdfunding

Loan-based crowdfunding refers to a situation where an individual or a company borrows money from a large number of people through crowdfunding. Knowledge that the loan is paid back according the agreed terms is essential in loan-based crowdfunding (Crowdfund Insider, 2013.)

Loan-based crowdfunding was created post-2008 global finance crisis when receiving a loan or consumer credit from traditional channels like banks had become much more difficult for the borrower. Crowdfunding platforms are focused on bringing the borrowers together with people who would like to lend money as an investment. (Dresner 2014, 54-55; Prosper 2014.)

From the borrowers perspective loan-based crowdfunding offers a alternative way to receive credit compared to traditional financial institutions. In some cases the credit can be even cheaper than a loan received from a bank. Loan-based crowdfunding is especially suitable for companies that do not want to give up any equity like shares but need capital to grow their business. The lender profits from the loan in a form of the agreed interest. Depending on the platform, the interest is agreed between the lender and the borrower. The risk in loan-based crowdfunding is that the loan is not paid back as agreed. Investors motivation in loan-based crowdfunding can be seen more financial than in other crowdfunding methods. Although the desire to help and support other people can also be a reason to became a lender in loan-based crowdfunding. (Crowdfund Insider 2013.)

Financial Supervisory Authority defines loan-based crowdfunding that the service provider transmits funding from lenders to the borrower. This type of transmission of loans do not in most cases require a licence and is not under the supervision of Financial Supervisory Authority. If the service provider receives repayable funds that are defined in the Credit Institutions Act and provides credit or some other type of funding from these assets on its own account, activities require the authorization from Financial Supervisory Authority and is subject to supervision by the Financial Supervisory Authority. (Finanssivalvonta 2015c.)

In Finland there are currently three platforms that provide loan-based crowdfunding and they are Vauraus Suomi Oy, Fundu Oy and Invesdor Ltd. I will come back to those three platforms in chapter 4 of this thesis. At the moment, FundedByMe offers the opportunity for investors around the world to lend money to companies, including Finland but only German and Swedish companies can start a loan-based crowdfunding campaign.

3.3 Regulations

According to Financial Supervisory Authority there are currently no comprehensive or separate legislation or regulation of crowdfunding or its various forms. As a result, regulation concerning crowdfunding may be widely different between countries. In Finland crowdfunding, depending on the form might already be covered by an existing regulatory approach. Examples applicable to the regulation are money-collection law, commerce or consumer protection law, as well as financial market legislation. (Finanssivalvonta 2014b; Finanssivalvonta 2014c.)

When offering shares or other securities to trading, it triggers an obligation to publish a prospectus accepted by the Financial Supervisory Authority for investors to see, according to the the Securities Markets Act. The prospectus must include relevant and sufficient information about the issuer and any possible guarantors. Adequate and relevant data means information on assets, responsibilities, financial position, performance and the future prospects, as well as the rights of the offered securities and other aspects that could substantially affect the value of the securities. (Finlex 2012.) There is no obligation to draw up a prospectus in situations where the offer is less than 1.5 million euros within 12 months, and the investors are provided with sufficient information about the facts that might effect the securities value. (Financial Supervisory Authority 2014c.) This is the reason why most crowdfunding platforms only allow maximum of 1.5 million euro financing rounds.

Regulations for crowdfunding are being mapped and developed currently in Finland and also in the EU. At EU-level the European Securities and Markets Authority ESMA is determining how to adapt the current regulations and the need for changes in crowdfunding. There has been established also a European Crowdfunding Stakeholder Forum which acts as a forum for the exchange of information between Member States, authorities and operators. (Finanssivalvonta 2014c.) Crowdfunding and its various forms are likely to get common rules and legislation in the future, and possibly also at the EU-level.

Since acquiring and transmitting crowdfunding has not been harmonized in the EU, platforms can provide services across borders at conditions set at the host country. The principle of the single authorization states that a credit institution, fund management company, investment firm or an insurance company authorized in one EEA (European Economic Area) state can

practice their licensed activities in all EEA States by either through the establishment of a branch or by providing cross-border services. The right to provide two investment services without the investment firm's authorization does not give the right to the euro passport, so to provide those investment services from Finland to the European Economic Area freely depends on the regulation another EEA country has. Because not all EU countries have their own national legislation on crowdfunding, the right to offer services in accordance of the crowdfunding law across borders depends on each EU countries national regulatory solutions. (Joukkorahoituslaki - Yksityiskohtaiset perustelut - lausuntokierros, 2.)

The law states that a crowdfunding distributor is not allowed to distribute crowdfunding or other ways participate in raising funds for a recipient that is in bankruptcy, has corporate reorganization or other insolvency proceedings. This regulation requires the ensurance of repayment ability of the crowdfunding beneficiary and is necessary to secure crowdfunding's reputation and credibility as a legit alternative funding channel. Instead, for example the suitability assessment according to ELTIF-regulation (European Long Term Investment Funds) which involves an assessment of the customer's risk-bearing capacity is not necessary in crowdfunding because of relatively small sums of money involved. Also, it is more investments directed to SMEs where the risk of losing the investment is higher than investing in listed shares. The possible loss of investment is a acknowledged fact and therefore does not release the responsibility away from business angels or other investors. (Joukkorahoituslaki - Yksityiskohtaiset perustelut - lausuntokierros, 12.)

Situations where private individuals or companies, communities or traders give loans to companies, communities or traders through a platform that offers loan-based crowdfunding are excluded from the scope of the Consumer Protection Act and resembles the current banking-and/or investment activities. Therefore activities are under the financial market regulations instead of the Consumer Protection Act. The Law on Credit Institutions states that credit institution activities means business where repayable funds are received from the public and credit or other funding is provided on their own account. Platforms offering loan-based crowdfunding are unlikely to fulfill the conditions laid down for credit institutions mainly because the operations are usually tailored in a way that the platform does not receive repayable funds from the public. Finnish market has a number of operators that offer investment and fund-raising opportunities based on this business model. Traders often use in their operations untransferable securities, such as common bonds referred in the Promissory Notes Act or otherwise unusable customized securities when the action does not in principle fall within the investment law or in the Securities Markets Act. In addition, this kind of business seems to fall widely at the present financial market regulatory gray area. (Joukkorahoituslaki - Yleisperustelut - lausuntokierros, 12, 46.)

This kind of actions is not funds loaned from consumer to consumer, but other personal relationships, like from consumer to company or from company to company type of lending and investment activities. Drawing a line in Consumer Protection Act thus takes place in two respects; on one hand loans directed to consumers is exclusively under the Consumer Protection Act and on the other hand in loan-based crowdfunding the investor and the creditor can be a consumer. Crowdfunding law is applied in situations where the consumer and other investors lend money to companies with the contribution of a crowdfunding distributor. The crowdfunding distributor collects money from investors, and after that distributes the funds to the borrowers. In practice, the investor has no possibility to influence the affairs of the claim and also there is no communications between the lender and the borrower. Investor's activity therefore corresponds to traditional investment activities compared to lending because the only obligation for the investor is to transfer funds for the crowdfunding distributor to lend forward. (Joukkorahoituslaki - Yleisperustelut - lausuntokierros, 12.)

On June 26th 2014 The Financial Supervisory Authority published a bulletin (9/2014 - *Only part of crowdfunding forms are currently regulated and thus under supervision*) which states that loan-based crowdfunding in Finland in the current form does not require a licence and is not under the supervision of the Financial Supervision Authority. However, if the service provider receives repayable funds and from these funds provides loans or other financing on their own account, operation require a Credit Institution licence granted by the Financial Supervision Authority and also is under the supervision of the Financial Supervision Authority. (Joukkorahoituslaki - Yleisperustelut - lausuntokierros, 12-13.)

It may be relevant for the credit intermediaries if the credit is booked at the crowdfunding distributor's balance sheet or is the credit intermediation happening outside the balance sheet. If the credit is recorded in the balance sheet and granted on their own account, it's called issuing credit, not credit intermediation and possibly requires a credit institution licence. In loan-based crowdfunding, loan is not granted and investments are not being taken on crowdfunding provider's own account. Credit intermediation requires that the relationship is created between the receiver of the crowdfunding and provider of the crowdfunding. Loaning from a tradesman to a crowdfunding beneficiary would practically be credit institution actions, when at the same time the funds are collected from the public. Key conclusion from EBA's (The European Banking Authority) report is that credit intermediation in it's generally occurring form is not receiving deposits and therefore not credit institution activities. (Joukkorahoituslaki - Yksityiskohtaiset perustelut - lausuntokierros, 3-4.)

Loan-based crowdfunding is comparable to notariat money traditionally forwarded by banks. In loan-based crowdfunding the compensation can be collected in other forms than interest, like for an example collecting a fixed fee coming from made arrangements. For the these rea-

sons, loan-based crowdfunding, especially in situation where credit intermediation is directed to companies, is some form of finance intermediation that has not previously been regulated by law. (Joukkorahoituslaki - Yksityiskohtaiset perustelut - lausuntokierros, 3.)

3.4 Anti-money Laundering and Know Your Customer

The prevention of terrorist financing and money laundering is based on international standards and each country has their own special regulations. Regulation aims to ensure that harmonised customer due diligence procedures comply with global financial markets. Intergovernmental working group on the prevention of money laundering and terrorist financing Financial Action Task Force on Money Laundering (FATF) operating under the Organisation for Economic Cooperation and Development (OECD) has an important role. It has 40 recommendations to fight money laundering and also 9 special recommendations to counter terrorist financing. These recommendations are widely observed around the world. FATF recommendations are what the EU's Anti-Money Laundering Directives are based on. Directions are being issued from the EU to states. (Finanssivalvonta 2014f.)

In Finland, the Financial Intelligence Unit working under the National Bureau of Investigation deals with reports on suspicious transactions submitted to them. Ministry of the Interior is responsible for the development of anti-money laundering legislation. Responsibility for ensuring that risk management, internal control of supervised entities and the procedures meet the statutory requirements lies with the Financial Supervisory Authority. For failing to comply with the obligations of customer due diligence and prevention of money laundering and terrorist financing under the Act on Preventing and Clearing Money Laundering and Terrorist Financing a supervised entity or its employee may lead to punishment. For example, if a supervised entity counsels or assists a customer with connections to transfer of funds, investment activities or establishment of fictitious companies may become guilty of negligent money laundering, even though there are reasons to be doubtful of the customer's business. (Finanssivalvonta 2014f.)

Companies create the basis of a risk-based approach to their customer due diligence procedures and minimum criterias which they will follow in their customer relations. Supervised entities must be able to demonstrate to the supervisor the way it assesses client relationships and money laundering risks related to their operations. Also how they identify their clients and monitor transactions and usage of services. Customer can be identified and verified on behalf of the monitored by a representative that can be either some other person subject to the reporting obligation or some other reliable cooperation partner. Customer due diligence data and documentation concerning a customer relationship has to be delivered to the supervised entity or be available for the supervised entity without any delay. (Finanssivalvonta 2011.)

Requirements regarding customer due diligence are:

- Verifying the customer's identity and identifying the customer
- The beneficial owner's identification (clarification of the customer's control structures and ownership in excess of 25%) and verification, if necessary
- Whenever necessary verifying and identifying a person acting on behalf of the customer
- Finding out the scope and nature of the customer's business
- Storing the due diligence and identification data
- Complying with the obligation to report and obtain information on any suspected business transaction
- Maintaining training of personnel, internal guidance and nominating a money laundering compliance officer (or contact person)
- Conducting ongoing monitoring of transactions and customer relationships and developing methods for risk management. (Finanssivalvonta 2011.)

Payment service providers have an obligation to identify their customers and make sure that transfers of funds are accompanied with information of the payer. The customer's identity must be verified, if the payment exceeds 1,000 euros and the funds are not transferred from an account. For example, these type transfer of funds are considered to be a payment of a bill in cash or a cash payment into the customer's own account. In addition, identification of the customer and identity verification is necessary, if the underlying business transaction differs from the ordinary. For example, if supervised entity suspects the funds origin or the use of the business transaction or funds. Also, if there is suspicion of the veracity of previously obtained customer due diligence data, the customer must be identified. (Finanssivalvonta 2011b.)

Crowdfunding activities might involve payment service that requires a licence or registration granted by the Financial Supervisory Authority. The Financial Supervisory Authority monitors payment services within the scope of the Payment Services Act. Small-scale payment service can be provided without authorization, if the payment transactions executed by the legal person in the last 12 months has been no more than 3 million euros per month and for a natural person 50 000 euros per month. In these cases, the payment service provider has to do a notification to Financial Supervisor Authority before starting their operations. Then the Financial Superivisory Authority determines if the service provider fulfills the requirements.(Finanssivalvonta 2015c; Joukkorahoituslaki - Yksityiskohtaiset perustelut - lausuntokierros, 24.)

European Banking Authority states that payment service directive seems to be most applicable specifically to loan-based crowdfunding because the current form covers in most cases all the crowdfunding industries payment add-on dossiers. Payment service add-ons the payment service directive may also be applicable to other crowdfunding forms. However, European Banking Authority points out that the existing EU legislation does not cover specific views concerning loan activities in loan-based crowdfunding and therefore many of the risk entities involved in crowdfunding are currently not regulated. In addition, European Banking Authority notes that platforms offering loan-based crowdfunding and their business models do not currently fulfill the definition of a Credit Institution according the EU legislation. Therefore activities are not considered Credit Institutions activities and funds loaned through loan-based crowdfunding are not deposits, and therefore do not fall within the EU's field of coverage. (Joukkorahoituslaki - Yleisperustelut - lausuntokierros, 40)

Vauraus Suomi Oy, Fundu Oy and Invesdor Ltd. all use a system called Tupas and it is possible to invest from all Eu countries but authentication is done through a Finnish bank (Nordea, Osuuspankki, Sampo Pankki, paikallisosuuspankit/Aktia, Tapiola Pankki, Ålandsbanken, S-Pankki, Handelsbanken). TUPAS could be viable option for FundedByMe to use to authenticate Finnish investors but because FundedByMe already has an investor base with investors from all over the world, a viable option might be to use Mangopay, which is a a service for market places, collaborative consumption platforms and crowdfunding websites. It allows to have a payment solution and to manage the electronic funds. Mangopay accepts payments through Visa/MasterCard from more than 150 countries, including Finland. Mangopay implemented in crowdfunding works in the following way:

- When the project owner account is on the application side, the server says to Mangopay to create a user. When this user creates a project, the server creates and associate a project e-wallet.
- Once a contributor account is created on the application side, the server says to Mangopay to create a user and to automatically associate a e-wallet.
- The user buyer pays into its own wallet. Funds are not escrowed in this stage, they are directly transferred into the project e-wallet.
- If the project is funded, then it's possible to do a payout into the project owner's bank account.
- If the project fails, the funds can be returned to everybody by first bringing the money back to their wallets and then refunded into their bank accounts. (Mangopay a.)

Mangopays view on Know Your Customer issues is that these are necessary in order to fight fraud, money laundering and financing of terrorism. and these legal obligations are related to their license as an electronic money issuer. Authentication includes 3 levels and these are

light, regular and strong. These are managed through the API (application programming interface) by the MangoPay compliance team. Authentication levels work the following way:

- Light Authentication: Transaction worth no more than 2,500 euros for cash-in and/or for cash-out cumulated per user and per legal year (in this equation transfers are also counted)
- Regular Authentication: Transactions larger than 2,500 euros for cash-in and/or 1,000€ for cash-out cumulated per user or legal year
- Strong Authentication: Clients who are suspected of terrorism and or money laundering and/or politically exposed persons (Mangopay b.)

Mangopay's fees are that Mangopay collects 1.8% + € 0.18 fees per cash-in transaction in euros. Mangopay charges only the crowdfunding provider, never their client. It is up to the crowdfunding provider, if they like to collect the fees during a transfer, during the payin or during a payout. (Mangopay a.)

4 Competitor analysis

Competition is the core of firm's success or failure. Competitors in most firms are viewed as threats. Attention is usually focused on how their entry can be prevented in the first place, because in this line of thought, competitors are seen as the enemy that has to be destroyed. Even though competitors can be seen as enemies, the right competitors in many industries can rather strengthen than weaken the company's competitive position. These "good" competitors can offer a variety of strategic information that can improve the structure of the industry and increase the firm's sustainable competitive advantage. Usually it is desirable for a company to have one or several "good" competitors. Also it might even be a good idea to deliberately forgo market share instead of trying to increase it. In some cases more market share can be worse than less. Companies should also concentrate its efforts on attacking the "bad" competitors while at the same time maintaining a relative position with the good ones. (Porter 1998, 201.)

It has been argued that the behavior of few rivals, possibly a single firm can determine the company's key characteristics of external environment in highly concentrated industries. These types of situations are for example GE, United Technologies, and Rolls Royce in jet engines, Coca-Cola and Pepsi in soft drinks and Business Week, Fortune and Forbes in business news periodicals. The purpose of acquiring information about competitors is to use that information to predict their behavior. Competitor intelligence involves systematic collection and analyzing of public information available about the rivals in order to help the company's decision making. The three main purposes of competitor intelligence are:

- Forecasting future decisions and strategies of competitors
- Predicting competitors likely reactions to firms strategic initiatives
- Determining ways to make competitors behavior more favorable

For all these three purposes, the key requirement is to understand competitors in order to predict their tactics, choices of strategy, own company`s competitive moves and their reactions to environmental changes. Being informed about the competitors is important in understanding them. The line between illegal industrial espionage and legitimate competitor intelligence is blurred. Also the difference between public and private information is not always completely clear. (Grant 2005, s.112-113.)

4.1 Direct competitors for loan-based crowdfunding in Finland

Loan-based crowdfunding is a relatively new crowdfunding method in Finland. There are currently three companies that offer loan-based crowdfunding in Finland. Those are Vaurus Suomi Oy, Fundu Oy and just recently Invesdor Oy also started offering loan-based crowdfunding in addition to equity-based crowdfunding. In this thesis, the focus will be on those three companies and how they operate on the following matters that are characteristics to be eligible for crowdfunding loans, bankruptcy situations, debt collection, average size and length of loans, interest rates, repayment of loans and special cases, collaterals, taxes and cash flow structure.

4.1.1 Vaurus Suomi

Vaurus Suomi Oy was founded in 2011 with a purpose of offering a new way to seek financing and offer a new and innovative way for investors to invest their capital. They launched a beta version of their loan product on September 2013 and the actual loan product on March 2014. Their loan product is called Yrityslainat. By September 2015 through their platform, over 350 loans have been granted and over 29 million euros raised. Vaurus Suomi Oy has around 50 employees and their headquarter is located in Helsinki. They also have offices in Tampere, Espoo, Oulu, Turku and Pori. (Vaurus Suomi a.)

There are certain demands communities, individuals and companies have to fulfill to be eligible to apply for a crowdfunding loan. Vaurus Suomi Oy defines communities to be limited liability companies, joint-stock companies, limited partnerships, cooperative societies, private traders, states and its institutions, municipal corporations, congregations, foundations and non-private persons. At Vaurus Suomi Oy if a company or a community wants be accepted for a loan applicant, it has to fulfill the following requirements:

- Company or a community that is registered in Finland
- Company or a community which is sufficient to repay loans
- Does not have any insolvency disturbances

For individuals to be accepted for a loan applicant they have meet the following requirements:

- Applying a loan for a new company, set up by the company's operations or pursuing a trade
- Plenipentiary, and is 21 years of age
- Has an email address
- Has a permanent residence in Finland
- Has a regular income
- No payment failures
- Is not a board member of the company, which has registered payment defaults (Vaurus Suomi b.)

Before verifying the loan application, Vaurus Suomi Oy will conduct an inspection, which will determine if they accept or deny the loan application. Vaurus Suomi Oy has a right to reject a loan application without informing the reason. The loan applicant will receive the loan, if during the period of validity the verified loan application has received 100% of the funding goal or below the loan applicant approved funding goal, which has to be at least 50% of the amount that has been informed in the verified loan application. Vaurus Suomi Oy uses loan applicants personal- and community credit information in their credit checks. Necessary personal and credit information are gathered in cooperation with the credit bureau Soliditet (Bisnode Finland Oy). Loan applicants approve that their information is checked before they are accepted. The loan applicant is responsible that the information they provide is accurate and correct. (Vaurus Suomi b.)

At Vaurus Suomi Oy the loan applicant can submit a new loan application three months after the amount agreed in the loan agreement is transferred to the account the lender has indicated, but it is provided that the three first installments have been paid. Loan applicant can't submit any new loan applications if any of the Installments have been transferred to a debt collection agency. (Vaurus Suomi b.)

At Vaurus Suomi Oy, if the borrower is declared bankrupt, the loan falls due to immediate repayment.

For example: I invest 5,000 euros in to a company X through Vauraus Suomi Oy platform and the company X goes bankrupt before the loan is fully repaid. Because of company x's bankruptcy, there is still 2,000 euros of loan capital to be paid.

a) I am a private person and I invest according the Income Tax Act through my taxable company. Can I deduct the 2000 euros in my taxes?

-->According the Income Tax Act, the value loss of the claim can be reduced from capital gains in the same way as the share value loss but only if the tax payer's claim is based on the securities, which are now worthless because of the debtor's insolvency. The deduction is not possible, if its not based on the securities. The point is that you should not at all make tax deductions (in this example 2000 euros) for losing claims, because loan capital tied to a promissory note invested through Vauraus Suomi Oy is not likely to be seen as securities by the tax authorities. The securities may involve ambiguity and therefore in some situation the deduction might be possible.

b) I invest according the Business Tax Act through my taxable company and the investments are a part of my companys income source. Can I reduce my tax by 2,000 euros?

--> Your company may deduct the final receivables losses in taxes. (Vauraus Suomi b.)

Vauraus Suomi Oy policy on If the borrower does not pay the installments till due date is that- they will send a payment reminder electronically. If the borrower does not pay the installment despite the reminder after fourteen days past the due date, Vauraus Suomi Oy is entitled to transfer the unpaid debt to a collection agency. Vauraus Suomi Oy is in partnership with an authorized collection agency registered in Finland to recover the debts. Agreement signed by the borrower authorizes Vauraus Suomi Oy to forward information about undisputed and overdue claims to a collection agency that Vauraus Suomi Oy uses. The collection agency used by Vauraus is committed to obey good debt collection practice. The loan collection will lead to costs that will be paid by the borrower. Debt collection is free of charge for investors. In the loan agreement, investors authorize Vauraus Suomi Oy to manage the recovery of the claims for them. Vauraus Suomi Oy does not require collateral for their loans. (Vauraus Suomi c.)

The loan minimum at Vauraus Suomi Oy for communities and companies is 2,000 euros and the maximum amount according to their ability to repay. The same applies to individuals. The loan period is at least six months and a maximum of sixty months. The borrower's obligation to pay interest at Vauraus Suomi Oy begins on the day of signing the loan agreement. Interest is calculated for the original capital of the entire loan period. The monthly amount of the

interest rate is one-twelfth of the annual amount of interest and the monthly interest installment amount is one-twelfth of the annual amount of interest. The borrower is obligated to pay the loan's annual interest rate that is indicated in the loan agreement. The annual minimum interest for communities and private individuals is 4.0% and the annual maximum rate to individuals is 18.0%. Communities do not have a fixed annual maximum rate. In top of the annual interest, Vauraus Suomi Oy also charges the borrower an opening fee, that is 8,0% of the loan capital from communities, and 8.0% of the loan capital from private persons. Opening fee is deducted from the loan capital before transferred to the borrowers. The loan's annual management fee is 1.0% of the initial loan capital per year, and it is divided into the number of payments throughout the loan period. In addition, Vauraus Suomi Oy will charge ten euros from both individual and community borrowers from each payment. Vauraus Suomi Oy uses two decimal rounding calculation rule when counting fees. The actual annual interest is always apparent from the loan agreement. Vauraus Suomi Oy activities are not subject to VAT, and for this reason, the previously mentioned costs do not include VAT. (Vauraus Suomi b.)

The actual annual rate of interest at Vauraus Suomi Oy is determined by solving the X from the following equation:

$$\sum_{k=1}^m C_k (1 + X)^{-t_k} = \sum_{l=1}^{m'} D_l (1 + X)^{-s_l}$$

- X = actual annual rate
- m = the last withdrawal running number
- k = number of a withdrawal, therefore $1 < k < m$
- C_k = amount of withdrawal k
- t_k = years and parts of years expressed by the time elapsed during first drawdown date and each subsequent drawdown between days, thus $t_1 = 0$
- m' = the last repayment or payment number
- l = repayment or payment number
- D_l = repayment or payment amount
- s_l = years and parts of years expressed by the time elapsed during the first drawdown date and each repayment or payment date

Loan amount	6000€	Opening fee	480€
Loan period	6 months	Monthly payments (total)	1040€
interest	5%	Interest	150€
		Service fee 10€/instalment	60€
		Management Fee (1% / year)	30€
		Actual annual interest	53%
		Total price of the loan	6240€

Chart 7: The actual annual rate of interest at Vaurus Suomi Oy (Vaurus Suomi b.)

Vaurus Suomi Oy has the right to expire the entire loan for the borrower to pay with a written demand in cases the borrower neglects due date or a payment of capital, interest, delayment interest or some other payment if:

- The payment is delayed at least 14 days and remains unpaid
- At least two installments are late, or if the delayed amount is at least 6% of the loans original amount or it includes the entire remainder of the borrowers loan receivables. (Vaurus Suomi c.)

Vaurus Suomi Oy is also entitled to expire the borrowers entire loan to pay with a written demand if:

- Loan applicant has given Vaurus Suomi Oy and / or the investors misleading information, which may have affected granting the loan or affected its terms
- Loan applicant has committed some other fundamental breach of contract

- Loan applicant dies or is declared bankrupt. (Vaurus Suomi c.)

Loan expiration becomes valid after four weeks or two weeks after the loan expiration notice has been sent to the borrower, in case the delayed amount is still not paid. If the loan is terminated, the remainder of the claim shall be deducted by the part of the loan, which is subject to the unused loan period. Vaurus Suomi Oy can, however, charge the costs related to activities made to establish the loan, as pointed out in the loan agreement. (Vaurus Suomi c.)

Vaurus Suomi Oy can conduct a withholding tax from interest payments made to customer accounts from individuals. Withholding tax amount accounted to the tax administration is regulated by the law that is valid at the moment on capital gain tax (currently 30%). Withholding amount is calculated to the nearest cent. Vaurus Suomi Oy does not pay interest for the withholdings. Interest payments to customer accounts are taxable capital income for private individuals. Withholding starts for private individuals for that tax year benefits when the withholding is delivered. Withholding therefore in practice means that Vaurus Suomi Oy carries out pre-tax interest on behalf of private individuals. (Vaurus Suomi c.)

In addition, Vaurus Suomi Oy sends the Tax Administration each year an annual statement of private individuals interest profits and the withholdings that have been made. Vaurus Suomi Oy fills a tax form on behalf of the investor, but Individuals should check the pre-filled tax form so that the information is accurate and inform any missing and invalid data to the Tax Administration. Vaurus is not responsible that the information in the pre-filled tax return form is correct. Vaurus Suomi Oy takes no responsibility for informations' accuracy on pre-filled tax forms. (Vaurus Suomi b.)

When doing a personal tax declaration, the investor should fill the part 4.9, other capital incomes in the their tax declaration and also fill the part 16, additional information: type of income, the payer and the amount. Vaurus Suomi Oy accepts investments from all EU-countries, provided that the identification is made through a Finnish bank TUPAS service. (Vaurus Suomi b.)

4.1.2 Fundu Oy

Fundu Oy was founded in 2014 with a purpose to create a creative solution for the start-up companies to get initial capital. At Fundu Oy companies apply loans for growth and development. Also most of the applicants at Fundu Oy, have public funders decided to pay part of the project costs. The public funders among others are Tekes and Ely-centers that are described more thoroughly in chapter two of this thesis. Tekes and Ely-centers contribution is usually

around 50-70% of the total project costs. Positive public funding decision for the loan applicants can be seen as a sign for reliability and credibility. Around the thesis more than 20 companies have been funded through Fundu Oy and capital raised is around 1 million euros. (Fundu a.)

The lender authorizes Fundu Oy to speak in behalf of them in borrowers Insolvency proceedings (bankruptcy or corporate restructuring). Fundu Oy then transfers the debt to a collection agency. The lender has the right to withdraw the authorization by notifying Fundu Oy, but agrees not to take any actions prior to this notification. (Fundu c.)

The minimum loan amount for companies at Fundu Oy at the moment of the thesis has been 5.000 euros and the largest 60,000 euros. Length of the loans have been around 4 to 10 months. Interest rates Fundu Oy has offered to loans have been between 6-12%. (Fundu b.)

Through Fundu account investors can manage cash flow between Fundu and the bank and through Fundu account so it is possible to successfully transfer funds to the Fundu service and back to a bank account. When companies repay their loans back to the investors the funds are returned to Fundu accounts for making new investments or for the repatriation of profits. Fundu Oy has the right to disclose information to the National Bureau of Investigation on its own initiative, if they have suspicions that the service has been used to fund terrorism or for money laundering. (Fundu c.)

If a loan applicant has applied for a loan at Fundu Oy to cover all the project costs, and the loan is granted only partially, the loan applicant has the right to restrict commitment to this loan by noticing Fundu Oy within seven days from the date of the financing decision. In this case, money lending agreement comes into force on a "first come - first served" basis, and Fundu Oy returns the money to the lenders Fundu account within 10 days of the notification for those lenders whose loan agreement in these situations is not valid. (Fundu c.)

The lender has a right to receive the capital specified in the loan application with interest, on the agreed due date. The payment is transferred to the lenders Fundu account from the borrowers Fundu account, if the borrower has a sufficient amount of capital to be transferred. Interest is calculated using the following formula: $\text{Loan capital} * \text{interest} * \text{days} / (100 * 365)$. (Fundu c.)

If the due date is moved, Fundu Oy has the right to charge a separate fee for every due date transferred and the amount is 1.25% of the borrowed capital, unless otherwise agreed. The loan applicant is committed to repay the loan on the due date indicated in the loan agreement, together with the interest accumulated during the loan period. Repayment of the loan,

interest on the loan and any costs will automatically be charged from the loan applicant Fundu account and transferred to lenders Fundu account. The loan applicant has the obligation to ensure that they have sufficient amount of cash to repay the loan, plus interest and possible other costs on the due date of the loan. If the borrower does not inform issues that might have a large impact on their ability to repay the loan, it is considered to be a breach of contract. (Fundu c.)

If the borrowers Fundu account does not have sufficient funds to repay the loan at the time of the repayment, the following procedure comes into action:

- The borrowers Fundu account can be frozen, so that the loan applicant can not use the account nor the service
- Fundu Oy is entitled to charge the borrower a 1% processing fee from the payment capital
- After seven days of delay from the due date, the loan interest rate shall be increased for the borrower five percentage points
- If the payment is delayed by more than thirty days, the claim can be transferred to a debt collection agency. (Fundu c.)

Fundu Oy has the right to expire a loan on behalf of the lenders if:

- The loan applicant has given false or untruthful information when making the loan application that may have affected Fundu Oy decision to approve the loan application or lenders decision to invest
- The loan applicant commits a vital breach of contract, which are considered to be more than 30 days payment default
- The loan applicant shuts down, substantially reduce or change their business or there is a substantial change in ownership
- The loan applicant is filed for bankruptcy or liquidation, is found to be insolvent or applies for bankruptcy or liquidation or if the loan applicant has been applied for re-organisation under the law on restructuring procedure / loan applicant is declared bankrupt. (Fundu c.)

If the loan applicant neglects loan payments, and after 30 days of the loans due date has not made a payment indicated in the loan agreement, the debt may be required to be paid by the guarantor. The loan applicants authorize Fundu Oy or its authorized body to make the claim. Fundu Oy is responsible to inform a private guarantor such debtor's obligations and any other factors affecting solvency, which can be assumed to have meaning to the guarantor. Disclosure requirements applies only to matters which are known by Fundu Oy and may be notified

to the guarantor without clearing measures, or the creditor can obtain the knowledge from credit register or from the debtor in terms of this agreement. Fundu has the right to obtain fair compensation for the cost of data transfer. (Fundu c.)

4.1.3 Invesdor Ltd.

Invesdore Ltd. is a fintech company that is Helsinki-based and operates a equity and debt crowdfunding platform called Invesdor.com which covers the European Economic Area. From European crowdfunding platforms Invesdor Ltd is the first one to have a passportable MiFID (Markets in Financial Instruments Directive) licence for reception and transmission of orders, providing investment advice and placing of financial instruments. (Invesdor a.)

Invesdor Ltd. offers loan-based crowdfunding in their platform through bonds. The minimum amount of bonds that can be subscribed per transaction is five and the principal amount of each bond is set at 100 euros. That makes the minimum investment 500 euros. Companies applying for a loan can determine the loan period between six months and six years. Invesdor Ltd. states that they are not in any situation responsible for the financial standing of the company applying for a loan. If the loan applicant is unable to pay the loaned capital back to the investor, the Investor doesn't have the right to demand that or any other payment from Invesdor Ltd. (Invesdor b.)

When a company is creating a pitch on the platform, they will determine the maximum rate it is willing to accept for the loan, so the determination of interest rate is market-based. In the investment process the investor will select an amount of money they are willing to loan to the company and also the interest rate wanted for this particular loan. So basically the investor makes an offer on the interest. At the highest, the offer can be equal to the maximum rate determined by the loan applicant. Giving an interest offer legally commits the investor to give the loan to the loan applicant with an offered interest rate. It is possible for the investor to change the offer at any time later on, but only for more beneficial direction from the borrowers point of view. (Invesdor b.)

All investments will be listed in the Invesdor Ltd. service and they will be ranked by the interest offer made by investors. After the loan applicant's subscription period ends, the loan applicant will select which investments it will accept for the funding round. The interest rate for all the investments accepted into the funding round will be the same, and that is the highest interest offer accepted by the loan applicant. The loan applicant can accept any offered interest rate as long as the total amount invested will be within the funding target set for the funding round. Interest will be paid to the current owner of the bond biannually.

Interest for the loan will be paid during the whole loan period, but the payment of the nominal principal amount of the bond will simultaneously be paid with the last payment of the interest. The borrower is solely responsible for paying the interest. At any point or in any event, Invesdor Ltd. shall not be responsible for paying the interest. The Investor is responsible for notifying the borrower, if there's any changes related to the information needed for paying the interest. Because Invesdor Ltd. has just launched their loan product it is not entirely sure where their interest rates will land. They searched information from the UK market, where the interest rates have been varying between 6-9%. (Invesdor b.)

Bonds that investors can buy through Invesdor Ltd. are fully transferable and this means, that bonds can be traded on a aftermarket. In other words the owner of the bond can sell the bond to a new owner. The rights and responsibilities of the previous owner will end and they are transferred to the new owner. These include right to the interest and to repayment of the loan. Person who owns the bond at the moment of each maturity date, any matured interests and the nominal principal amount will eventually be paid to that person. Therefore, these bonds act like regular bonds. Aftermarket for trading bonds is enabled by Privanet Pankkiiri-liike or other partner or affiliate. This aftermarket is maintained by Privanet or other partner and it is called Invesdor-list. (Invesdor b.)

Invesdor Ltd. bonds also in some cases act like a convertible bond. In these cases, the borrower will pay to the owner of the bond at the end of the loan period. Alternatively, at the end of the loan period, the owner of the bond, instead of being paid the principal amount of the loan decide to convert the bond into shares of the borrowers company. When the subscription is made, will determine the amount of the shares. Despite the convertible characteristics of the bond, payment of interest will follow the terms previously specified. (Invesdor b.)

A binding agreement is formed when making an investment and that obligates to pay the investment according to the given instructions. Investment is possible to pay directly in a online bank when completing the investment process, if Invesdor Ltd has enabled this option for the investor. Investment is also always possible to pay by invoice. Depending on which comes first; the making of the investment or the closing date of the funding round, the due date of the invoice is always seven days. The investor might not be accepted to the funding round if the investment is not paid by the due date. The investment has to be paid from the same party's account that made the investment. A particular clarification is needed, If the payment occurs from any other account in order to explain the reasons. The funds might be refunded, if Invesdor Ltd. considers that the explanation is not reliable or accepting the payment otherwise involves risks. (Invesdor b.)

If the loan applicant reaches the minimum target of the funding round, the invested funds will be transferred to the borrower. If the funding round does not reach its minimum target, the invested funds will be refunded to the account numbers the investors have provided. The loan applicant and the investor are able to separately agree that the investment shall be completed despite the minimum funding goal is not reached. Invesdor Ltd. does not store any securities on behalf of the investors. The invested funds will be retained by Invesdor Ltd. in well-known credit institutions in specific customer deposit accounts established to serve this purpose in particular. A non-settling agreement concerning these accounts is required by Invesdor Ltd. Also customer funds can be temporarily retained in customer deposit accounts, that are governed by paying agent partners of Invesdor Ltd. (Invesdor b.)

In order to be able to use some parts of Invesdor's services require an identity check. To execute this, Invesdor Ltd. might require to either perform an electronic identification or alternatively provide Invesdor Ltd. an ID card or copy of a passport and additionally, if representing a legal person, the Trade Register Extract (or equivalent), Articles of Association and an owner clarification of that legal person. Also confirmation on home address could be a requirement. If a party doesn't provide the asked information, or the information provided is incorrect, inadequate or out of date, Invesdor Ltd. has the right to freeze the assets a party may have in their service and/or prohibit use of the services according to Act on Preventing and Solving Money Laundering and Financing of Terrorism until the correct, adequate and up to date information is received. Also residents in Singapore, Canada, The United States, Hong Kong, Great Britain, Australia, or South Africa or New Zealand have to answer an aptitude test of wealth when creating a user account, because of the laws in those countries. A user account can not be created, if the party does not pass this test. (Invesdor c.)

Requirements for companies to start a crowdfunding campaign in the Invesdor Ltd. platform are:

- The company (Oy, Ab, Ltd. or equivalent) is registered in the trade register, and its business is ethical and legal
- The company has clear strategy, goals and target market/clients
- The company does not have credit issues
- The organization and/or the company has an experienced team and is 2-5 years old with existing results
- The company's team has a strong will to gain profitable and fast business growth in the future and has clear further growth potential
- The entrepreneur and the team have reserved time for the execution of the project and are committed to the crowdfunding project

- The company has up-to-date presence in social media channels (Facebook, Twitter, LinkedIn) and a webpage
- Up-to-date LinkedIn profiles for the entrepreneur and other team members
- The funding goal through Invesdor Ltd. is between 20,000 and 1,5 million euros (Up to 5 million is possible but needs special arrangements)
- Revenue more than 0.5 million euros
- Net profit is positive
 - These criterias always adhere to crowdbonds. However, it is possible that there are other bond offerings on Invesdor Ltd. that differ from these criteria. Any expetations are then clearly communicated. (Invesdor c.)

The listing fee at Invesdor's platform for loan applicants depends on whether or not it wants a regular bond or a convertible bond and if they have an already existing shareholders' agreement. If the target company wishes to use a shareholders' agreement for the shareholders joined during the round, an additional fee of 5 €/investor will be added. Invesdor is able to provide a template of the shareholders' agreement. The fees are divided into three parts which are a pre-round fee, a success fee and an annual fee. After the loan applicant signs the contract, Invesdor charges a 500 euro listing fee. Companies that have an already existing shareholders' agreement and want a convertible bond, the fee after signing of the contract is 750 euros. If the crowdfunding campaign is successful, Invesdor charges a 6% succes fee (minimum amount 3000 €) and the closing fee of 500 euros which includes legal work. Also a 5 euro fee per investor is charged for the investors compensation fund. A annual fee of 0.5 % for handling interest payments per year is applied to the total loaned amount (2500 € minimum). (Invesdor d.)

Online banking option via Maksuturva Group Ltd's payment gateway is possible for Finnish investors. Also invoice option for payments is possible for Finnish Investors upon request. Investments via bank transfers with invoice is how investors outside of Finland can pay their investments. For payments within the SEPA (Single European Payments Area), the invoicing fee is a fixed 10 € and for payments from outside the SEPA, the invoicing fee is 2.5 % of the invested amount (min. 10 €, max. 100 € per investment). SEPA is consisted by 28 member states of the European Union, the four member states of the European Free Trade Association (Liechtenstein, Norway, Iceland and Switzerland), San Marino and Monaco and Andorra will become part of the area in 2016. The investment amount will be returned, if the round does not succeed but the transaction fee will not be refunded. Invesdor Ltd.'s take on taxation on their loans is that investors are responsible for reporting their loan interest incomes in their taxation. (Invesdor d.)

Maksuturva Group Ltd. is the payment service provider between Invesdor Ltd. and the investor, unless to those who choose to use the invoice option and pay directly to Invesdor's customers deposit accounts. Maksuturva Group Ltd. co-operates with credit institutions and banks. No additional registration is needed and Invesdor will be informed after a successful payment. Confirmation email from Invesdor is also received after that. If a funding round closes without reaching its target, the invested amount will be refunded to the investor's bank account. In these cases, the fixed service fee of 1 euro will not be refunded. Finnish Financial Supervisory Authority controls Maksuturva Group's operations. All money transactions and data transfers are SSL secured which means that no external party should see your personal information. (Invesdor d.)

Invesdor Ltd. uses Suomen Asiakastieto Oy's credit rating for their loan cases. More information about Suomen Asiakastieto Oy can be found on the thesis chapter 2.2 on credit checks. All bond and equity offerings on Invesdor Ltd. platform include an attached Rating Alfa document. A sample report of Rating Alfa can be seen as an attachment 1 of this thesis.

The first loan-based crowdfunding campaign hosted on Invesdor Ltd. ended successfully on October 07, 2015 and the loan applicant was Iron Sky. Iron Sky previously had on equity crowdfunding campaign on Invesdor Ltd. and because of that they could predict an active round with an international investor base. Iron Sky War loan campaign was popular from the start and it reached its minimum target of 50,000 euros in five days. Overall, the campaign achieved 508% funding rate over its two week lifetime with 253,800 euros invested from 133 investors. The Iron Sky campaign was one of the most international campaigns ever hosted on the Invesdor Ltd. platform. Investments came from 17 different countries. Finland and Germany were the two largest countries by number of investments with 23% investments coming from Germany. Total of 59% of investments came from abroad with Germany being the largest contributor. (Invesdor e.)

Number of investments made in Iron Sky:

6	Switzerland
6	France
6	Austria
7	Sweden
23	Other
31	Germany
54	Finland

Chart 8: Number of investments made in Iron Sky. (Invesdor e.)

5 Conclusions and the possible outlook of crowdlending in Finland

From the borrowers perspective loan-based crowdfunding offers a alternative way to receive credit compared to traditional financial institutions. Loan-based crowdfunding is specially suitable for companies that do not want to give up any equity, like shares but need capital to grow their business. It is also important and responsible for crowdfunding platforms to inform investors about the risks involved and problems they might face in loan-based crowdfunding, because it is a high-risk investment. For example companies might not be able to stay solvent throughout the loan period, which makes it possible that they won't be able to pay back the loan. In these cases the investor, in the worst-case scenario will act as a bankruptcy creditor and might not get the capital back in full. This is due to the fact that crowdfunding loans are also unsecured and by this I mean that if a company becomes insolvent, there is no security guarding the invested capital or the unpaid interest payments, and the investor might lose their investment. In case of insolvency, unsecured debts are served after secured debts and other preferential claims and unsecured lenders are in a weak position in the creditor's order of preference. So it is important for crowdfunding platforms to have reliable companies as loan applicants in order to have more secure loan repayment.

Loan-based crowdfunding in Finland in its current form does not require a licence and is not under the supervision of the Financial Supervision Authority. If the service provider receives repayable funds that are defined in the Credit Institutions Act and provides credit or some other type of funding from these assets for its own account, activities require authorization and is subject to supervision by Financial Supervisory Authority.

It may be relevant for the credit intermediaries if the credit is booked at the crowdfunding distributor's balance sheet or is the credit intermediation happening outside the balance sheet. If the credit is recorded in the balance sheet and it was granted on their own account, it's called issuing credit not credit intermediation and possibly requires a credit institution licence. In loan-based crowdfunding the compensation can be collected in other forms than interest, like for an example collecting a fixed fee coming from made arrangements. For example Vauraus Suomi Oy charges the borrower a opening fee of the loan capital which is then deducted from the loan capital before transferred to the lenders. Also it would be considerable for FundedByMe to have a annual management fee for the loan capital, for example from the initial loan capital per year and then divided into the number of payments throughout the loan period. Also some kind of charge fixed fee from payments would be recommendable and also to charge a separate fee if the due date is moved.

In loan-based crowdfunding it is important to provide the lenders accurate information about the company which they have the possibility to invest so that the lender can be confi-

dent that the loan is repayed. Because FundedByMe has had cooperation with Suomen Asiakastieto Oy, they might be a logical partner for FundedByMe in Finland. Also Bisnode is a considerable choice, because it is cheaper. Invesdor Ltd. is in cooperation with Suomen Asiakastieto and there hasn't seem to been any major problems.

Crowdfunding activities might involve payment service that requires a licence or registration granted by the Financial Supervisory Authority. The Financial Supervisory Authority monitors payment services within the scope of the Payment Services Act. Small-scale payment service can be provided without authorization if the payment transactions executed by the legal person in the last 12 months has been no more than 3 million euros per month and for a natural person 50 000 euros per month. In these cases the payment service provider has to do a notification to Financial Supervisor Authority before starting their operations. Vauraus Suomi, Fundu Oy and Invesdor Ltd. use a system called Tupas and it is possible to invest from all Eu countries but authentication is done through a Finnish bank (Nordea, Osuuspankki, Sampo Pankki, paikallisosuuspankit/Aktia, Tapiola Pankki, Ålandsbanken, S-Pankki, Handelsbanken. But because FundedByMe would like to have investors from all over the world so their best possible options might be to use Mangopay which is a a service for market places, collaborative consumption platforms and crowdfunding websites. It allows them to have a payment solution and to manage the electronic funds. Mangopay accepts payments through Visa/MasterCard from more than 150 countries, including Finland. Using invoices, like Invesdor Ltd. does for foreign investors and to those who prefer that choice could also work for FundedByMe. Then it would be wise to charge a separate fee for using invoices, like Invesdor Ltd. has a fixed 10 € and for payments from outside the SEPA, the invoicing fee is 2.5 % of the invested amount (min. 10 €, max. 100 € per investment).

In loan-based crowdfunding in some point there might be need for a debt collection agency and in Finland the biggest debt collection agencies are International Intrum Justitia and Lindorff Oy .There is also other smaller players who might be suitable to act as FundedByMe comprehensive partners as well (sales channels etc.). For example: SVEA.

Interest rates the three companies offering loan-based crowdfunding in Finland have been around 6-9% and the length of the loans from 4 months to six years. Companies applying for a loan also can't have any insolvency disturbances and have to be registered in Finland. Both Vauraus Suomi Oy and Fundu Oy prefer the method of repaying the loans in equal annual amounts in monthly installments. Invesdor Ltd. prefers biannual repayments. More specific information comparing these three platforms can be found on attachment 3: Chart of key facts about Vauraus Suomi Oy, Fundu Oy and Invesdor Ltd.

Both Vaurus Suomi Oy and Fundu Oy have had plenty of companies funded using loan-based crowdfunding in Finland and Invesdor Ltd. also was very satisfied with their first loan-based crowdfunding campaign, and it was also very international campaign, which is something FundedByMe as a company already is and what it wants to also be in the future. So it seems that it would be a good idea for FundedByMe to add loan-based crowdfunding as a funding option for Finnish companies. FundedByMe has already established a good reputation in Finland and could already have clients who have seek funding through their platform using equity- or reward-based crowdfunding and was satisfied and now would like to try loan-based crowdfunding on a platform that is familiar to them, like Iron Sky did with Invesdor Ltd. Advantages that FundedByMe could have against direct competitors like Vaurus Suomi Oy, Fundu Oy and Invesdor Ltd. is that they are truly a global platform and they already have registered investors and funded companies from all over the world. It might be beneficial to research how loan-based crowdfunding campaigns succeed in the future at Invesdor Ltd. because they only have had one campaign and it was very international, which is something FundedByMe also is and they would offer valuable information on how much interest Finnish companies using loan-based crowdfunding attract worldwide. It could also be wise for marketing purposes to study psychographic and demographic characteristics of investors who have invested through loan-based crowdfunding.

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Charts

Chart 1: Key factors of the most popular companies that offer credit to companies in Finland

Chart 2: Rating classes

Chart 3: Bisnode operational rating criterias

Chart 4: Bisnode background rating criterias

Chart 5: Bisnode economical rating criterias

Chart 6: Crowdfunding methods

Chart 7: The actual annual rate of interest at Vauraus Suomi Oy

Chart 8: Number of investments made in Iron Sky

Attachments

Attachment 1: Sample report of Rating Alfa

Attachment 2: Sample report of Payment Indicator

Attachment 3: Chart of key facts about Vauraus Suomi Oy, Fundu Oy and Invesdor Ltd.

Attachment 1: Sample report of Rating Alfa

SAMPLE REPORT

© Suomen Asiakastieto Oy

Company basics**Suomen Asiakastieto Oy**

Työpajankatu 10 00580 Helsinki

Business ID	01110279	Trade register number	161689
Domicile	Helsinki	Entered into the trade register	10.11.1961
Operation started	01.06.1963	The latest change in the trade register	22.07.2010
Number of places of business	1	Film address at the trade register	76864G20
Line of business (SIC)	82910 Activities of collection agencies and credit bureaus		
Company form	Joint-stock company	Share capital	1.880.333 EUR
Type of ownership	Foreign owner	Number of shares	74533 pc.
Accounting period	0101 - 3112		

Business development

Turnover category 2009 20- mEUR	Personnel 2009 130 persons
Turnover category 2008 20- mEUR	Personnel 2008 138 persons

Other information

The company has been VAT liable for the transfer of rights to use immovable property since 01.02.1996.
 The company has been in the Prepayment register since 01.03.1995. Validity to be checked on 28.02.2011.
 The company has been VAT liable for business activity since 01.06.1994.
 The company has been in the Employer Register since 01.06.1963.
 In the financial statement as at 31.12.2009, the company is a subsidiary in the group: Akt Holdings -konserni
 In the financial statement as at 31.12.2007, the company is a subsidiary in the group: Asiakastieto Services -konserni
 The company belongs as parent company to the group: Suomen Asiakastieto -konserni
 Merger decision 30.04.2004, Fennorating Oy has been merged with the company.
<http://www.asiakastieto.fi>

Company's domain names

Domain name	Granted	Validity
aarre.fi	04.05.2007	04.05.2015
aarrepro.fi	02.07.2009	02.07.2012
asiakastieto.fi	01.01.1991	31.08.2012

[Show all domain names \(24 \)](#)**Available company information**

Risk indicator	15.10.2010	Balance sheet	31.12.2009	Business mortgages	24.06.2008
Person in charge	08.01.2009	Ratios	31.12.2009	Decision-makers	30.10.2009
Shareholders	04.01.2010	News	01.10.2010	Branch offices	

Attachment 2: Sample report of Payment Indicator:

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Shareholders	04.01.2010	News	01.10.2010	Branch offices	

Attachment 3: Chart of key facts about Vauraus Suomi Oy, Fundu Oy and Invesdor Ltd.

Company's name	Vauraus Suomi Oy	Fundu Oy	Invesdor Ltd.
<p>Characteristics to be eligible for crowdfunding loans</p>	<ul style="list-style-type: none"> -Registered in Finland - Sufficient to repay loans -Does not have any insolvency disturbance 	<ul style="list-style-type: none"> -Company applying for a loan for growth and development -Public funding has decided to pay usually 50-70% of the project costs 	<ul style="list-style-type: none"> -The company (Oy, Ab, Ltd or equivalent) is registered in the trade register, and its business is ethical and legal -Clear strategy, goals and target market/clients -Does not have credit issues The organization and/or the company has an experienced team and is 2-5 years old with existing results -The company's team has a strong will to gain profitable and fast business growth in the future and has clear further growth potential -The entrepreneur and team have reserved time for the execution of the project and are committed to the crowdfunding project -The company has up-to-date presence in social media channels (Facebook, Twitter, LinkedIn) and a webpage Up-to-date LinkedIn profiles for the entrepreneur and other team members -The funding goal through Invesdor Ltd. is between 20,000 and 1,5 million euros (Up to 5 million is possible but needs special arrangements) -Revenue more than 0.5 million euros

			<p>-Net profit is positive</p> <p>-These criterias always adhere to crowdbonds. However, it is possible that there are other bond offerings on Invesdor Ltd. that differ from these criteria. Any expetations are then clearly communicated</p>
Banrkuptcy situations	<p>If the borrower is declared bankrupt, the loan falls due for immediate repayment.</p>	<p>The borrower authorizes Fundu Oy speak in behalf of the loan applicant in loan applicants In-solvency proceedings (bankruptcy or corporate restructuring). The loan applicant has the right to withdraw the authorization by notifying the Fundu Ltd, but agrees not to take any action prior to notification.</p>	<p>Invesdor Ltd. or any other party will not in any situation be held responsible for the borrowers solvency problems and the investor could lose the invested capital.</p>
Debt collection	<p>If the borrower does not pay the installment on the due date, they will receive a payment reminder electronically. If the borrower does not pay the installment, despite the reminder after fourteen days after the due date, Vaurus is entitled to transfer the unpaid debt to a collection agency.</p>	<p>The borrower authorizes Fundu to transfer the debt to a collection agency. The borrower commits not to take collection actions before making this notice</p>	<p>If the loan applicant is unable to pay the loaned capital back to the investor, the Investor doesn't have the right to demand that or any other payment from Invesdor Ltd.</p>

	<p>Vaurus Suomi Oy is in partnership with an authorized collection agency registered in Finland for recovering debts.</p> <p>Agreement signed by the borrower authorizes Vaurus Suomi Oy to forward the undisputed and overdue receivable information to collection agency that Vaurus uses.</p> <p>The loan collection will lead to costs that will be paid by the borrower.</p> <p>Debt collection is free of charge to investors. In the loan agreement investors authorize Suomi Oy Vaurus to manage the recovery for them.</p>		
<p>Average size and length of loans</p>	<p>The loan minimum is 2,000 euros and the maximum amount according to borrowers ability to repay.</p> <p>The loan period is at least six months and a maximum of sixty</p>	<p>The minimum loan amount at the moment has been 12,000 euros and the largest 60,000 euros.</p> <p>The length of loans have been around 4</p>	<p>The minimum loan amount is 500 euros and the loan period can be between 6 months to 6 years.</p>

	months.	to 10 months.	
Interest rates	Interest rates start from 4%	At the moment the interest rates Fundu Oy offered to loans have been between 6-12%	Projecting interest rates between 6-9%. When a company is creating a pitch on the platform, they will determine the maximum rate it is willing to accept for the loan, so the determination of interest rate is market-based. In the investment process the investor will select an amount of money they are willing to loan to the company and also the interest rate wanted for this particular loan. So basically the investor makes an offer on the interest
Repayment of loans	Equal annual amounts in monthly installments	Equal annual amounts in monthly installments	<p>Interest will be paid to the current owner of the bond biannually. Interest for the loan will be paid during the whole loan period, but the payment of the nominal principal amount of the bond will simultaneously be paid with the last payment of the interest. The loan applicant is solely responsible for paying the interest.</p> <p>Bonds that investors can buy through Invesdor Ltd. are fully transferable, and this means, that bonds can be traded on an aftermarket. The rights and responsibilities of the previous owner will end and be transferred to the new owner. These include right to interest and to repayments. Person who owns the bond at the moment of each ma-</p>

			<p>turity date, Any matured interests and the nominal principal amount will eventually be paid to that person. Therefore, bonds act like regular bonds. Aftermarket for trading bonds is enabled by Privanet Pankkiiriliike or other partner or affiliate. This aftermarket is maintained by Privanet or other partner and it is called Invesdor-list.</p> <p>Invesdor Ltd. bonds also in some cases acts like a convertible bond. In these cases the the loan applicant will pay a bond that is convertible to the owner of the Bond at the end of the Loan Period. Alternatively, at the end of the loan period the owner of the bond instead of paying the principal amount of the loan decide to convert the Bond into shares of the loan applicant. When the subscription is made, will determine the amount of the shares. Despite the convertible characteristics of the bond, payment of interest will follow the terms previously specified</p>
Collaterals	No guarantee required	If the loan applicant neglects loan payments and after 30 days after the due date has not made a payment indicated in the the loan agreement, the debt	No guarantee required

		<p>may be required to be paid by the guarantor. The loan applicants authorize Fundu Oy or its authorized body to make the claim. Fundu Oy is responsible to inform a private guarantor such debtor's obligations and any other factors affecting solvency, which can be assumed to have meaning to the guarantor. Disclosure requirements applies only to matters which are known by Fundu Oy and may be notified to the guarantor without clearing measures, or the creditor can obtain the knowledge from credit register or from the debtor in terms of this agreement. Fundu Oy has the right to obtain fair compensation for the cost of data transfer.</p>	
Taxes	Vaurus Suomi Oy can conduct a withholding tax from interest payments made to	Same method as Vaurus Suomi Oy	Invesdor Ltd.'s take on taxation on their loans is that investors are responsible for reporting their loan interest incomes in

	<p>customer accounts to individuals. Withholding tax amount accounted to the tax administration is regulated by the law that is valid at the moment on capital gain tax (currently 30%). Withholding amount is calculated to the nearest cent. Vaurus Suomi Oy does not pay interest for the withholdings. Interest payments to customer accounts are taxable capital income for private individuals. Withholding starts for private individuals for that tax year benefits when the withholding is delivered. Withholding therefore in practice means that Vaurus Suomi Oy carries out pre-tax interest on behalf of private individuals. (Vaurus Suomi c.)</p> <p>In addition, Vaurus Suomi Oy sends the Tax Administration each year an annual statement of private individuals interest</p>		their taxation.
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	<p>profits and the withholdings that have been made. Vauraus Suomi Oy fills a tax form for the investor, but Individuals should check the pre-filled tax form so that the information is accurate and inform any missing and invalid data to the Tax Administration. Vauraus is not responsible that information in the pre-filled tax return form is. Vauraus Suomi Oy takes no responsibility for informations' accuracy on pre-filled tax forms.</p>		
Cash flow structure	<p>Through Vauraus Suomi account</p>	<p>Through Fundu account investors can manage cash flow between Fundu and the bank and through Fundu account it is possible to successfully transfer funds to the Fundu service and back to a bank account. When companies repay their loans back to the investors the funds are returned to Fundu accounts for making new invest-</p>	<p>The Investor is responsible for notifying the loan applicant, if there is any changes related to the information needed for paying the interest. Investment is possible to pay directly in online bank when completing the investment process, if Invesdor Ltd has enabled this option for the investor. Investment is also always possible to pay by invoice. The investment has to be paid from the same party's account that made the investment. A particular clarification is needed If the payment occurs from any other account in order to explain the reasons. If the loan</p>

		<p>ments or for the repatriation of profits.</p> <p>Fundu Oy has the right to disclose information to the National Bureau of Investigation on its own initiative, if they have suspicions that the service has been used to fund terrorism or for money laundering</p>	<p>applicant reaches the minimum target of the funding round, the invested funds will be transferred to the loan applicant. If the funding round does not reach its minimum target, the invested funds will be refunded to the account numbers the Investors have provided. The invested funds will be retained by Invesdor Ltd. in well-known credit institutions in specific customer deposit accounts established to serve this purpose in particular. Customer funds can be temporarily retained in customer deposit accounts, that are governed by paying agent partners of Invesdor Ltd. Maksuturva Group Ltd is the payment service provider between Invesdor and the investor, unless to those who choose to use the invoice option and pay directly to Invesdor's customer deposits account. Maksuturva Group co-operates with credit institutions and banks. No additional registration is needed and Invesdor will be informed after a successful payment. Confirmation email from Invesdor is also received after that. If a funding round closes without reaching its target, the invested amount will be refunded to the investor's bank account. In these cases the fixed service fee of 1 euro will not be refunded. Finnish Financial Supervisory Autho-</p>
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			<p>curity controls Maksuturva Group's operations. All money transactions and data transfers are SSL secured which means that no external party shouldn't see your personal information.</p>
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