

Business plan of Money lending business in Singapore



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1. Investment summary

- The Singapore moneylending (ML) market is one of the most challenging ones we have seen so far due to a number of overlapping factors:
 - It is relatively small in terms of number of people, which is balanced out by high income per capita
 - It is very obsolete in terms of financial technologies utilized in ML market, which presents on one hand huge opportunity in case we are able to disrupt the market with new technologies, or, on the other, a big risk in case we are not allowed by the regulator to introduce such changes into the market
 - The role of regulator in the market is quite significant and, while our initiatives are fully in line with the regulator activities towards making the market more institutionalized, it is not clear at this point how long it will take for the regulator to accept new technological reality
- We believe the market can be significantly transformed by the use of modern financial technologies, and in such case is positioned to achieve financial results as outstanding as those of ML businesses launched by our group in some of the more developed European economies
- However, to achieve that we need to progressively work with the regulator on introducing new business processes to the market, moving closer and closer to the “ideal” online business model so suitable for otherwise modern Singaporean society:
 - Online client acquisition
 - Online contract signing
 - Cash-free loan disbursement

Investment summary



Investment summary thsd USD	Timeline					
	Year 1	Year 2	Year 3	Year 4	Year 5*	Total
investments	3 131	5 980	115	0	0	9 226
Total investments	3 131	5 980	115	0	0	9 226
Number of loans issued (thsd)	1	27	51	62	67	208
Amount disbursed	1 684	37 647	70 956	86 158	93 142	289 586
Net portfolio (EoY)	759	6 363	9 097	10 702	11 019	11 019
Revenue	348	10 255	21 070	26 065	28 512	86 250
One-off expenses	-1 113	0	0	0	0	-1 113
Net profit after taxes	-1 141	205	4 617	6 876	8 050	18 607
ROE (yearly)	-65%	3%	48%	72%	84%	53%
ROAA (yearly)	-97%	4%	47%	57%	61%	39%

* - normalized year with no new clients growth

Break-even period – 18 months

Payback period – 29 months

Maximum investments from shareholder – 9,2 mln USD

2. Market overview

General market information

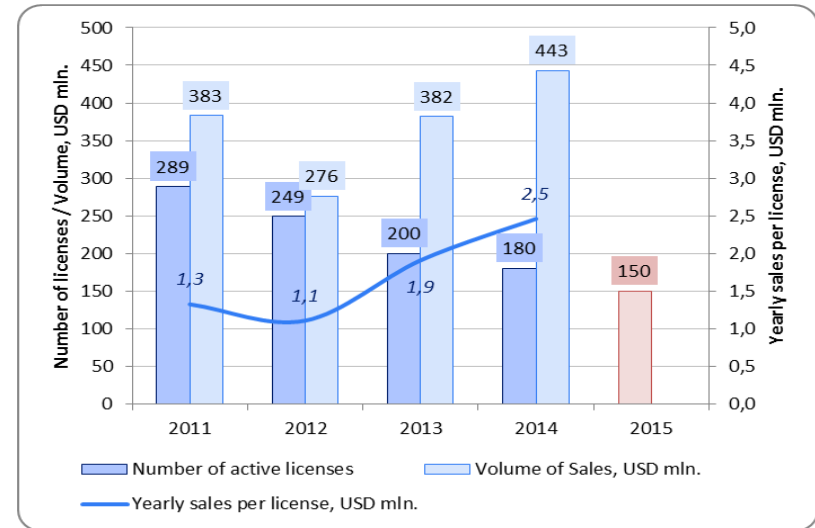


- Population of Singapore – 5,5M (62% citizens, 11% permanent residents, 27% foreign nationals). Urban population is 100%.
- Ethnic composition: 75% Chinese, 15% Malay, 10% Indian
- Official languages: English, Mandarin Chinese, Malay and Tamil. English is the common language, and is the language of business, government, and the medium of instruction in schools
- GDP per capita (nominal) is 9th in the World and stands at USD 56K per year, average monthly salary is USD 3,8K (2014)
- The population is significantly indebted, with consumer loans per capita at USD 55K*, and consumer loans to GDP at 76%
- Mobile phone penetration rate is extremely high at 156%, Internet penetration is high at 73%
- Singapore reports the highest smartphone penetration in the world at 85% (up from 72% last year)
- 98% of the population have bank accounts, online banking penetration stands at 52%, credit card penetration is 37%



*Compare GDP with other Asian market – appendix 1

- Consumer lending in Singapore is performed by Banks, Licensed Moneylenders and Pawnshops
- PDL is a known product in the market falling under definition of “Moneylending” and licensed as such by Registry of Moneylenders, Ministry of Law
- Regulator stopped issuing new licenses in 2012, and targets the total number of active licenses to be 150 by the end of 2015
- This policy led to the gradual reduction in the number of active licenses in the past few years
- Currently there are 176 ML licenses in the market (172 are active and 4 are already suspended)
- Despite steady decrease in the number of licenses, lending volume kept increasing due to more sophisticated marketing (online), rising ticket sizes, decrease in illegal ML activities and rising client demand



Current ML industry practices



- The only business model detected in the market is branch-based
- While the ML regulation formally allows for ML businesses to have multiple branches, only 5 MLs with 2 offices have been identified
- There are signs of concentration in the industry, exhibiting themselves in a peculiar way in such regulated environment
- This concentration happens not via expansion of a specific license, but rather by license operator taking under his control multiple licenses formally belonging to different individuals
- During our limited investigation time, we have come across at least one person operating 19 licenses and another operating 5, there are reasons to believe that this phenomenon is widespread and the actual number of players is relatively small
- Such mode of industry concentration has been dictated by harsh regulatory environment in which license operators diversify risks of license revocation by spreading business activities over multiple licenses
- In such a scheme, licenses are operated via “trust” agreements in which owners are paid 11-15% of gross profit or 20-30% of net profit



Current ML business processes



- Majority of Moneylenders have their websites, which allow customers to fill out short applications
- After short app is submitted, it is reviewed, and in the case of pre-approval, the client receives the phone call from ML inviting him to come to the branch with supporting documents
- The loan is usually disbursed on premises as cash, or is transferred to the client's bank account
- All this allows to classify the existing model as O2O

No obligation! Apply now and get quick approval!

* All fields are required.

Apply for *	<input type="text" value="Please Select"/>
Loan Amount *	<input type="text" value="Please Select"/>
Name *	<input type="text"/>
NRIC/FIN *	<input type="text"/>
Email *	<input type="text"/>
Contact No. *	<input type="text"/>
Monthly Income *	<input type="text" value="Please Select"/>

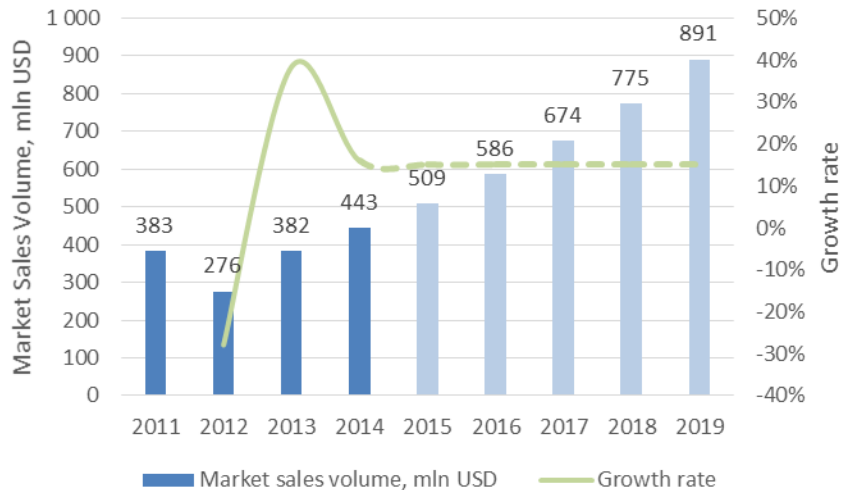
☐ I have read & accepted the [Terms & Conditions](#)

Submit

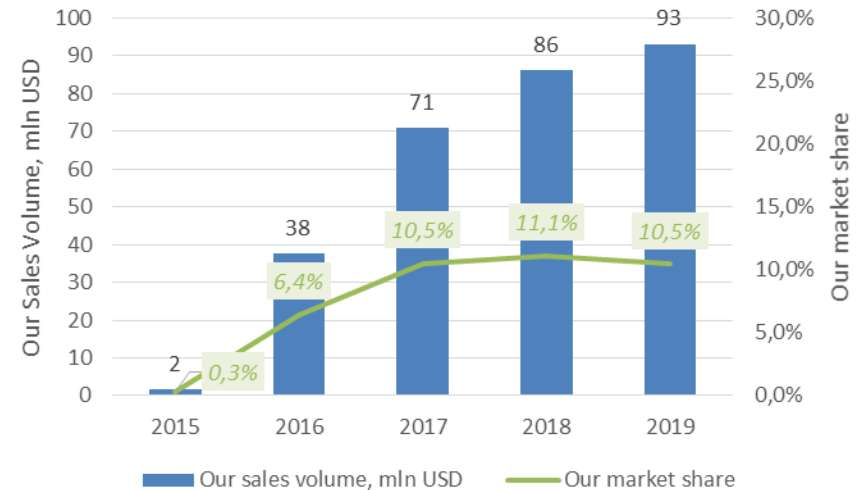
ML market sales volume and our market share



Market Sales Volume*



Our Market share & Sales Volume



Main assumptions:

- Market growth – 15% for 2015-2019
- Our market share from 2017: 10,5%

Upcoming restrictions of bank lending

Starting from 1 June 2015, The Monetary Authority of Singapore (MAS) limited the unsecured credit facilities per customer - max 24 times monthly income

As a result, according to the opinion of the President of the Moneylender's Association of Singapore, there will be a 20 to 30% rise in borrowing volume from licensed moneylenders

Our market share and sales volumes depend on our ability to generate client influx, which we are going to do with the help of marketing tools

* Total ML market, including all ML products (PDL, Installment loans)

3. Legal setup

Regulator:

- Registry of Moneylenders (Ministry of Law)

Regulations documents:

- MONEYLENDERS ACT 2008 (ACT 31 OF 2008)
- MONEYLENDERS (PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM) RULES 2009
- MONEYLENDERS RULES 2009
- DIRECTIONS OF THE REGISTRAR UNDER SECTION 16(3) READ WITH SECTION 26(1) OF THE MONEYLENDERS ACT REGARDING THE ADVERTISING & MARKETING ACTIVITIES OF LICENSED MONEYLENDERS

Regulation practice:

- All licenses must be renewed on a yearly basis, following the inspection conducted by the Regulator
- The industry has historically been “non-institutional”, with many ML businesses set up as sole proprietorships and operated by underworld figures
- The Regulator approach to the business reflects its historical positioning, with many Regulator employees having previous experience at the Police Department
- During toughening licensing campaign, the usual reasons for license revocation are:
 - exceedingly tough or borderline collection practices
 - failing to comply with clear information disclosure about effective APR to the customers
 - failing to provide adequate client information to the Regulator

Regulator restrictions and market opportunities



Restrictions	Opportunities
New license issuance restriction: <ul style="list-style-type: none">Ministry of Law impose moratorium on the issuance of new licences in 2012	We will enter the market through acquisition of an existing license
Moneylenders are allowed to advertise its services only using the following channels: <ul style="list-style-type: none">Business or consumer directories in print or online mediainternet websites belonging to the licenseeMoneylender's office	We will launch or work on a commercial basis with a lead generating company (LGC) which operates as a business directory or loan comparison site to create application inflow. This approach is already used by existing players.
KYC requirements: <ul style="list-style-type: none">Conducting face-to-face identification of potential customers or their agents is mandatory	We are investigating ways of customer identification alternative to face-to-face: <ul style="list-style-type: none">Relying on client identification done by the bank at the account opening stageBy third party – e.g. couriers of LGC
Pricing regulation: <ul style="list-style-type: none">Interest capCommissions cap	We will charge fees through LGC

We are working with the local legal firms to build a case for implementing new rules of the game in the market

Case study – Money3 PTE LTD - <http://www.money3.com.au>

- Top 50 in Singapore rate Australian moneylending company with branches in Australia (more than 400 000 customers), Singapore and Ireland, uses modern technologies and disburses online loans in Australia.
- Features of operations in Singapore:
 - Online “long” application form filling
 - Online credit report requests from Credit Bureau of Singapore
 - Loan disbursement to bank accounts (most moneylenders - in cash)
 - IOS application for iPhone and Ipad
 - A customer friendly documents check with only basic documents required
- Money3 was one of the most progressive moneylenders in Singapore and operated there for more than 5 years. However, in April 2015 their license was not renewed by the regulator. The formal reasons were:
 - recklessly furnishing false information to the Registrar
 - failing to supply a statement of accounts to a borrower
 - contravening a condition of license by employing a staff without the Registrar’s prior approval

Money3’s case suggests extreme caution in dealing with the Registrar. However, once formalities are observed, and regular dialog with the Registrar is established, it should be possible to introduce new techniques into the market

Results of approaching market players with offer to sell

Existing business with assets

Company name	Proposed deal	Pros	Cons
AP Credit	<ul style="list-style-type: none"> \$ 6.58 mln Ready to sell 100% shares 	<ul style="list-style-type: none"> An established company with high revenues Large customer base (2,500) Pretty low NPL level (4,9% at 90 DPD) 	<ul style="list-style-type: none"> High selling price Inconvenient branch location
Crawfort Pte Ltd	<ul style="list-style-type: none"> Price is unknown Ready to sell up to 75% shares 	<ul style="list-style-type: none"> High growth rate income (2 times last year) 	<ul style="list-style-type: none"> Inconvenient branch location
Fast Money PTE LTD	<ul style="list-style-type: none"> \$ 7.88 mln Ready to sell 100% shares 	<ul style="list-style-type: none"> 2 branches with convenient location High-ranked company website 	<ul style="list-style-type: none"> High selling price

License option without assets

License name	Proposed deal	Pros	Cons
SE Automobile Investment	<ul style="list-style-type: none"> \$ 284 thsd Ready to sell 100% shares 	<ul style="list-style-type: none"> Lowest price 	<ul style="list-style-type: none"> The owner is unreliable: constantly changes the deal terms and refuses to sign LOI
EASI ADVANCE PTE. LTD	<ul style="list-style-type: none"> Unknown 	<ul style="list-style-type: none"> Company is currently not operational 	<ul style="list-style-type: none"> high probability of license revocation by the Regulator

Best option for us is to buy into a pure license, as this can significantly reduce the purchase price

Name of company	AP Credit
Web	http://www.apcredit.sg
Price	\$6.58 mln
Net profit before taxes	\$1.13 mln
Number of branches	1
Average loan size	\$3 550
The cost of raising 1 client	\$40
Average number of loans per month	170
Average interest rate	25% per month
% of repeated customers (monthly)	approx.50%

- Seller operates 19 licenses in Singapore
- Company has high rate (top 30) website in search system
- The target audience of the company's management are:
 - ✓ customers who work in the financial centre of Singapore and business owners, who needed fast loan
- Seller leases office in Singapore business area

Name of company	Fast Money Pte Ltd
Web	http://www.fastmoney.com.sg
Price	\$7.88 mln
Net profit before taxes	\$1.91 mln
Number of branches	2
Average loan size	\$700
The cost of raising 1 client	\$35
Average number of loans per month	300
Average interest rate	28% per month
% of repeated customers (monthly)	approx.40%

- Seller operates several licenses in Singapore
- Fast Money is one of 5 companies in Singapore with 2 branches
- Company has high rate (top 30) website in search system and often meets on online business directories
- The target audience of the company's management are:
 - ✓ Customers whom are unable to obtain loan from local banks
 - ✓ Customers who lives or work near offices and needed fast loan
- Seller leases offices in low level residential areas

Name of company	Crawfort Pte Ltd
Web	www.crawfort.com.sg
Price	Not available
Net profit before taxes	\$1.35 mln
Number of branches	1
Average loan size	\$1750
The cost of raising 1 client	Not available
Average number of loans per month	280
Average interest rate	25% per month
% of repeated customers (monthly)	approx.50%

- Seller operates one license and wants to find strategic investor
- Seller has low rate (top 100) website in search system, but very often meets in online business directories
- The target audience of the company's management are:
 - ✓ Customers who are unable to obtain loan from local banks and customers
 - ✓ Customers who live or work near office and need fast loan
- Seller leases office in a dormitory district of Singapore
- Clients flow near the office is extremely low

Name of company	SE Automobile Investments
Web	http://www.sgloan.sg
Price	\$284 thsd
Net profit before taxes	Not available
Number of branches	1
Average loan size	Not available
The cost of raising 1 client	Not available
Average number loan per month	Not available
Average interest rate	25% per month
% of repeat customers (monthly)	Not available

- Seller operates several licenses in Singapore and wants to sell the license
- Seller leases office in sleeping quarters of Singapore

SE Automobile Investment is the main target license under consideration

- Shareholder is ready to sell
- Price of license is the cheapest compared to all other offers – \$284 000
- Sale process:
 - As a first step, the current owner must transfer company from Sole Proprietorship to Private Limited, which is necessary for transfer of shares of the company
 - Next step – the owner must submit documents to Regulator for approval of sale of 100% or less of the shares. Regulator's approval is the guarantee that license is legal and we can start our moneylending business

Easi Advance Pte Ltd

2nd option to buy license

- Shareholders have only license without business
- There is a risk of not extending the license by Regulator: Regulator could stop the license in case of the lack of operations
- 1 of 2 shareholders wants to sell the license
- We are in negotiation process

4. Product and Marketing

Competitor landscape



Type	Interest rate	Loan amount	Tenor	Documents	Time-to-Money	Contract signing
Licensed Moneylender	300%-720% annualized	\$185 – \$37 000	From 1 week up to 12 months	ID, Salary proof, Home address proof	30 minutes – 2 hours	In office
Unofficial lender	up to 1018% annualized	\$740 – \$14 800	From 1 week up to 12 months	ID, Salary proof, Home address proof	30 minutes – 2 hours	No contract signing, relationship is fully unofficial
Pawnshop	12-30% annualized	\$250 – \$37 000	From 1 week up to 6 months	ID + Collateral	immediate	In office
Bank	6-28% annualized	Up to \$88 800	12-60 months	ID, Salary proof	5-10 working days	In branch

Licensed moneylenders are our direct competitors. However, we expect part of the supply currently provided by the banks, to be replaced by supply from Moneylenders (due to upcoming regulation)

Current standard sales process of ML



1. Online application and preapproval

- The client applies online through the company website
- The application includes client consent for all the checks (credit bureaus, black lists, other moneylenders databases etc.)
- The company performs all the necessary checks and makes a credit decision
- If the decision is positive, the manager of the company calls the client and invites him to visit the company's office

2. Branch visit

- The clients come to office with min package documents:
 - Passport/ID/NRIC/FIN
 - 1-3-6-12 latest original pay slips or Employment agreement
- Most when customer takes more than 3000:
 - Proof of residence (a rent agreement or paid utility bills)
 - Paid invoice for the phone
 - Bank account statement
 - Work permit (for foreign workers)
- Depending on the loan sum and product offered, the list of required documents might be shorter or longer

3. Decision making

- Checking black list in online interface
- Checking Credit bureau in online interface
- Taking hard copy all documents
- Loan officer makes decision if loan is less than S\$3000. If loan is more than S\$3000, a manager makes decision
- Entering information about the client in accounting program

4. Contract information

- The manager of the company informs the client of all significant details of the contract, including:
 - the effective interest rate for the loan expressed as a percentage per annum
 - the effective interest rate for the interest (if any) to be charged on late payment of the principal and interest
 - whether any permitted fees will be charged, how they will be computed and the circumstances under which they will be charged
 - repayment schedule

5. Documents signing

- The client signs the documents:
 - Loan Application
 - Borrower's consent for release of information
 - Authorization Letter
 - Payment schedule (Form 1)
 - Contract
 - Payment Voucher
 - Acknowledgement Page
 - Terms and Conditions
 - GIRO authorization (if the contract gives the lender the right to withdraw money from the customers account)

6. Money disbursement

- Most of the moneylenders disburse loans in cash at the office
- Only several advanced companies transfer loan amount on customer's account

Process – off-line
Time To Money – 0,5-2 hours after providing all necessary documents at ML's branch

Upcoming regulation of ML



Advisory Committee announced 15 recommendations to strengthen moneylending regulation*:

- 12 of the 15 recommendations were accepted by Government
- 2 recommendations – to lift the moratorium on the granting of new licenses and to regulate debt collection behavior – will be reviewed in time, as the industry adapts to the new regulatory changes
- 1 recommendation - advertising restriction cancelation – was not accepted by Registry of Moneylenders

New regulation in comparison with existing rules:

#	Fee name	Current rules	New rules (to be implemented in 2015)
1	Administrative upfront fee	Not allowed	Up to 10% of the loan amount
2	Interest cap for: - low incomes customers (<S\$30K per year) - High incomes customers (>S\$30K per year)	20% per annum No cap	4% per month
3	Overdue interest/Late payment fee	Allowed, no cap	4% per month (additionally)
4	Late payment flat fee	Not allowed	max.44 usd per month
5	Loan tenor	Not regulated	Repayments should be aligned to a borrower's wage cycle, and should be set on a monthly basis by default.
6	Fee for changing loan terms upon customer's request	Allowed, no cap	Not allowed
7	Fee for each case of dishonored cheque issued by customer	Allowed, no cap	Not allowed
8	Fee for each unsuccessful GIRO deduction from a bank account (as payment to the moneylender)	Allowed, no cap	Not allowed
9	Fee for early redemption of the loan or early termination of the contract	Allowed, no cap	Not allowed
10	Legal costs incurred for the recovery of the loan	Allowed, no cap	Not allowed
11	Any other fees and commissions	Not allowed	Not allowed

* We trace the changes on the official website of the Ministry of Law <https://www.mlaw.gov.sg>

** Full list of recommendations see in Appendix 2

Our product strategy



New regulatory restrictions are forcing MLs to compile very similar products:

#	Parameter	Existing ML product	Expected competitor's product*	Our product proposition
1	Loan amount range	\$185 – \$7400	\$250 – \$8000	\$500 – \$3700
2	Avg Loan amount	\$1106	\$1250	\$1250
3	Loan tenor range	1 week - 3 month	1 month (fixed)	1 month (fixed)
4	Avg Loan tenor	1 month	1 month	1 month
5	Upfront admin fees	No	Up to 10% (capped at 10%)	9.9%
6	Interest rate	15% -35% monthly (up to 60% in some cases)	4% monthly (capped at 4%)	3.9% monthly
7	Late interest rate	1% per day	4% monthly (capped at 4%)	4% monthly
8	Late fee	No	Up to \$44/month (SGD 60)	\$44/month (SGD 60)
9	LGC fee	No	No	4.9% for each contract

We plan to be on par with the market in terms of pricing, and simultaneously focus customer attention on other advantages of our offer: short list of the documents needed, online credit decision, convenient contract signing process, loan disbursement to customer's existing bank account

* In the line with upcoming regulation, based on insider market players information

** subject for legal approval

Our Effective interest rate calculation



Effective interest rate components (per month, based on average loan duration of 58 days*)

	Component	Value	Comment
1	Upfront admin fees	5.2%	Collected for each loan disbursed
2	Interest rate	3.2%	Includes only payments made on time
3	Prolongation fees	1.6%	Collected for each prolonged loan
4	Flat late fees	0.9%	\$44 per each loan not paid on time
5	Late payment interest rate	1.7%	Double interest rate paid by non-defaulting delinquents
6	Credit losses	-2.9%	Defaulting loans
	Total	9.8%	

To reach target EIR (13% monthly), we consider additional ways to increase Effective interest rate:

No	Method	Comment
1	Split loan into 2 loans for increasing late fee contribution	Might be assumed as abuse of the right. We will make this if It becomes common market practice
2	Small tricks - early cut-off time on payment day	Might be assumed abuse of the right. We will make this if It becomes common market practice
3	LGC fee – fee form Lead generation company for compare and consult service	We will apply. See next slide

Our EIR rate will be 9.8% monthly at launch. We will closely monitor market practice and will pilot additional ways to increase Effective interest rate. Within two months after launch we plan to start earning additional income in the form of LGC fees – 4.9% for loan disbursement and 4.9% for loan prolongation, which will increase the EIR to 13,1%.

* Including prolongations and payments past due

1. Since we are planning to use LGC for marketing purposes, we may just as well use it for earning additional income, charging additional fees on the ground of services provided for:
 - competitor offers comparison
 - client consultation for choosing best loan option
 - client initial eligibility checkign
 - sending client application form to ML
2. Fee size – 4.9% of disbursed loan amount. Will be taken only after loan disbursement from the customer
3. Feasibility:
 - While this is currently not a common market practice (because of absence of interest rate cap), market experts verbally confirmed its feasibility for the future
 - We are validating this option with our legal partner and regulator

Legal ways of marketing are quite limited due to restrictive legislation.

Marketing section information sources:

- 1) *Open sources (industry articles and reports)*
- 2) *Legal sources (legal consultants, existing regulation)*
- 3) *Industry insiders:*
 - 1) *Money lenders (existing)*
 - 2) *Money lenders (who left the market)*
 - 3) *Media suppliers (online directories and comparison sites)*
 - 4) *Advertising agencies*

Restrictions

ALLOWED:

1. Money lenders' own websites
2. Money lenders' own physical POS
3. Organic search (SEO): money lending "key words" only

ANY OTHER ADVERTISING IS NOT ALLOWED:

ATL (e.g.: TV, radio, outdoor)

BTL (e.g.: promo, direct)

Digital (e.g. banners)

DM (e.g. mailings)

ADDITIONAL PROHIBITIVE LEGISLATION

introduced for some specific types of communications.

They are explicitly forbidden, e.g:

1. Paid search
2. Organic search or any digital targeting "gambling" audience
3. Printed directories have quotas to place money lenders ads
4. Online directories outside dedicated ML sections
5. Social media of any kind (Facebook, Youtube etc)
6. Outside physical POS exterior surface
7. Any sales in SMS and @mailings including customers

Ways to play in a legal territory



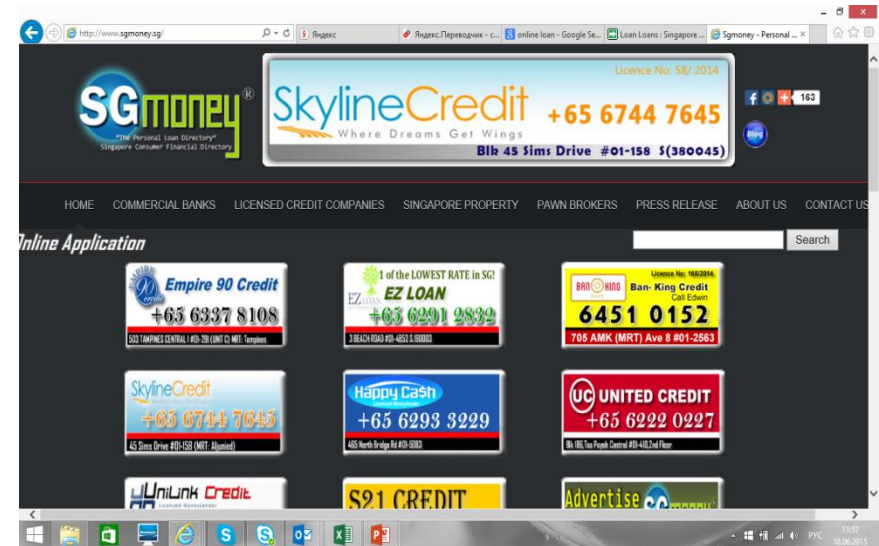
Current practices to get around advertising restrictions: advertise through online directories or comparison sites.

What is directory?

- Web classifieds resource with ML banners that generates leads
- There are dozens in the market place
- Fully legally promoted in any media
- Dominates in organic search
- Exclusive in paid search
- Exclusive deals are possible (manageable priority traffic)

Why is it legal?

- it is not ML
- It is not affiliated with ML
- Has competitive banners
- Has other then ML sections or content



An example of a site that calls itself "finance business directory". In fact this is hidden advertising for money lenders

Ad www.check.sg/Extra_Cash_Loan_Today
Get Your Extra Cash Loan Today. Simple Application, Fast Approval.
Chinatown - Ang Mo Kio - Tampines - North Bridge Road

Cash Loan In Singapore - Easy Application, No Hassle

Ad www.sgdirectory.sg/
Choose The Cash Loan You Can Afford

Personal Loans | Apply Online: Get a Personal Loan up to ...

<https://www.lendingclub.com/public/personal-loans.action>
Get a low, fixed rate personal loan. Check your rate online, with no impact to your credit score.

Rates & Fees - Debt Consolidation Loans - Lending Club Reviews - Pool Loans

LendUp: Better Alternative to Payday Loans - 24/7 Online ...

<https://www.lendup.com/>

Loan 4x Monthly Salary

www.yip.com.sg/online+loan
Apply Online & Get Cash in 24 Hrs.
Low Monthly Repayment Available.
North Bridge Rd

Business Loan For SME

www.singaporefinancialdirectory.com/
Get SME Loan Offers from SG's Top Licensed Moneylenders.

Loans Online Comparison

www.singsaver.com.sg/
Leading Comparison Site in SG
Compare Loans & Save Money Now!

Another way of hidden advertising of money lenders (paid search)

In media:

- Legal media
- “Own” media

In messages:

- Combination of product and promo messages (e.g. “limited offer”)
- “Drug” dealer approach (e.g. “first loan free”)
- We shall build brand

Marcom approaches

LEGAL MEDIA:

We shall use media that are allowed or available:

- Our website
- Our POS
- Organic search (SEO)
- Online Directories
- Comparison websites

“OWN MEDIA”

We shall create own directories and comparison sites and market through them. (in financial model acquisition cost is equal to existing acquisition cost of the channel -25% ownership mark-up)

ALTERNATIVE CREATIVE SOLUTIONS

We shall develop alternative ideas that gets us into legal territory. But very cautiously (further investigation is required and legal opinion is a must). e.g.:

- Mobile applications
- Discount card or other legal “shield” product
- Offline direct marketing
- Alternative POS like application terminals
- Virus marketing
- Targeting audience from outside Singapore jurisdiction

Marketing mix & sales funnel

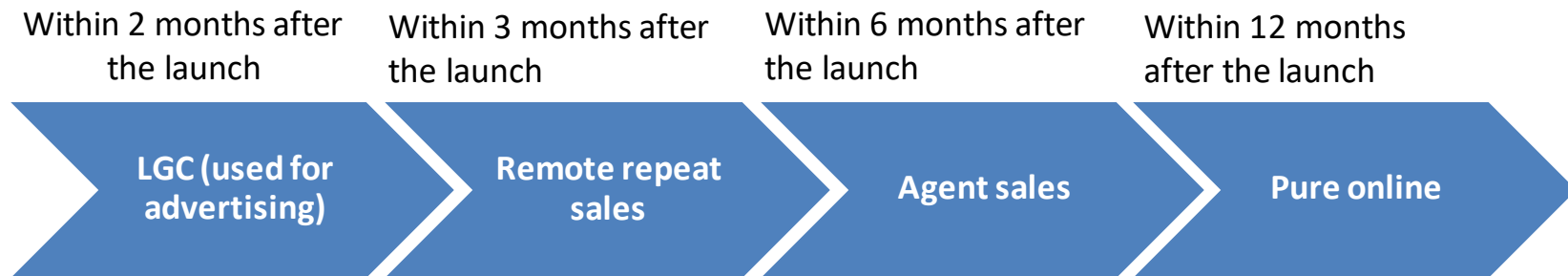


#	Marketing tools	Sales volume %	Lead cost \$	Approval rate %	Disbursement rate %	Client cost \$
1	Online directories	70%	\$125	80%	90%	\$174
2	Search Engine Optimization	15%	\$70	80%	90%	\$97
3	Comparison websites	15%	\$50	80%	90%	\$69
	Total					\$147

Volumes are confirmed as per financial model. Preliminary commitments on volumes and prices have been negotiated with leading online directories*

- Meetings with director of directory «Notionage» (5 directories). Meeting with founder compare website «Onelyst». Meeting with founder AP Credit .

Business process evolution & key competitive advantages



Evolutionary step	Using separate LGC fee as additional source of income	Allowing customer to obtain repeat loans without branch visit or new credit contract signing	Remote contract signing during the meeting with courier at customer's home or work	Fully remote loan applying&obtaining process
Customer acquisition	Online	Online	Online	Online
Customer's verification	Face-to-face at the office	Face-to-face at the office (for the first loan only)	Face-to-face during Agent's visit (for the first loan only)	Online
Contract signing	Face-to Face in ML office	Offline at the office (for the first loan only)	Offline during Agent's visit (for the first loan only)	Online (electronic signing)
Comments	Not yet implemented in the market	Not yet implemented in the market	Not yet implemented in the market	Not yet implemented in the market

We will start with traditional Online-to-Offline (O2O) model. Every subsequent step will be cleared with local legal advisors and Regulator first

5. Decision making & Collection

Main risks for our product we expect from clients with low income, and estimate it as 5% from disbursements (our competitors have risks from 4 to 6 % from disbursements for small loans)

Type of risk	Risk	Drivers to the risk/ comments	Tools for the risk reducing	Collection procedure comments
Fraud	-	<ul style="list-style-type: none"> • Very strong laws – main driver of the absence of fraud • Typical risk for black moneylenders only 	-	-
Defaults for loans less than 5000 \$	No money	Typical risk for workers from other countries and with monthly income less than 2000\$	1) SingPass off-line Checking 2) Checking by cheap on-line Credit bureau and blacklist	1) SMS, Calls, e-mails 2) Most of debtors pay but with long delays
Defaults for loans more than 5000 \$	High debt-to-income, lots of loans, Pyramids	Mainly relevant for the banks	1) Checking by Credit bureau 2) SingPass off-line Checking	1) SMS, Calls, e-mails 2) If not paid - Bankruptcy procedures

Singapore Personal Access (or SingPass), launched in March 2003, is a gateway to hundreds of e-services offered by more than 60 government agencies, enabling users to only have and remember one password when connecting and transacting with the Government.

Some ML companies require customers to demonstrate their income for last 12 months in personal account SingPass. To do this, companies provide customers with a computer connected to the Internet.

#	Information	Short description
1	What information can be checked?	Proof of income, Any property client owns
2	Who can have Eligibility for SingPass?	Singapore Citizen and Permanent Resident Employment Pass and Personalized Employment Pass holders EntrePass holders, S-Pass holders Dependent Pass holders (of EP, PEP, EntrePass and S-Pass holders) Long-Term Visit Pass-Plus (LTVP+) holders (Issued by ICA) Selected Work Permit holders
3	Who have access to SingPass base?	Only users can enter individually
4	How we can check customer's data	Client can show us information by safe computer.
5	Online options for check	No

SingPass allows us to verify the validity of income and property information provided by the customer.
But it can't be automated

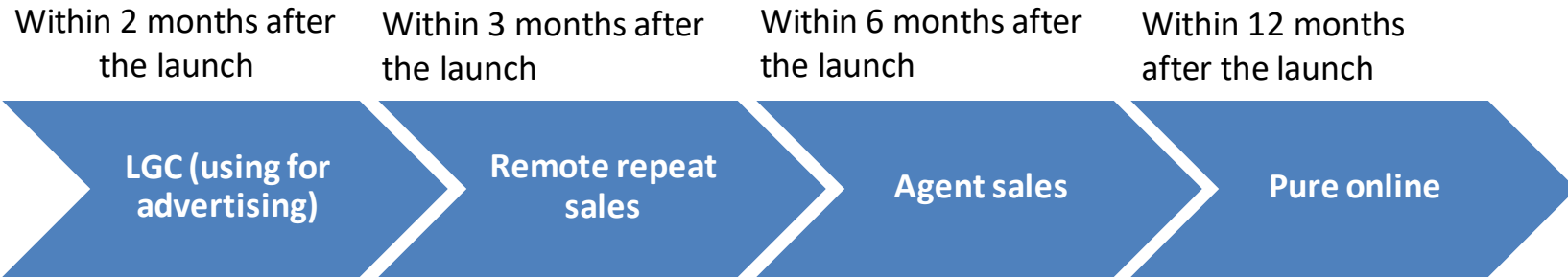
A variety of options for performing customer checks exists in the market, however, some of them are pretty expensive:

Credit bureau**	Report cost	Online reporting	Hit Rate	WEB
Credit Bureau of Singapore (CBS)	The price is \$6.50 per report	Temporarily blocked	100%*	http://www.creditbureau.com.sg
SML 999	\$0.03 per basic search \$1.50 per detailed search	Yes	75%	https://www.sml999.com
DnB Consumer report	\$3-4 per report, depending on package	Yes	100%*	http://www.dnb.com.sg
DP Credit Bureau	Price is unknown for now (02.07.2015)	Yes	65%	https://www.dpcreditbureau.sg
MLAS (black lists)	\$380 per year for unlimited search	Yes	Not available	https://moneylenders.sg

*- not only credit history, any data.

** - source of information – Daniel (founder AP Credit), manager DnB, manager CBS and manager DP Credit Bureau (meetings)

Strategy of the risk procedures developing



Decision making	<ul style="list-style-type: none"> • Work off-line with SingPass • Use automotive checking procedures • Use automotive checking by cheap on-line Credit bureau and blacklist 	<ul style="list-style-type: none"> • Work off-line with SingPass • Use automotive checking procedures • Use automotive checking by cheap on-line Credit bureau and blacklist 	<ul style="list-style-type: none"> • Work with SingPass by tablet of couriers or mobiles of clients • Use automotive checking procedures • Use automotive checking by cheap on-line Credit bureau and blacklist • Use mobile and work phone verifications • Implement the own scorecards 	<ul style="list-style-type: none"> • Try to work with SingPass on-line • Use automotive checking procedures • Use automotive checking by cheap on-line Credit bureau and blacklist • Use mobile and work phone verifications • Correct the own scorecards
Collection procedure	<ul style="list-style-type: none"> • SMS • Calls • E-mails 	<ul style="list-style-type: none"> • SMS • Calls • E-mails 	<ul style="list-style-type: none"> • SMS • Calls • E-mails • Sales 	<ul style="list-style-type: none"> • SMS • Calls • E-mails • Sales

Decision making procedure



#	Check	Off-line	On-line with courier	Full on-line
1	Visual stop factors	In an offline office	During the meeting with courier	
2	Auto Stop-factors	Age, employment, resident, income		
3	Local credit bureau information	SML999, DP Credit Bureau		
4	Black lists and databases	Criminal records, bank black lists, MLAS directory search		
5	Credit rules	Different logic rules, depending on credit history, max. loan amount calculation, etc.		
6	Scoring	Social-demographic		
7	Documents and data checking	checking incomes and other data by SingPass		Try to use SingPass online
8	Work phone verification	???	Checking information provided by potential customer, check for obvious signs of fraud	
9	Phone verification	???	Checking information provided by potential customer, check for obvious signs of fraud	

The list of required documents:

- NRIC (national passport)
- Income proof (Latest Payslip or Employment/Appointment Letter or CPF Contribution Statement or Latest Bank Statement)

Average decisioning time is expected to be within 15-20 minutes, including phone verifications (for good applicants – short phone verification, for not good – long phone verification)

Due the fact that the ultimate beneficiary is responsible for collectors' actions, we plan to make most of the collection operations in-house:

#	Stage	Short description	Inhouse/Outsourced
1	Early collections	Email and call for reminding the customers to make the payment, at early delinquency stage option of renewal for a some fee	In-house
2	Soft collections	Email/mail/call for reminding the customers to make the payment, at medium stage of delinquency	In-house
3	Selective Legal collections	Official request to the court for the debt collection	Outsourced/optional
4	Sales	Try to sale of the debt after 180-360 days of delays	Sales/optional

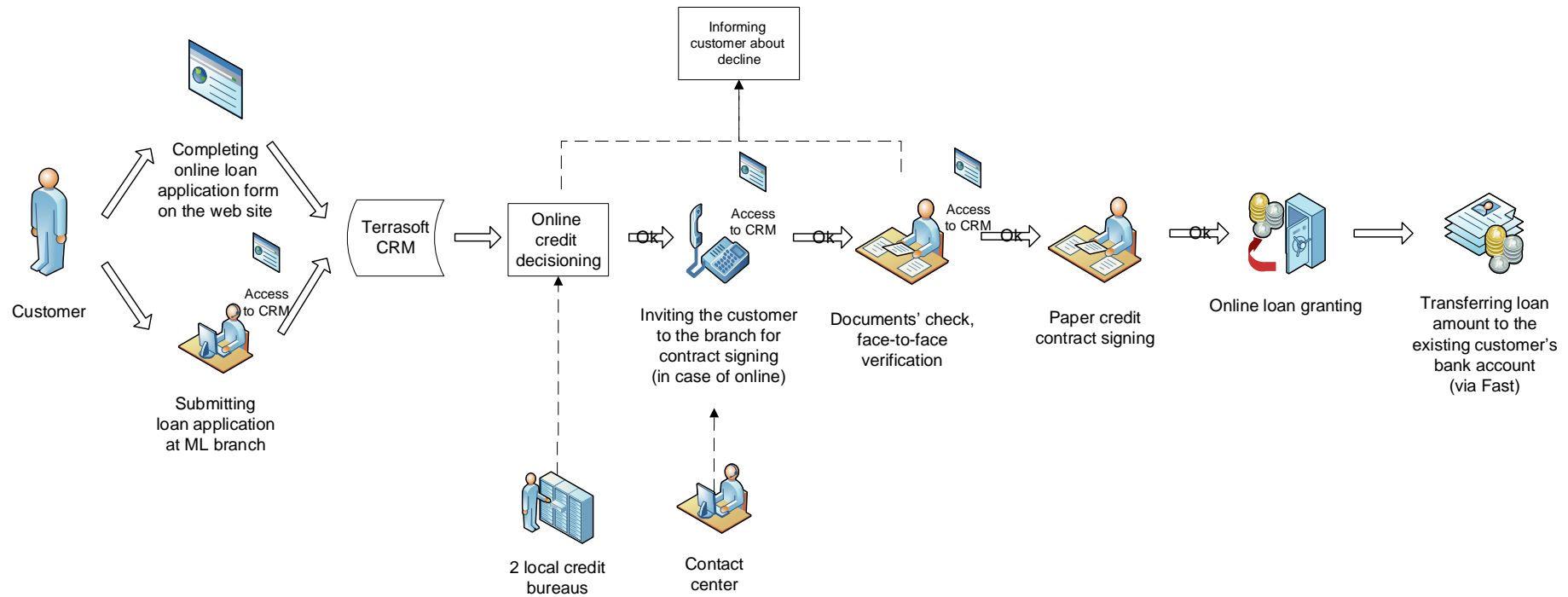
- Pre-, Early- and Soft-collection are planned to be executed in-house by company's employees – we plan to use own Call center for that purpose
- Hard collection (clients visits) will not be done due to tough regulator's requirements for collection process
- Selective Legal collections are planned to be outsourced (optional)

6. IT

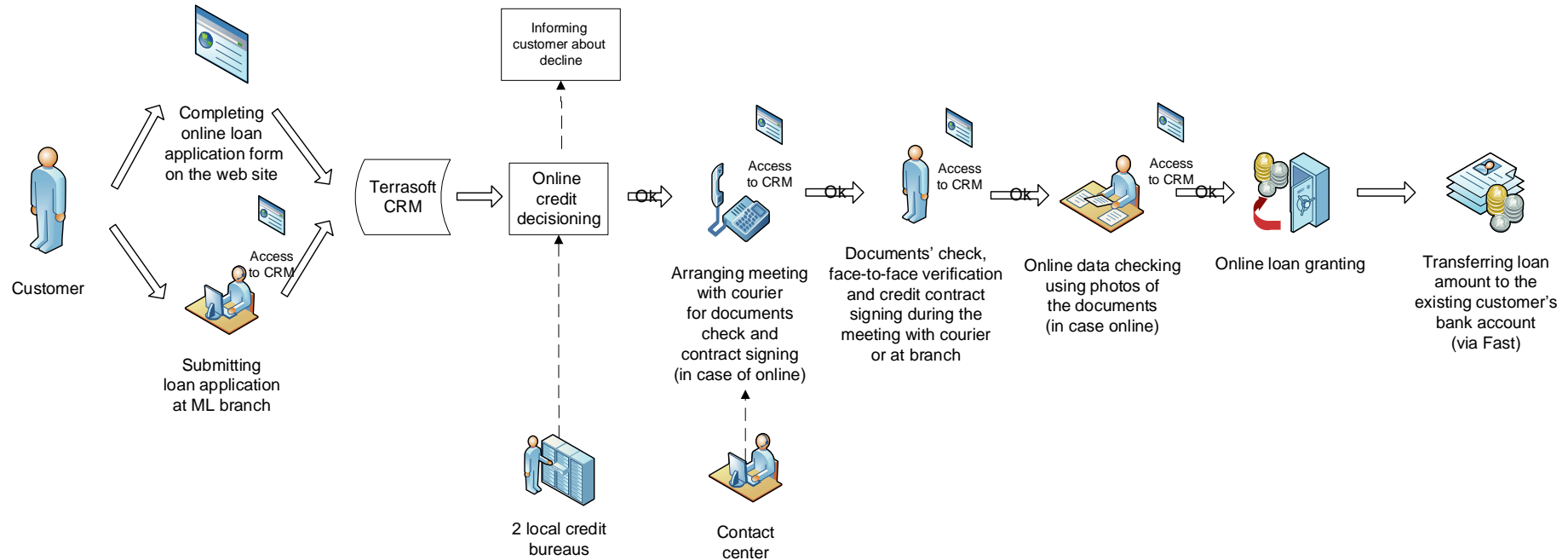
- We will use “BPM Online” solution from Terrasoft, developed for VN MFI project, as a basis for building business processes in SG
- However, these business processes will have to be slightly modified to account for SG-specific business processes (branch-based, online-to-branch, full online with electronic contract signing)
- Telephony & Call-centre – we are planning to use CN-based outsourcing call center with workplace outsourcing and Terrasoft-integrated solution Webitel as a telephony system
- As in every market, we will have to integrate with the following local partners:
 - Bank – to setup loan disbursal and payment collection*
 - Credit bureaus – to send requests and receive answers online
 - Blacklist services – to send requests and receive answers online
 - Local SMS operator – to send verification SMSs
 - GL accounting and reporting software

Such an approach allows us to minimize IT development budget, keeping it under \$200K

* We are in negotiation process with a few banks

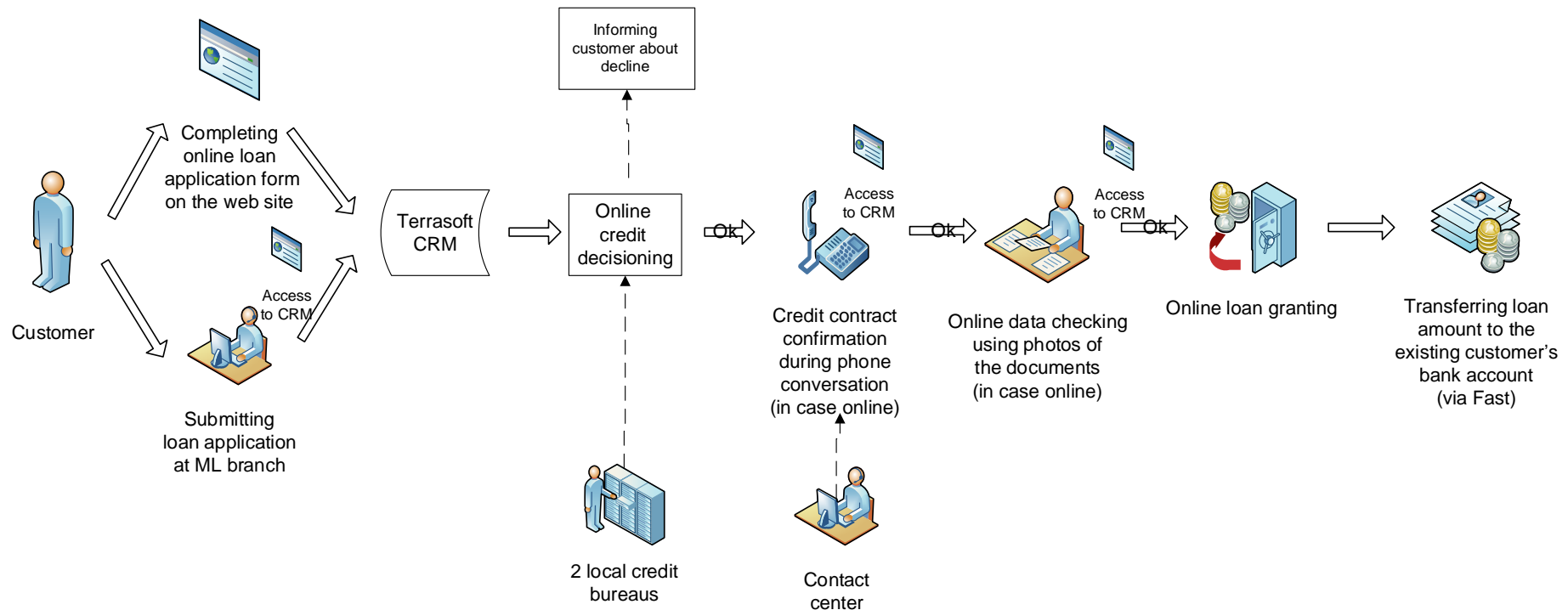


We start from the workflow, currently used in the market by all players (requires customer visit to the branch and allows to receive money within couple hours from the moment of application)

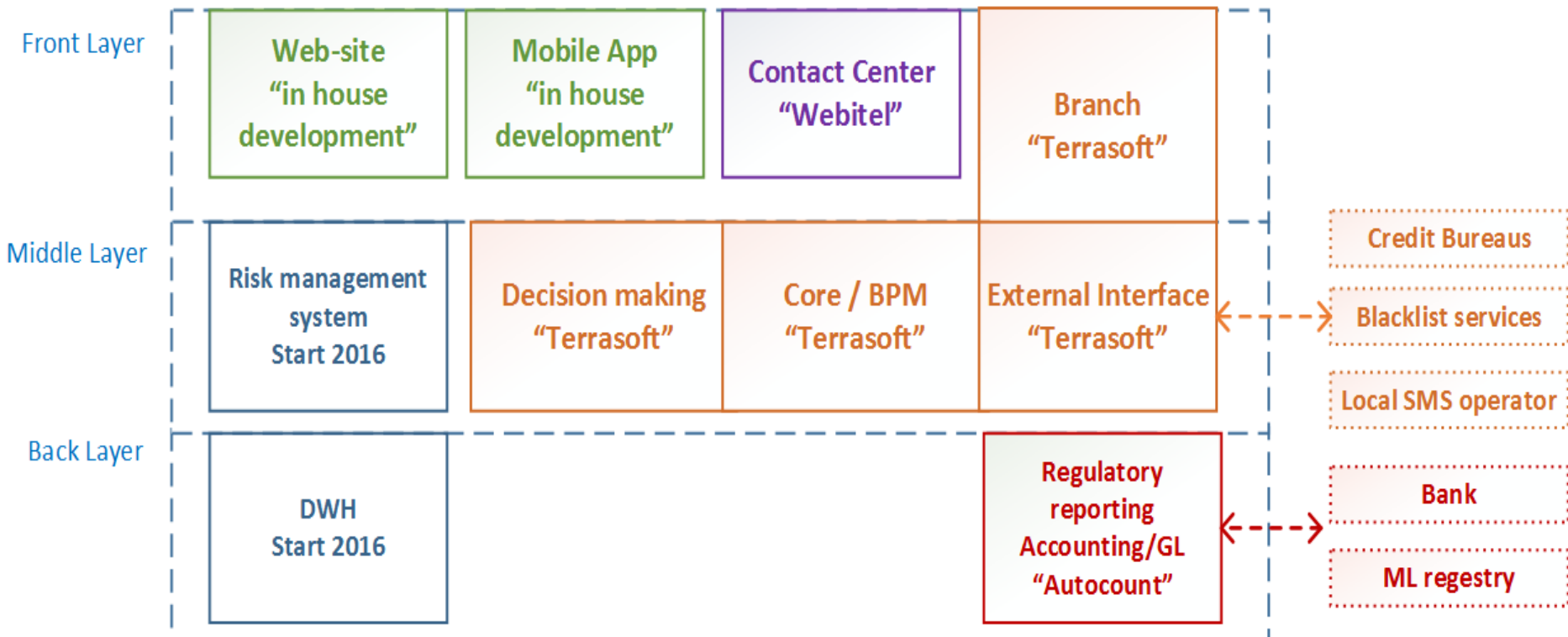


Transitional business process will allow customers to receive money within 0,5-2 hours after applying online, without necessity for a branch visit (depending on customer's availability for courier's visit)

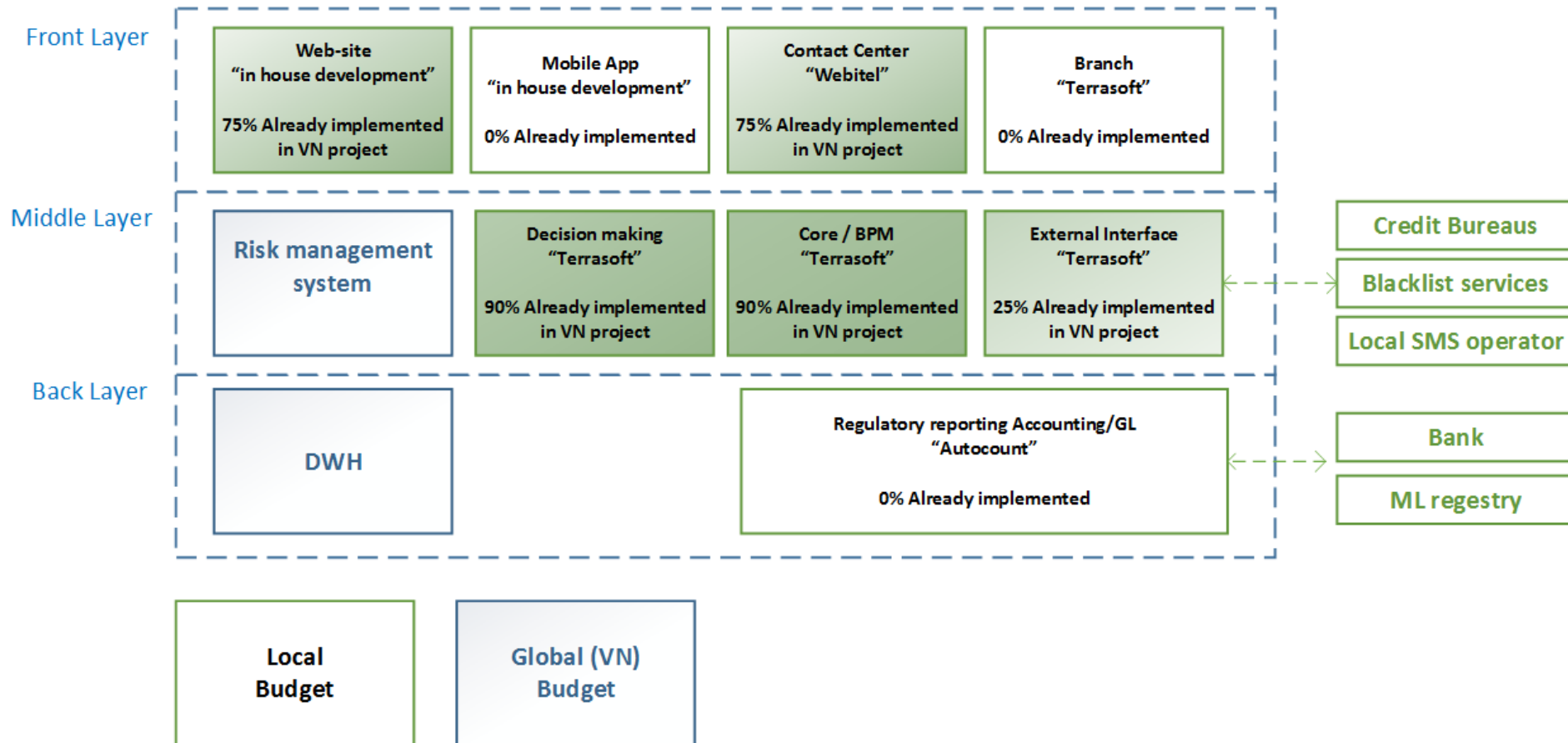
Target (fully online) workflow



Target business process will allow customers to receive money within 15-30 minutes after submitting online application with money delivered directly into his bank account



IT architecture- incremental view



IT budget components



#	IT component	License price	Initial Implementation/ development price	Support price (per year)	Further development budget (per year)	Comments
1	CRM: "BPMOnline" by Terrasoft	0	\$75K*	\$4K	\$14K	Covers integration, language localization, business process and product modification
2	Contact center: "Webitel" solution	\$325 per user	\$7K	\$1K	0	Specialized CC solution with "out of the box" integration with BPMOnline
3	Local GL solution: "Autocount"	\$40K	\$40K	\$8K	\$4K	Covers reporting
4	Local web-site	0	\$1K	0	\$1K	Language localization, application form change
5	Directories and comparison sites	0	\$20K	\$1K	\$5K	Creating at least 3 sites to promote the ML services
Total		\$45K**	\$123K	\$14K	\$19K	

* Final quotation from Terrasoft not received

** For 14 users Contact Center

IT budget inputs – not varying with volumes



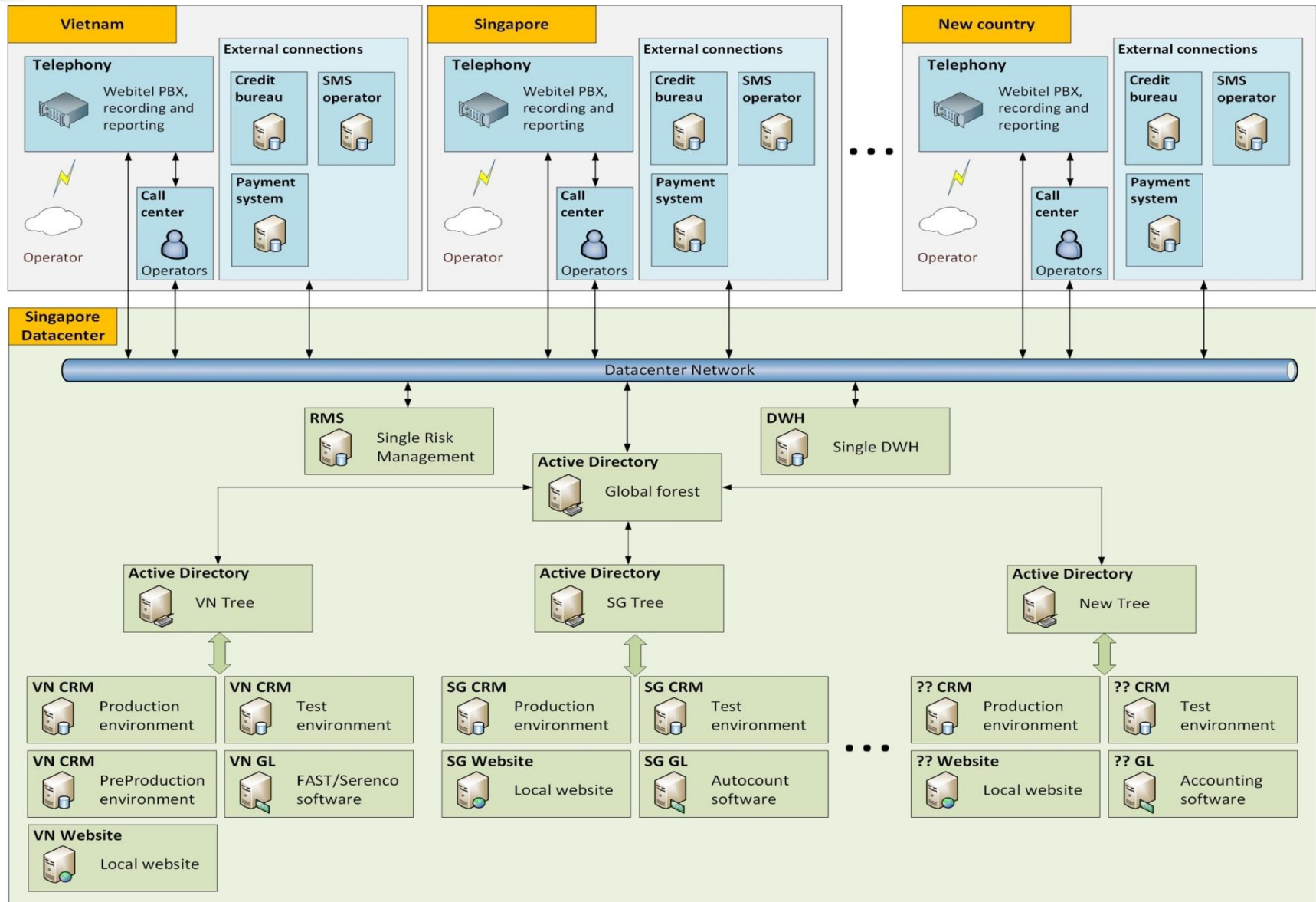
#	Expenses item	Price per month, USD	Comments
1	Outsourced data centers	\$6K	Singapore Data Center
2	Office internet connection	\$4K	Up to 50 users, including Contact Center
3	Office support	\$1K	Outsourcing IT support for 30 users
	Total	\$11K	

IT budget inputs – varying with volumes



#	Expenses item	Price per unit, USD	Comments
1	Call center equipment	\$650	Package includes desktop, monitor, keyboard, mouse + phone + headset
2	Contact Center (“Webitel”) licenses	\$325 (€250)	One license per each workplace (per two operators)
3	Equipment for employees	\$650	Includes PC/monoblock, monitor, keyboard, mouse.
4	Equipment for management	\$2000	Includes notebook, monitor, keyboard, mouse. Used for top management
5	Printers/MFD	\$600	One per 15 employees

We will use standard IT architecture geo layout



7. HR & Admin information

HR Structure. Existing model (first 6 months)



First 6 months after the launch

Typical Singapore moneylenders have little staff. Taking into account that we launch operations according to the same business model, our starting staff schedule will be close to that of a typical current moneylender:

Position	Total Count	Salary (paid to employee), USD	CPF * contribution	Total salary, USD	Division
CEO (Director)	1	12 000	17%	14 040	HQ
Country Manager	1	5 500	17%	6 435	HQ
Office administrator	1	3 000	17%	3 510	Operations
Loan executive	3	2 500	17%	8 775	Sales
Telecollectors (1-30 DPD)	1	3 000	17%	3 510	Collections
Telecollectors (31-90 DPD)	1	3 000	17%	3 510	Collections
Skip Tracing (91 DPD)	1	3 000	17%	3 510	Collections
Telecollectors (91+ DPD)	1	3 000	17%	3 510	Collections
Legal advisor	1	3 500	17%	4 095	Legal
Chief accountant	1	7 200	17%	8 424	Finance
MIS	1	4 000	17%	4 680	Finance
Digital marketing specialist	1	4 000	17%	4 680	Marketing
IT support	1	4 500	17%	5 265	IT
CC Operators (support)	2	3 000	17%	7 020	Operations
Total	17			80 964	

* CPF – Central Provident Fund, the Pension Fund of Singapore

HR Structure. Transition model



After 6 months we go over to the transitional business model. The number of office staff (IT, Marketing, Risks) increases significantly. Couriers enter the staff schedule. Total headcount increases to 46 people.

Position	Total Count	Salary (paid to employee), USD	CPF * contribution	Total salary, USD	Division
CEO (Director)	1	12 000	17%	14 040	HQ
Country Manager	1	5 500	17%	6 435	HQ
Personal assistant	1	2 500	17%	2 925	Operations
Office administrator	2	3 000	17%	7 020	Operations
Head of sales	1	7 200	17%	8 424	Sales
Loan executive	3	2 500	17%	8 775	Sales
Couriers	8	2 500	17%	23 400	Sales
Head of risk	1	7 200	17%	8 424	Risks
Verificators	5	3 000	17%	17 550	Risks
Telecollectors (1-30 DPD)	1	3 000	17%	3 510	Collections
Telecollectors (31-90 DPD)	2	3 000	17%	7 020	Collections
Skip Tracing (91 DPD)	1	3 000	17%	3 510	Collections
Telecollectors (91+ DPD)	2	3 000	17%	7 020	Collections
Head of legal	1	7 200	17%	8 424	Legal
Legal advisor	1	3 500	17%	4 095	Legal
Chief accountant	1	7 200	17%	8 424	Finance
Accountant	1	5 000	17%	5 850	Finance
MIS	1	4 000	17%	4 680	Finance
Head of marketing	1	7 200	17%	8 424	Marketing
Digital marketing specialist	3	4 000	17%	14 040	Marketing
Head of IT	1	7 200	17%	8 424	IT
IT support	2	4 500	17%	10 530	IT
HR Director	1	7 200	17%	8 424	HR
Trainers	1	4 500	17%	5 265	HR
CC Operators (support)	3	3 000	17%	10 530	Operations
Total	46			215 163	

* CPF – Central Provident Fund, the Pension Fund of Singapore

HR Structure. «Ideal» model



The “ideal” model starts 12 months after beginning of operations. It no longer requires couriers, but there will be increase in the number of verifiers, call center employees and other staff due to overall business growth.

Position	Total Count	Salary (paid to employee), USD	CPF * contribution	Total salary, USD	Division
CEO (Director)	1	12 000	17%	14 040	HQ
Country Manager	1	5 500	17%	6 435	HQ
Personal assistant	1	2 500	17%	2 925	Operations
Office administrator	2	3 000	17%	7 020	Operations
Head of sales	1	7 200	17%	8 424	Sales
Loan executive	4	2 500	17%	11 700	Sales
Head of risk	1	7 200	17%	8 424	Risks
Verifiers	8	3 000	17%	28 080	Risks
Telecollectors (1-30 DPD)	2	3 000	17%	7 020	Collections
Telecollectors (31-90 DPD)	4	3 000	17%	14 040	Collections
Skip Tracing (91 DPD)	2	3 000	17%	7 020	Collections
Telecollectors (91+ DPD)	5	3 000	17%	17 550	Collections
Head of legal	1	7 200	17%	8 424	Legal
Legal advisor	1	3 500	17%	4 095	Legal
Chief accountant	1	7 200	17%	8 424	Finance
Accountant	1	5 000	17%	5 850	Finance
MIS	1	4 000	17%	4 680	Finance
Head of marketing	1	7 200	17%	8 424	Marketing
Digital marketing specialist	3	4 000	17%	14 040	Marketing
Head of IT	1	7 200	17%	8 424	IT
IT support	2	4 500	17%	10 530	IT
HR Director	1	7 200	17%	8 424	HR
Trainers	1	4 500	17%	5 265	HR
CC Operators (support)	5	3 000	17%	17 550	Operations
Total	51			236 808	

* CPF – Central Provident Fund, the Pension Fund of Singapore

8. Finance

Main assumptions and sensitivity analysis



Main Loan parameters

Loan type	Average loan size, USD	Average term	Early repayments	1st prolongation	2nd prolongation	Conversion to next tier	Roll-rate 0->1	Roll-rate 1->2	Roll rate 2->3+	Total losses (with prolongations)
Tier 1 loans	1 250	30 days	20%	25%	10%	50%	19%	60%	70%	5,5%
Tier 2 loans	1 375	30 days	10%	20%	5%	50%	19%	60%	70%	5,5%
Tier 3 loans	1 720	30 days	10%	20%	5%	50%	19%	60%	70%	5,5%

Income and expenses parameters

Loan type	Normal interest rate, per day	Late penalty interest rate, per day	Disbursement fee received	Prolongation fee received	Marketing acquisition cost, USD
PDL Loans	0,13%	0,26%	14,8%	14,8%	147

Sensitivity analysis

Sensitivity to number of clients	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	9 762	12 757	15 666	18 607	21 555	24 347	27 219
5 years average yearly ROE	31%	39%	47%	53%	58%	63%	67%

Sensitivity to prolongation rates	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	14 957	16 177	17 386	18 607	19 815	21 002	22 200
5 years average yearly ROE	42%	46%	49%	53%	56%	59%	62%

Sensitivity to NPL level	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	21 299	20 419	19 468	18 607	17 743	16 813	15 838
5 years average yearly ROE	67%	62%	57%	53%	48%	44%	40%

Sensitivity to PDL size	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	3 222	8 435	13 553	18 607	23 642	28 669	33 690
5 years average yearly ROE	8%	23%	38%	53%	67%	80%	93%

Sensitivity to conversion rates	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	10 071	12 428	15 108	18 607	22 842	28 016	34 725
5 years average yearly ROE	32%	38%	45%	53%	61%	71%	82%

Sensitivity to marketing costs	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	24 762	22 715	20 664	18 607	16 542	14 453	12 318
5 years average yearly ROE	79%	70%	61%	53%	45%	37%	30%

Investment summary thsd USD	Timeline					Total
	Year 1	Year 2	Year 3	Year 4	Year 5*	
investments	3 131	5 980	115	0	0	9 226
Total investments	3 131	5 980	115	0	0	9 226
Number of loans issued (thsd)	1	27	51	62	67	208
Amount disbursed	1 684	37 647	70 956	86 158	93 142	289 586
Net portfolio (EoY)	759	6 363	9 097	10 702	11 019	11 019
Revenue	348	10 255	21 070	26 065	28 512	86 250
G&A **	-803	-3 250	-3 359	-3 281	-3 355	-14 049
One-off expenses ***	-1 113	0	0	0	0	-1 113
Net profit after taxes	-1 141	205	4 617	6 876	8 050	18 607
ROE (yearly)	-65%	3%	48%	72%	84%	53%
ROAA (yearly)	-97%	4%	47%	57%	61%	39%

* - normalized year with no new clients growth

** - see slide 63 for details

*** - see slide 64 for details

Break-even period – 18 months

Payback period – 29 months

Maximum investments from – 9,2 mln USD

Balance sheet



Balance Sheet (EOY) thsd USD	Timeline				
	Year 1	Year 2	Year 3	Year 4	Year 5
Assets	2 357	8 543	11 250	12 969	13 210
Liquid assets	621	1 280	1 474	1 682	1 742
Loans to individuals (net of provisions)	994	6 593	9 180	10 764	11 019
PDL	1 078	8 735	15 263	21 643	27 093
Risk provisions - PDL	-84	-2 141	-6 083	-10 878	-16 074
Noncurrent assets	743	669	596	522	449
Liabilities	1 901	6 954	7 069	7 069	7 069
Loans	1 901	6 954	7 069	7 069	7 069
External debt financing (COF = 15%)	0	0	0	0	0
Shareholders' equity	456	1 589	4 181	5 900	6 142
Contributed equity	1 597	2 525	2 525	2 525	2 525
Retained earnings	-1 141	-936	1 656	3 375	3 617

P&L Statement



P&L thsd USD	Timeline					
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	348	10 255	21 070	26 065	28 512	86 250
Risk provisions	-84	-2 057	-3 941	-4 796	-5 196	-16 074
<i>% of revenue</i>	-24%	-20%	-19%	-18%	-18%	-19%
Acquisition costs - marketing	-192	-3 826	-6 738	-8 076	-8 616	-27 448
<i>% of revenue</i>	-55%	-37%	-32%	-31%	-30%	-32%
Acquisition costs - other	-9	-459	-604	-726	-767	-2 564
<i>% of revenue</i>	-3%	-4%	-3%	-3%	-3%	-3%
Support costs	-29	-355	-659	-812	-843	-2 698
<i>% of revenue</i>	-8%	-3%	-3%	-3%	-3%	-3%
VAT	0	0	-54	-114	-148	-315
Operating profit (before fixed costs)	33	3 557	9 075	11 542	12 942	37 150
<i>% of revenue</i>	10%	35%	43%	44%	45%	43%
G&A	-803	-3 250	-3 359	-3 281	-3 355	-14 049
<i>% of revenue</i>	-231%	-32%	-16%	-13%	-12%	-16%
One-off expenses	-346	0	0	0	0	-346
Depreciation and amortization	-24	-73	-73	-73	-73	-318
Profit before Taxes	-1 140	234	5 642	8 188	9 514	22 437
<i>% of revenue</i>	-328%	2%	27%	31%	33%	26%
Income tax	-1	-29	-1 025	-1 312	-1 464	-3 830
Profit after Taxes	-1 141	205	4 617	6 876	8 050	18 607
<i>% of revenue</i>	-328%	2%	22%	26%	28%	22%

Cash flow Statement



Cash flow statement thsd USD	Timeline					
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Cash flow from operations	-687	2 336	8 632	11 745	13 319	35 345
Income	348	10 255	21 070	26 065	28 512	86 250
Acquisition costs	-201	-4 285	-7 342	-8 802	-9 383	-30 012
Support costs	-29	-355	-659	-812	-843	-2 698
G&A	-803	-3 250	-3 359	-3 281	-3 355	-14 049
VAT	0	0	-54	-114	-148	-315
CIT	-1	-29	-1 025	-1 312	-1 464	-3 830
Cash flow from investing	-2 191	-7 657	-6 528	-6 380	-5 451	-28 206
PDL Loans disbursed	-2 027	-48 684	-92 945	-113 040	-122 420	-379 116
PDL Loans repaid	949	41 028	86 417	106 660	116 969	352 023
One-off expenses	-1 113	0	0	0	0	-1 113
Cash flow from financing	3 131	5 980	-1 910	-5 157	-7 808	-5 764
Contributed equity	1 230	927	0	0	0	2 158
Loans	1 901	5 053	115	0	0	7 069
External debt financing	0	0	0	0	0	0
Dividends paid	0	0	-2 025	-5 157	-7 808	-14 990
Cash flow total	254	659	194	208	60	1 375

G&A expenses budget



G&A, thsd USD	Timeline					Total
	2015	2016	2017	2018	2019	
Expenses category						
Salary	370	1 841	2 151	2 206	2 280	8 848
Rent	65	422	422	422	422	1 755
Marketing & PR	125	270	270	270	270	1 205
IT	28	206	126	126	126	612
Legal	75	60	60	60	60	315
Travel	25	60	60	60	60	265
Contingency	115	391	270	137	137	1 049
Total	803	3 250	3 359	3 281	3 355	14 049

One-off costs budget



One-off expenses, thsd USD		
	2015	Type
Expenses category		
Licensing	530	
ML License acquisition	400	Capitalized
ML License acquisition (transaction expenses)	100	Written-off to expenses
LGC registration	15	Written-off to expenses
LGC parental company registration	15	Written-off to expenses
Offices	307	Capitalized
IT	181	
Contact center licenses	5	Capitalized
Local General Ledger implementation	40	Written-off to expenses
Local General Ledger license	40	Capitalized
Terrasoft adaptation & translation	75	Capitalized
Directories and comparison sites development	20	Capitalized
ML Web Site development	1	Capitalized
Recruiting	90	Written-off to expenses
Brand registration	5	Capitalized
Total	1 113	

9. Project risks and mitigation

Main identified risks and their mitigation 1/2



#	Risk type	Risk	Mitigation tool
1	Target license	Changing license seller position (will not be ready to sell / will increase price)	Identifying alternative sellers
2	Licensing	Regulator will not approve 100% company transfer	Buying out portion of the company, with the option to buy out the rest
		Regulator will not approve license extension in a year	Establishing working relationship with Regulator
3	Target business model	Negative legal opinion on Target business model	Start working with existing business-model Working with Legal to develop close-to-ideal business model
		Failure to achieve target volumes due to advertising channels limits	Launch of directories and comparison site for lead generation.
4	Operational	Invalid and/or incorrect personal data in online application (on web site or in CRM)	Built-in auto online checks Obligatory mobile number SMS-verification procedure
		Signed paper application and/or customer's documents copies loss	Saving photos of the documents in CRM right after signing Control of the person, responsible for documents' originals delivery in CRM Personal responsibility in case documents' loss (manager will have to provide new documents/copies)

Main identified risks and their mitigation 2/2



#	Risk type	Risk	Mitigation tool
5	Collections	Customers unavailability in case of committing delinquency	-Mandatory request of providing contact person's mobile number in application -Contract signing during the meeting with DSA only at customer's home or work
		Denying loan receipt in case of not repaying	Sending the copy of signed contract to the customer via email and personal online'/mobile application account (on 2 phase)

10. Project plan

Activity	Planning end date	Comments
Hiring CEO	July 2015	HR agencies already started search.
Buying license	September 2015	Preparing for consultation with the regulator
Renting office	August 2015	We start this process after getting approval from Regulator
Creating team	August-September 2015	We have 3 HR agencies for this process
IT settings, product settings	September-October 2015	We already have part of IT solutions
Start operations	October 2015	Operations can be launched in October.
LGC setup	October 2015	We will work with a market LGC company on a commercial basis or will establish our own
Approving transitional model in Regulator	January-March 2016	We will build a business case with a local law firm for a new business model that will allow us to work with clients remotely and will do our best to get regulator approval for it
Approving ideal model in Regulator	August-September 2016	

The most difficult and time-consuming process is the acquisition of license

11. Appendices

Appendix 1. Countries comparison table



Metric	VN	SG	PH
Population (MM)	92,5	5,5	107,7
GDP per capita (nominal, \$'000)	2,1	55	2,5
GDP per capita (PPP, \$'000)	5,6	79	7,0
Consumer loans (incl. mortgages) / GDP	5,6%	76%	6,6%
Total unsecured loans (\$Bn)	4,9	42	
Unsecured loans per capita (\$)	53	7 685	

S/No	Recommendation
1	<p>Moneylenders should only be allowed to charge borrowers the following:</p> <ul style="list-style-type: none"> (i) Upfront administrative fee of not more than 10 per cent of loan principal; (ii) Interest of not more than four per cent per month; (iii) Late interest of not more than four per cent per month; and (iv) Late fee of not more than \$60 per month. <p>Total borrowing costs capped at 100% of loan principal. Caps to be reviewed when better data is available from the Moneylenders Credit Bureau (MLCB).</p>
2	<p>Borrowers earning less than \$20,000 a year should be allowed to borrow only up an aggregate of \$3,000. For other borrowers, they are allowed to borrow up to six times their monthly salary in aggregate. These caps should be independent of the Monetary Authority of Singapore's caps on unsecured borrowings from financial institutions.</p>
3	<p>Moratorium on grant of new licences should be lifted.</p>
4	<p>Research should be conducted into the classes and characteristics of borrowers who should not be borrowing from moneylenders. Alternative forms of support, such as counselling, debt restructuring, etc. can then be tailored to these groups of borrowers.</p>
5	<p>A formalised debt restructuring regime with collective representation of the moneylenders should be introduced.</p>

S/No	Recommendation
6	The Registry of Moneylenders should monitor the situation of moneylenders operating in the heartlands and ensure that the situation is not aggravated.
7	Credit information on borrowers should be aggregated so as to allow better decision-making by moneylenders.
8	Borrowers who are excluded from the local casinos should be flagged out to moneylenders through the MLCB before the loan is granted.
9	Moneylenders should adhere to a set of standardised loan terms and practices. Repayments should be aligned to a borrower's wage cycle, and should be set on a monthly basis by default. Interest should be calculated on a reducing balance basis.
10	Moneylenders should be required to incorporate and should have a paid-up capital of at least \$100,000. They should be required to submit annual audited accounts to the Registry.
11	Moneylenders could be allowed to advertise in the newspapers using strict templates designed by the Registry so as to prevent misleading advertisements. The number and frequency of such advertisements can also be controlled.
12	Guidelines on acceptable debt collection behaviour should be introduced.
13	Effects of late repayment should be explained to borrowers in dollar terms.
14	Business loans, defined as loans to businesses which have been registered for at least two years, should not be subject to the loan quantum and borrowing costs caps.
15	The Registry should collect a better set of data on both borrowers and moneylenders. The Committee has recommended a list of data items that may be useful.

- Since direct advertising of ML services is prohibited in Singapore, we plan to use several indirect channels:
- Specialized “Consumer Finance Directory” websites
 - <http://sgmoney.sg>
 - <http://directory.stclassifieds.sg>
 - <http://www.singaporefinancialdirectory.com>

These sites appear as a contextual ads in Google search results when searching for terms like “Personal/fast/easy loan”. Formally being just a directory of companies, they are in fact advertising sites, because they only provide information on certain moneylender companies.

- Loan comparison or credit brokerage websites

- <https://www.onelyst.com>

These sites offer to fill in an online application form, then show offers from several financial institutions, listing the terms of the product offered (interest rate, time period, amount etc.) Most of those resources only compare bank loans, however, at least one site specializes on moneylenders.

- “Yellow pages”

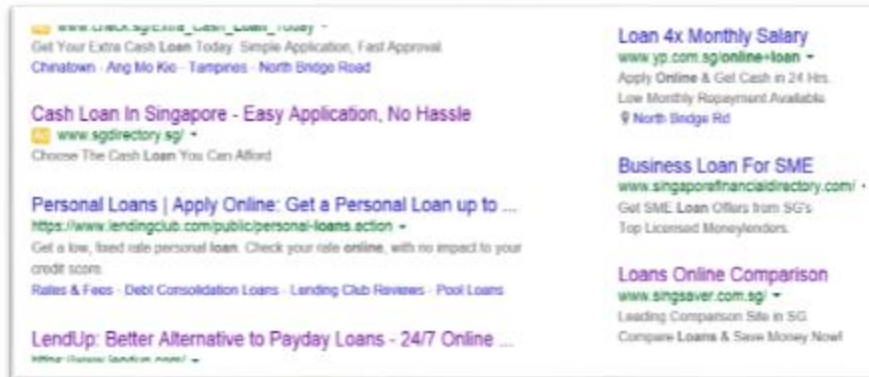
- <http://businesspages.com.sg>
- <http://bizlistings.sg>
- <http://www.yellowpages.com.sg>

These sites do not actually advertise anything, they are just the lists of a certain industry companies. However, they are very popular and easily promoted in Internet.

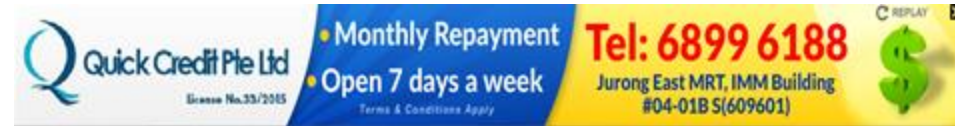
Appendix 4. Marketing messages



Example of website which claims to be a finance business directory.



Example: Google compare websites



Example: Banners in business directories

- The Association has set the following as its objectives:
 - To represent, develop and promote the money lending industry and to generally further the interests of its members.
 - To project money lending as an important and integral part of the business of financing individuals and businesses.
 - To keep members informed of matters relating to the trade and the finance industry generally and to facilitate their interaction so as to better promote their interest in the industry.
 - To maintain good relations with governmental authorities and to assist them through regular feedback.
 - To advocate ethical practice in the money lending industry.
- Cost of membership is one time Entrance Fee of \$500 and Annual Subscription Fees of \$380
- The Association provides the following services to the members:
 - An access to a black list of ML customers compiled from all MLAS members' databases
 - Preferential access to DP SME Commercial Credit Bureau
 - Web site development at favorable conditions
 - Insurance protection for MLAS Members
 - Orientation & Training for Moneylenders
 - Preferential access to collection agencies