Alternative to Mainstream

Regulatory trends in funding SME growth in Europe

CADWALADER

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As a law firm that takes pride in being at the forefront of financial markets regulatory developments, Cadwalader publishes this report at an important moment in the evolution and innovation of global finance across Europe. An increasing political desire to encourage European small and medium sized enterprises (SMEs) to flourish - despite the lack of traditional bank-based capital lending - has led to the growth of a diverse range of funding options through the capital markets and alternative finance solutions.

It is estimated that the European market for online alternative finance grew by 144 percent in 2014 to almost £1.74 billion. Analysis published by the University of Cambridge estimates that it could reach some £4.4 billion by the end of 2015.

The European alternative finance market is far broader than online crowd funding and peer-to-peer lending. It encompasses the activity of a diverse range of participants, ranging from insurance companies shifting from solely liability-based investments to investing in traditional credit lending and ABS, through to private equity and multi-strategy funds investing in crowd funding platforms or establishing their own investment vehicles to serve specialty lending, leasing or corporate asset-backed finance. It also encompasses the dizzying array of equity investment portals and loan-based platforms now providing opportunities for institutional and private investors alike to generate inflation and interest rate beating returns.

Indeed alternative finance offers a host of attractive options for investors, sophisticated consumers and savvy businesses alike.

With analysis and case studies, our report aims to capture views from a range of different market participants to provide an overview of some of these financing options, particularly in the marketplace lending area, as well as highlighting the most important regulatory developments in this dynamic and evolving sector.

We hope you find this report useful and look forward to an ongoing dialogue as the market continues to develop.

From modest beginnings

Chilango is a fast growing Mexican restaurant chain in London. It likes to do things differently and the way it has funded its expansion plans is certainly out of the ordinary. Last year it chose to launch a mini-bond through crowdfunding platform Crowdcube. The £2.16 million 'Burrito Bond' was a far cry from the traditional funding route of a standard bank loan.

The mini-bond satisfied the owners' capital-intensive growth plans. As Eric Partaker, one of Chilango's two founders explains: 'by partnering with Crowdcube it enabled us to connect immediately with 75,000 registered investors in the UK and allowed us to promote the offering to our 20,000 guests and fans.'

Chilango is one of a growing number of UK businesses that are looking at alternative methods of financing such as peer-to-peer lending and crowdfunding. These are filling an ever-expanding funding gap created by the retreat of banks from more 'risky' lending and a growing economy that demands financing options.

Since the financial crisis in 2008, traditional lenders have faced up to liquidity constraints and an era of tighter regulation. As a consequence, these lenders have pulled-back from lending to SMEs and have focused more attention on large-cap and blue-chip businesses.

While governments and regulators are intent on preventing another financial meltdown, they also recognise that sustainable economic recovery is dependent on making finance available to a growing businesses.

SMEs have also been keen to embrace alternative forms of financing. In May 2015, Brewdog, Scotland's largest independent brewer, launched an audacious fundraising initiative, aiming to raise £25 million. In a brazen publicity stunt, the company chartered a helicopter to hover over London and parachute marketing materials down onto the City's streets.

Although alternative finance accounts for a small proportion of European financing exercises, its market share is ballooning.

Chapel Down, the Kent winemaker, brought in £4 million through 1,400 private investors via Seedrs, the equity-based crowdfunding platform in 2014. Hambledon Vineyard in Hampshire raised £3.2 million through a mini-bond launched by CrowdBnk.

A study by Nesta and the University of Cambridge estimates that alternative finance intermediaries in the UK provided £1.74 billion in funding in 2014, up from £666 million in 2013 and just £267million in 2012. It predicts that this will rise to £4.4 billion by the end of 2015.

The traction achieved by alternative finance equivalents in other markets, particularly the US, may give an indication of the trajectory that this market is heading in Europe. Lending Club, the peer-to-peer lending platform, is now a public company having launched a $5.4 billion initial public offering in New York in December 2014. It brands itself as 'America's number one credit marketplace' and has a market valuation of some $9 billion.

Crowdfunding platforms have also facilitated significant financing rounds for emerging businesses in the US. Ryan Grepper, the inventor, raised $13.3 million through Kickstarter in 2014 to expand his 'Coolest' cooler business. The Coolest is a portable cooler that integrates a drinks blender and music system.

Crowdfunding has helped generate significant returns for US borrowers. Oculus Rift, the virtual reality technology business, raised $2.4 million from investors via Kickstarter in 2012 and was then subsequently sold to Facebook for $2 billion in 2014.

With such a pivotal role in the global economy, this segment of the funding world is shaking off its alternative moniker, though a replacement term has yet to emerge. As crowdfunding and peer-to-peer lending platforms become increasingly sophisticated and capable of meeting higher and higher financing requirements, the world is taking note. In December 2014, Funding Circle, the peer-to-peer lending service, linked up with US fixed-income manager KLS Diversified Asset Management to lend £132 million to small British businesses (*see page 22*).

While alternative finance was once perceived as a place to turn to when in distress or when financing was refused by banks, it is now a primary port-of-call for ambitious businesses and consumers seeking capital. The National Association of Commercial Finance Brokers (NACFB) says that its members provided £12.7 billion in the 12 months up to 31 May 2014. NACB predicts that this will rise to just short of £15 billion for the same 12-month period to 31 May 2015. 'A lot of alternative funders are reporting very rapid expansion,' comments NACFB chief executive Adam Tyler.

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Government support for alternative funding

British Business Bank

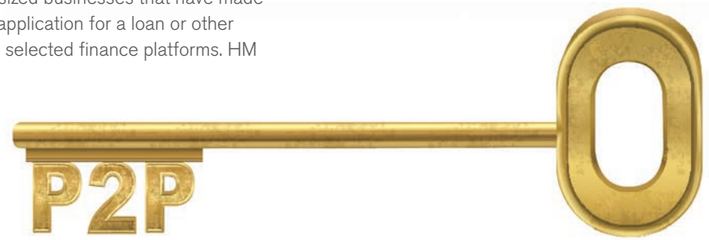
Since the end of 2012, the UK government has implemented direct and indirect lending support for small businesses through the British Business Bank, a development bank wholly owned by HM Government. Through its investments arm, the British Business Bank has directly deployed over £490 million for investment in small and mid-cap businesses. While a significant portion of this has been channelled to mid-cap funds, it has included investments in some of the leading online alternative finance providers, such as Ratesetter and Marketinvoice.

The Small Business, Enterprise and Employment Act 2015

More recently, the government has sought to increase sharing of information between traditional finance providers and newer, alternative lenders. For example, Section 5 of the The Small Business, Enterprise and Employment Act 2015 provided the Treasury with the power to set regulations requiring designated banks to share information on small or medium sized businesses that have made an unsuccessful application for a loan or other credit facility with selected finance platforms. HM Treasury is yet to set the regulations under this section, though the consultation has closed and draft regulations have been published.

UK Summer Budget 2015

HM Treasury is also looking to encourage investment from consumers in alternative finance platforms. The 2015 Summer Budget announced initiatives to allow tax relief for individuals on bad debts incurred on P2P loans against P2P income (aiming, in particular to encourage investment in higher interest and higher risk borrowers) and to allow loans arranged via a P2P platform to be included in a new, Innovative Finance ISA. HM Treasury plans to publish draft legislation for consultation later in 2015, with peer to peer loans expected to be eligible for this new ISA from 6 April 2016. HM Treasury also published a consultation, which closed on 30 September 2015, on whether other alternative finance instruments (in particular, debt securities and equity offered via crowdfunding platforms) should be made eligible for ISAs, though it is not expected that these will be available for investment in 2016.



Case study

Chilango's 'Burrito Bond'

In a Costa Coffee branch near Chancery Lane in February 2014, Eric Partaker met with Darren Westlake, the CEO of crowdfunding platform Crowdcube. Partaker, the founder of flourishing Mexican restaurant chain Chilango, was looking to raise capital to expand the business when he had a Eureka moment and thought of terming his proposed debt offering, the 'Burrito Bond'. "Darren had a huge smile across his face and he immediately put pen to paper," Mr Partaker recalls.

Mr Partaker recognises that the natural tendency for growing businesses seeking additional funding is to turn immediately to the banks, but while Chilango has healthy relationships with a number of institutional lenders, it was interested in seeing whether the public would be prepared to lend the money. He had already devised a term-sheet that happened to be remarkably similar to the mini-bond product that Crowdcube was looking to launch. Crowdcube had a high-volume of registered qualified investors that Chilango could access to achieve its funding objectives. "The average investment in the burrito bond was £2,900 so we needed to get that offer out to far more people than we thought to raise the target sum."

Mr Partaker believes that the distribution of risk amongst multiple investors, makes the crowdfunding approach a compelling proposition, especially when participants are typically high net-worth individuals and sophisticated investors that are not betting their life savings. Furthermore, the investor community does not have the same demands, covenants and requirements of classic institutional lenders.

Partaker recognises that a typical bank loan will be provided for three years and will require quarterly interest payments. For capital intensive companies entering a growth phase this can be a heavy burden. Instead, the burrito bond provides funding for four years and interest payments occur every six months, giving an additional cash flow benefit.

For Mr Partaker and his fellow Chilango founder Dan Houghton, the success of the burrito bond, which raised £2.16 million, has convinced them that crowdfunding is going to play an integral role in economic growth.

Mr Partaker and Mr Houghton met when they worked together at Skype and made a pact that they would inform each other of any new business ideas. Partaker, was brought up in Chicago, which holds the second largest population of Mexicans in the USA, after Los Angeles. Partaker's family was in the restaurant business and he is a confirmed Mexican food addict. Chilango is a term for a Mexico City native in the same way that a Londoner is from London.

Mr Partaker and Mr Houghton launched Chilango in 2007 and now have eight restaurants in London with ambitious plans to expand further. Partaker believes that crowdfunding is democratising investment in the same way that Skype democratised the simple telephone call: 'I believe that more businesses will be funded and launched meaning more jobs and economic benefits for the UK and any other markets.'

Mind the gap

Alternative finance is filling a space vacated by banks in recent years. Tighter lending regulations and liquidity constraints have caused banks to retreat from SME lending and concentrate on large-cap and blue chip businesses. The situation is particularly acute in Europe, where banks have traditionally been the principal source of funding to large and small businesses. The European Commission's green paper on long-term financing indicates that banks provide 85 percent of finance to the European economy.

In isolation the figures suggest that banks are active participants in lending to businesses whether big or small. Yet a recent report by EY* indicated that bank lending to SMEs in the UK fell by £7.2 billion in the first three-quarters of 2014.

Robert Fergusson, Managing Director, Corporate and Institutional Relationships, at the Association for Financial Markets in Europe (AFME), says that there is no shortage of available capital for large companies, with banks competing with each other to lend to major businesses: 'Small companies such as those employing up to 50 people, and also mid-caps, can have difficulty obtaining the right sort of funding, particularly for projects with uncertain cash flows.'

As economic growth takes hold in the UK and elsewhere and SMEs seek to exploit the more confident environment, any difficulties in accessing necessary finance will be a grave concern for SMEs themselves and governments that wish to support business. Mr Fergusson believes that economic growth is only going to enlarge the funding chasm:

With demand outstripping supply, this creates a greenfield opportunity for alternative finance providers in Europe. When you consider the wider availability of credit card debt, venture capital and seed funding in the US, it further highlights the extent of the funding hole in Europe.

Mr Fergusson says that European emerging businesses have different requirements to their counterparts in the US. 'There is a different culture of entrepreneurship in the US, where business owners are happy to exit and re-employ the proceeds in another business. In Europe, ownership of a family business can be a lifestyle choice and owners are often less willing to part with any equity', he explains.

Corporate borrowers are also showing a preference for alternative finance models, because the debt can be held onto for longer and interest payments are often less frequent. This provides greater financial security and certainty around cash flows for the growing business.

Moving Mainstream: The European Alternative Finance Benchmarking Report, University of Cambridge and EY, February 2015.

In addition, the low interest environment that has been in existence for nearly seven years has brought new participants into the alternative finance arena. Struggling to find appropriate investments for available capital, insurers and even banks have recognised the sophistication of alternative finance platforms to originate and underwrite attractive financings, and to provide decent returns.

In April 2015, French equity crowdfunding platform SmartAngels teamed up with the French arm of global insurer Allianz to launch a €10 million crowdfunding investment fund. The initiative allows Allianz's customers to invest in startups and high-growth companies, with the insurer matching these commitments through a co-investment strategy.

While continental European alternative finance has lagged behind the UK, it is becoming increasingly prevalent. The quantitative easing monetary policy adopted by the Bank of England provided a greater impetus for the alternative finance community in the UK.

The European Central Bank's decision to expand its quantitative easing strategy in January 2015 should provide further stimulation for the alternative finance arena on the continent.

'Banks are subject to increasing capital constraints as a result of new regulations on risk, which has led in some cases to a need to deleverage. Over the last few years there has been very slow growth in Europe and bank lending has not been too constrained so far. However, as growth in Europe speeds up, more capital will be required and the more sources and variety that are available the better.'

- Robert Fergusson, Managing Director, Institutional and Corporate Relationships, Association for Financial Markets in Europe

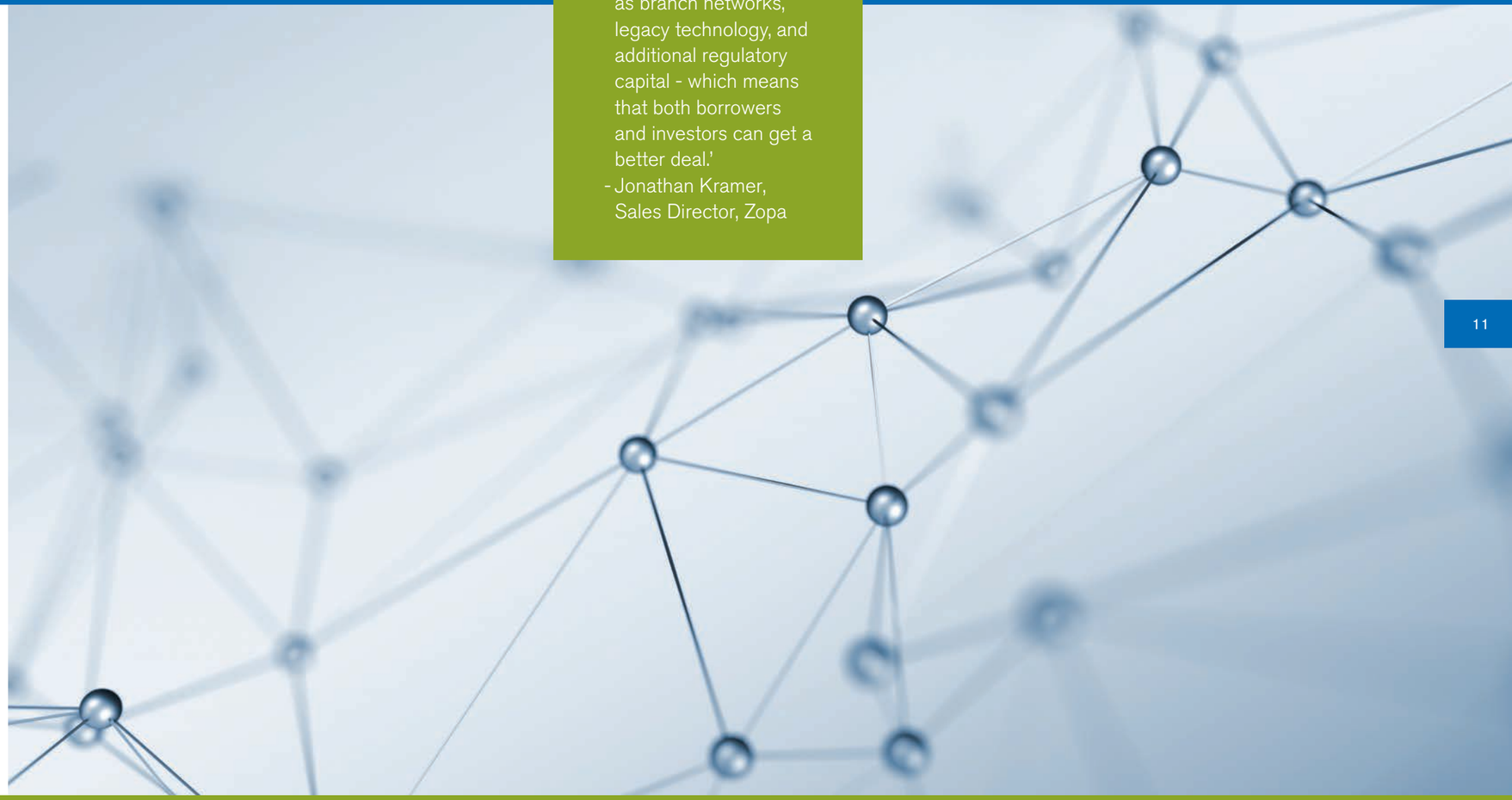
With a stable and growing alternative finance segment, SMEs will often have access to a variety of equity investors or achieve better interest rates through peer-to-peer lenders and crowdfunding platforms. At the same time these providers can deliver higher returns to investors.

Culturally, the move away from a reliance on bank finance is thought to be a valuable shift for the European economy. More competition from alternative lenders could also help to prevent the financial meltdown that occurred back in 2008.

Stephen Day, partner in the capital markets group in Cadwalader's London office, says that the US is a radically different market where banks have a much smaller proportion of total lending. 'You only have to look at the way the US capital markets work and the presence of specialty finance providers like auto finance companies. They efficiently serve those markets and fund through the capital markets without clogging up bank balance sheets.'

Mr Day believes that the landscape in Europe is definitely changing with the banks' stranglehold on lending gradually weakening, particularly in the SME and consumer segments. 'There has been an evolution across a range of market sectors including funds providing a flexible form of capital and insurance companies having to deal with a low interest environment. It means that the topography is changing quite rapidly.'

'P2P platforms have less structural costs than high street banks - such as branch networks, legacy technology, and additional regulatory capital - which means that both borrowers and investors can get a better deal.'
- Jonathan Kramer, Sales Director, Zopa



Case study

Peer-to-peer platforms give institutions access to consumer market

Metro Bank revealed in May 2015 that it would use customer deposits to lend to consumers via the peer-to-peer platform Zopa. Metro Bank was founded in 2010 and is seeking to challenge the hegemony of the big high street UK banks such as NatWest, HSBC, Lloyds and Barclays. Its deal with Zopa is one of a number of initiatives that it has launched to provide additional value to customers.

The agreement between Metro and Zopa further illustrates the traction that alternative finance platforms are achieving in the UK and elsewhere. Further still, it highlights the increasing recognition that institutional lenders have for the sophistication and power of peer-to-peer lending and crowdfunding platforms.

Jonathan Kramer, sales director at Zopa, says that the peer-to-peer platform, which was launched in 2005 has made dramatic headway in the last year and that the deal with Metro demonstrates this. 'Our partnership with Metro Bank represents a milestone in peer-to-peer lending becoming mainstream. This is the first time that we have seen a high street bank investing in loans originated through a peer-to-peer platform. It is a sign of the industry maturing and becoming part of the wider financial services industry.'

Mr Kramer believes that Metro's participation in peer-to-peer lending is a clear validation of the sector. He says, 'This helps provide an additional stamp of approval for our consumer lenders as it shows that Zopa is a trusted place to get a good return that is also low risk.'

Metro's entry into the peer-to-peer lending market comes at a time when a number of financial institutions are looking different means of exposure to consumer credit and SME lending. For alternative finance platforms, the participation of institutional money is a welcome phenomenon. 'Diversification of different funds is really useful for our growth and helps meet the demands from the borrower side. Retail money is sticky and stays with us for a long time, but we need a diverse range of funds to meet our growth targets. We think that institutional money is complimentary to retail money and helps us lend to more borrowers,' Mr Kramer explains.

Mr Kramer believes that the shadow banking and alternative finance labels are no longer appropriate for an industry that has won recognition from institutions, experienced investors and sophisticated borrowers. 'We have already passed the tipping point of this becoming a more mainstream product. Shadow banking is not the appropriate label for what we do. The way we operate is to provide an incredible level of transparency to our stakeholders. Peer-to-peer lending is becoming ISA eligible. We don't want to be alternative or different, we want Zopa to become a first choice to help people grow your money or get a loan.'

Technology and innovation

At the heart of the emergence of the alternative finance sector is the technology behind it and the efficiencies in the underwriting process. Day-to-day underwriting decisions are made much more quickly thanks to the technology that supports these platforms and the sophisticated algorithms that are applied.

Many alternative finance platforms are able to fill the funding gap for consumers and businesses without overbearing overheads. The technology that supports them is scalable, it enables fast growth and quick underwriting decisions. Future Finance Loan Corporation, a student loan platform that launched in 2014, already provides loans to students at over 130 UK universities.

Alternative finance platforms have managed to apply technology for risk management purposes, by hedging against and managing risk more effectively. Technology can also provide better governance and control potential conflicts of interest.

The scale of technological innovation that can support the growth of alternative finance is plain to see. Investment in financial technology (Fintech) companies grew by 201 percent globally in 2014 according to Accenture's 'The Future of Fintech and Banking' report.

Investment in financial technology (Fintech) companies grew by 201 percent globally in 2014 according to Accenture's 'The Future of Fintech and Banking' report.

Demica is another alternative finance service provider that is filling a gap vacated by the traditional banks, most notably in the trade receivables finance and supply chain finance arenas. Its platform has facilitated trade receivables securitisation transactions for clients such as the Smurfitt Kappa Group.

Demica's CEO Matt Wreford says that Basel III, the international regulatory framework for banks, is encouraging banks to restrict working capital products to core customers, and to increase pricing and reduce the commitment period of their programmes: 'At a time when demand from corporates for working capital finance is rising, the regulatory environment is making it less attractive to banks to offer it, which is creating a gap for non-bank funders to step into.'

Demica's technology is paramount in this regard as it doesn't have the historical relationship with clients in the same way that a bank may have a pre-existing revolving credit facility or overdraft with one of its borrowers, which gives it some of the data required to issue a trade receivables securitisation for instance.

'Demica has a market leading IT platform in this space facilitating the funding of €50 billion of receivables per year. It offers complete daily transparency down to a single invoice as well as close integrations with credit insurers and automated transaction management. Together these enable institutional investors to underwrite and manage their risk at a uniquely granular level,' Mr Wreford explains.

Joanna Nader, Chief Investment Officer at JRJ Group, one of the principal investors in Demica, says that JRJ was drawn to this segment of the market because banks were no longer serving it satisfactorily and because Demica's technology was so compelling: 'Demica's technology platform is highly automated, providing granular daily monitoring, reporting and funding capability. The sophistication and robustness of the platform allows funders to more easily manage and mitigate their risk, in turn allowing corporates to achieve funding terms that would otherwise be unachievable.'

She adds, 'Banks have dominated the receivables finance arena for decades, with little meaningful competition from non-bank providers of capital. However, post-financial crisis regulatory changes, which in turn have provoked changes to many banks' strategic priorities, have created space in the marketplace for asset managers and other non-bank providers of capital.'

'At a time when demand from corporates for working capital finance is rising, the regulatory environment is making it less attractive to banks to offer it, which is creating a gap for non-bank funders to step into.'
- Matt Wreford, CEO, Demica

The regulatory and political backdrop

Although alternative finance was once lumped into the category of shadow banking and viewed in many quarters as an unsavoury industry, its increasing prevalence and number of sophisticated participants has changed perceptions even amongst governments and regulators.

Regulators are now taking a supportive approach towards alternative finance, acknowledging that financial innovation is imperative to supporting the SME sector.

Government incentives and new regulations have given impetus to the market and led to new fund raising options such as retail bonds.

In March 2015, the UK's HM Treasury announced tax breaks for income derived from peer-to-peer lending. Peer-to-peer lending is expected to become eligible for the UK's regime in the near future. In addition, the UK government is now looking fondly on the crowdfunding industry as a suitable platform for getting money into the economy. The government's London Co-Investment Fund (LCIF) has pledged to invest a portion of its £25 million into London-based startups through Crowdcube.

The UK's Financial Conduct Authority (FCA) and other European regulators are also intent on promoting the alternative finance industry rather than overloading it with prohibitive regulation.

Deepening capital markets, enhancing investor choice, and diversifying financing opportunities for companies beyond bank finance, are valuable aims that European regulators such as the FCA have expressed support for. There are risks for investors in alternative finance that require appropriate protection to be put in place.

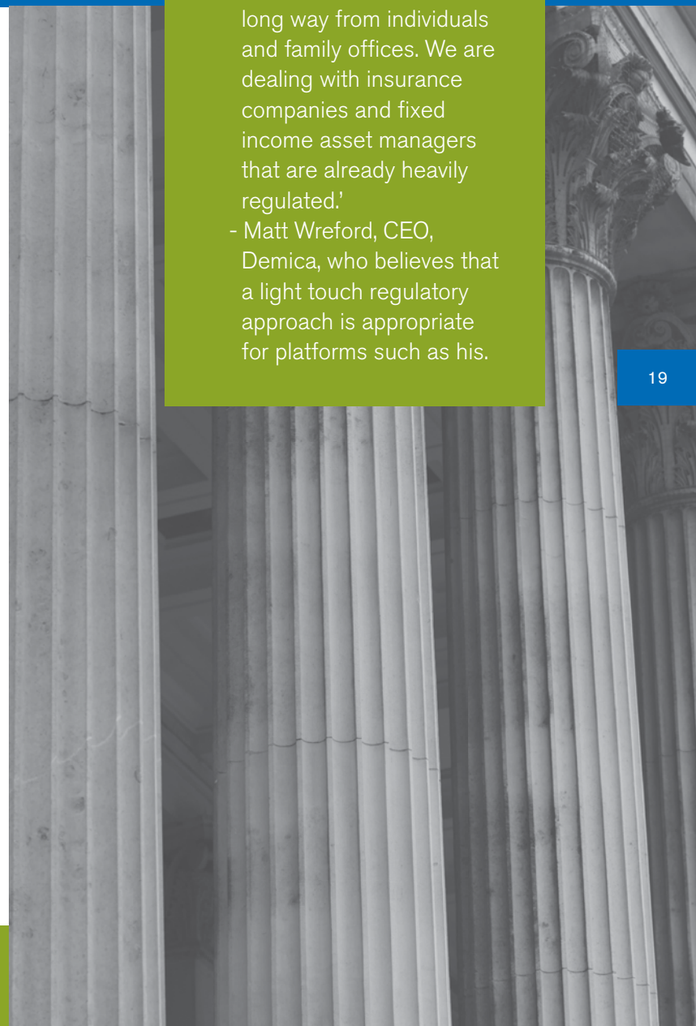
This regulatory viewpoint is very much in lime with government policy which seeks to promote alternative finance. In December 2013, the then Financial Secretary to the Treasury, Sajid Javid, remarked in a Westminster debate that this is an industry he wanted the government to encourage to grow.

> Deepening capital markets, enhancing investor choice, and diversifying financing opportunities for companies beyond bank finance, are valuable aims that financial regulators such as the FCA support. There are risks for investors in alternative finance that therefore require appropriate protection to be put in place.

Regulators such as the FCA agree that transparency is key to the growth and success of the alternative finance sector. The idea behind this is that investors will be more likely to invest if the product is explained adequately, they are confident that the product is appropriate to their needs and risk appetite, and they trust that the product has the necessary safeguards and is provided within a robust but proportionate regulatory framework. Measures which achieve this clarity, confidence and trust should help increase the supply of investor finance into capital markets.

The goal is to encourage both retail and institutional investors to come forward. Institutional investors can provide the necessary due diligence and analytical rigour that allow retail investors to co-invest with confidence. Equity crowdfunding platforms such as SyndicateRoom allow both big and small investors to invest under the same terms.

> 'Our area of the market is transactions that are €50 million and above. It is a long way from individuals and family offices. We are dealing with insurance companies and fixed income asset managers that are already heavily regulated.'
> - Matt Wreford, CEO, Demica, who believes that a light touch regulatory approach is appropriate for platforms such as his.



Tapping the capital markets

Alternative finance is very much at the heart of the European Union's Capital Markets Union (CMU) programme. To encourage cross-border investment, the EU hopes to harmonise areas such as tax treatment and trading shares on secondary markets so that crowdfunding and other alternative financing methods can bring in investors and lenders from multiple jurisdictions.

Ultimately CMU is about supporting other funding models in the absence of bank lending. It is hoped that it will boost the securitisation market and relax the capital requirements for institutional investors investing in areas such as infrastructure. It wishes to create a strong equity culture in Europe and break the dependence on fixed income, debt and bank loans. In essence, policymakers have become more supportive towards products such as securitisation, recognising the importance of these structures to provide much needed finance to a recovering economy. CMU is to be implemented during the Autumn of 2015.

Cadwalader's Jeremiah Wagner believes that the CMU programme is a big step in the right direction, but much more is required to create an environment in which necessary finance reaches all corners of the economy: 'There are fundamental regulations and laws that need to be considered to make it easier to invest in foreign jurisdictions. But even beyond CMU there needs to be a shift in European thinking. There is still a significant portion of the economy that goes direct to banks to raise capital and they do not have the same risk appetite that exists in other jurisdictions. In these jurisdictions, you often have a more diverse venture capital sector and people are more willing to take greater risks for the chance of bigger returns.'

Cadwalader partner Stephen Day says that CMU is part of a wider trend in which the alternative finance arena is looking to products such as securitisation to optimise their growth prospects and ability to meet demand from consumers and businesses. 'Securitisation is a basic technology that is incredibly valuable to the economy at large. It finances essential modern life activities by monetising income streams, such as credit card, loan or mobile phone handset payments,' explains Mr Day.

'Whether it is through peer-to-peer, established banks or other providers, the ability to finance is essential in a way that doesn't lock up capital, while creating more growth by injecting money into the economy.'

> 'Securitisation is a basic technology that is incredibly valuable to the economy at large. We welcome the shift in regulatory policy, political support and a growing understanding that this is a positive and essential funding tool.'
> - Stephen Day, Partner, Cadwalader

> At a recent conference on European alternative finance and marketplace lending in London, participants were asked what single policy initiative or regulatory change would best support the continued growth of alternative finance in Europe. The consensus was that a European Capital Markets Union would be a positive step.

Case study

Growing Europe's funding alley – securitising peer-to-peer loans

In November 2014, Funding Circle, one of the UK's largest peer-to-peer platforms, secured a landmark deal with US investment group, KLS Diversified Asset management, to lend £132 million to small British businesses. One of the first cross-border participations in the European alternative financing industry, the deal also marked the first time a US investment company had lent to SMEs through a European platform, paving the way for large investors to tap into this fast growing sector.

Highlighting a new development in the alternative finance market, platforms and investors holding peer-to-peer loans are now looking to securitisation to increase the availability of capital and the level of returns on their investments. Cadwalader's European capital markets team has been at the forefront of this developing market, having acted for various parties in the majority of transactions that have so far been closed in the sector.

'From the perspective of a peer-to-peer platform, securitisation has the potential to attract large investors looking to increase their return on investment, thereby giving the platforms involved a first mover advantage in a burgeoning new market,' observed Cadwalader capital markets partner, Jeremiah Wagner.

'The ability to transfer and securitize whole-loans rather than fractional loans is one of the biggest single take-aways for the industry,' adds Stephen Day, another partner in Cadwalader's capital markets group. 'Market place lenders have been able to grow their business and expand their ability to provide finance to SMEs and consumers, giving them the scope to bring products to market. This in turn is providing benefits for Europe's SME and consumer sectors.'

About Cadwalader

Cadwalader, Wickersham & Taft LLP, established in 1792, serves a diverse client base, including many of the world's leading financial institutions and corporations in more than 50 countries. With offices in Europe, Asia and the United States, Cadwalader offers legal expertise in antitrust, banking, corporate finance, corporate governance, energy, environmental, executive compensation, financial restructuring, health care, intellectual property, litigation, mergers and acquisitions, private equity, private wealth, real estate, regulation, securitisation, structured finance, tax and white collar defense.

Our market-leading European alternative financing and marketplace lending practice

Cadwalader has extensive experience representing companies engaged in consumer, student, SME lending and other asset classes. We regularly represent lenders and investors, and have the experience needed to advise on compliance with the novel legal and regulatory issues that peer-to peer and crowdfunding platforms present.

While these platforms continue to receive media attention and gain acceptance from investors - they also come with a host of legal questions and challenges. Cadwalader has formed an interdisciplinary marketplace lending practice to advise clients with developing new products and structures, to coordinate complex financings, to devise cross-border structures with issues relating to company formation, fund formation, consumer credit regulations, private and public financings, M&A transactions, investment properties and more.

Our highly experienced team is uniquely positioned to advise issuers, underwriters, investment and commercial banks, alternative investment funds, private equity, peer-to-peer and crowdfunding platforms, technology innovators, entrepreneurs, specialty financing companies, SMEs, structured finance participants, asset managers, insurance companies, and other stakeholders.

In particular, our team has acted on some of the first securitisations of SME and consumer loans originated through peer-to-peer platforms, including providing warehouse facilities to fund existing portfolios as well as providing leverage to direct equity investments through peer-to-peer platforms.

Recognised among the most innovative law firms by the Financial Times, and two-time winner of securitisation and structured finance deal and team of the year award by the International Financial Law Review, our team is distinctively qualified to advise on issues related to alternative finance & marketplace lending. We have also been ranked the number one law firm for commercial mortgage backed securitisation (CMBS) by Commercial Mortgage Backed Alert and among the five most active firms for securitisation by The American Lawyer.

Contact information

For more information on our market-leading European Alternative Financing and Marketplace Lending Practice, please contact one of our partners listed below or visit www.cadwalader.com/practice/securitization-and-asset-based-finance/alternative-finance-and-marketplace-lending.

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