**Business requirements for Digital Lending Business model feasibility study**

We are considering several options of obtaining a license for conducting a digital money lending business in the future.

I would appreciate you provide us with a legal opinion with regard to carrying on money lending business under pawnbroker’s license.

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| **#** | **Parameter** | **Ratio** |
| 1 | **Date** | 17.10.2016 |
| 2 | **Authors of the document** | Mr. Anton Dzyatkovskiy  mob. +855 10 987 101 |
| 3 | **Task name** | Digital lending business model feasibility study – Cambodia |
| 4 | **Desired finishing time** | 7 working days |
| 5 | **Task description** | **We are looking for a feasibility study of the legal setup of the Digital Lending service (to be launched in Cambodia) to be provided by the local professional legal advisory firm.**  **General description:**  We aim to establish a digital lending facility under pawnshop **(if any other form of registering is applicable pls advise)** in which we will provide lending services to individuals related to facilitating short term lending (with loan amount of up to 200 USD and repayment up to 1 month).  Digital lending under **Pawnshop (or another entity)** itself will conduct credit activity and will process the entire operations from **Granting** to **Recovery** through ONLINE surface such as   1. Filling-in borrower’s application form and uploading scans/photos of the documents on a web-site in order to apply for a loan from the **Pawnshop (or another entity)** to take credit decision. Providing templates of the legal documents needed to be signed to get the loan. 2. Obtaining borrower’s explicit consent with making credit agreement with Lending Company. 3. Communicating repayment schedule and reminding about the payday. 4. Facilitating loan disbursement from Lending company to borrower’s bank/e-wallet account and loan repayment from borrower’s account to Lending company.   Note: All transactions will be online. No face to face communication |
|  | **Target product** | Target clients – private individuals  Product type – unsecured  Loan amount range – 50 USD – 200 USD  Tenure range – 7 / 14 / 21 / 30 days  Time to money – 1 hour – 1 day  Loan disbursement - Bank transfer / Payment system e-wallet |
|  | **Interest rate** | **Effective Interest rate** - 1% per day (could be from 2 companies):   * Interest rate: * within Interest rate cap for the Licensed Lender  (if any) * charged by the Licensed Lender (if any) * Consulting Fee / Service fee / Upfront fee / Social scoring fee * 1% per day -  allowed interest rate per day (could be in %% or in absolute amount) * Could be charged or by License (if allowed) or by independent 3d company (Lead Generation Company, Risk Management Company). See attached examples |
|  |  | **Late fee – 2% per day (could be from 2 companies):**   * Late Interest rate: * within Late Interest rate cap for the Licensed Lender * charged by the Licensed Lender * Debt Collection fee * 2% per day -  allowed Late Interest rate per day (could be in %% or in absolute amount) * Could be charged or by License (if allowed) or by independent 3d company (Risk Management Company, Debt Collection company). |
|  | **Target**  **Business model** | Fully Online  *Please see our working companies websites:*[*https://doctordong.vn/*](https://doctordong.vn/)*,*[*https://doctorcash.ph/*](https://doctorcash.ph/)*,*[*https://drrupiah.com/*](https://drrupiah.com/)*,*[*https://doctorringgit.my/*](https://doctorringgit.my/)*,* [*https://doctorcash.cn*](https://doctorcash.cn)  Application - Application form available on website or mobile app  Filling application - Borrower fills in online application form  Pre-screening – minimum acceptance criteria’s online checks, credit bureau data check, etc.  Preliminary decision - Within 1 hour, Upon preliminary loan approval, borrower will be notified preliminary loan offer via sms / mobile app  Final credit decision – if borrower agrees with the offer, he must upload his ID copy, income proof and address proof for final approval. Upon final approval, borrower will be informed by sms / mobile app  Loan agreement signing – if borrower accepts the final offer, contract will be signed by confirmation with code sent via SMS by Licensed Lender  Loan disbursement - Bank transfer |

All the below questions are related to pawnshop. If you make advice on any other licensing options – please do so.

* 1. **Licensing procedure:**
  + Which local authority regulates pawn broking business?
  + What is the licensing procedure and timeline of getting the Pawnbroker license?
  + What is the list of documents required for Pawnshop licensing?
  + Can the Pawnshop be registered under the company or private individual only?
  + Can foreigner investor be 100% shareholder of Pawnshop? If no, what share foreigner investor can have?
  + Can we launch sale early then receive License? (Company what I told you last time, tell me about they have 3 months testing period) And how long time it can be? What process for testing launching?
  + If we want to buy a current company with license, do we need inform regulator about changing shareholders? Or get any approval?
  + Any type of license as license for foreigner company and license for local company? What’s the difference?
  + Requirement capital for pawnshop license? And any other payments (per office, per loan, per employees…….)
  + as I know there is 3 kind of pawnshop licenses (Silver \ gold \ white?) What is a difference? What is a loan portfolio limit with each license? What is a price of these licenses? What term for these licenses?
  + Any reason for decline license application? And any reason for suspension of license?

1. **Interest cap:**
   * What is the formula of calculating the interest rate for loan?
   * Any restrictions about maximum interest rate?
   * Can Pawnbroker exclude from interest cap all the commissions that it has to pay to outsourcers (e.g. commission of payment system provider for money delivery to customer, etc.)?
   * Can Pawnshop charge the customer with overdue interest rate higher than interest cap?
   * How does local regulator usually track the actual interest rate accrued by Pawnshop? What is the procedure?
   * What are the penalties for Pawnshop (and for his managing director) in case of over limiting the interest cap?
2. **Collateral (PAWNSHOP):**

* In PRAKAS there is a quote: "Pawn: refers to the act that customers put movable objects, documents of confirmation of owning real estate or any document with the vendor to guarantee the loan and interest payment." (We will mention in loan contract that we are taking a mobile phone (or smartphone) of our borrower as collateral, but keep this phone in the hands of borrower. can we do it?)
* Could we sign special agreement with customer to make him in charge of safe keeping the collateral in customer’s house?
* How regulator checks that the pawnshop suits the requirements on processing the collateral?
* What are the penalties for breaking the rules of keeping the collateral?
* What are the requirement of Regulator to collateral appraisal? Are there any limits on discount rates to value of collateral?
* What are the penalties for breaking the requirements those described in point 3.6?
* Are there any requirements by Regulator to Pawnshop to check a Customer’s rights to collateral?
* Can Pawnshop charges the customer with penalties without selling the collateral?
* Can pawnbroker keep pledge book in electronic form (e.g. electronic database)?
* Can pawnbroker execute pawn ticket in electronic form (e.g. by sending a PDF with electronic signature to pawner email, or any other ways)? Is a pawn ticket must be paper based?
* What is the penalty to be applied for losing or damaging the collateral?

1. **Pawn contract signing**

* What is the data about customer should be stated in Pawn credit contract in a mandatory manner? (In the event the customer is an individual)
* Are there any requirements for the place and the way of signing the Pawn contract?
* Can pawnbroker sign the Pawn contract with customer outside the office of Pawnshop?
* Is it allowed digital signature in Cambodia and how we can use it?
* Could sign the contract with customer outside the office?
* Could the following options be recognized equal to paper contract signing with Customer:
  + verbal Customer’s consent recorded by audio technical means?
  + Customer’s consent recorded by video technical means?
  + Customer’s consent sent by SMS?
  + Customer’s consent by ticking the related checkbox on WEB-site?
  + Customer’s consent in form of predetermined set of confluent actions?
  + Examples: we give money to customer. we not put on our loan agreement customer`s thumbprint or signature because he borrow money remotely, without a visit to our office.
    - * We can not sue(judge) our borrower - am I right?
      * we can not get any fine from MEF, because, legally speaking, there is no confirmation of the loan issue, no any document signed by any side, and therefore there is no violation of the law - am I right?
* What is the penalty for breaking the rules of signing the Pawn contract?

1. **Territory:**
   * Any restrictions about territory of operating license? (example: client must be registered temporary in this area, client work in this area…….)
   * How does the regulatory control that pawnshop follows the territorial requirements?
   * What are the consequences in case Regulatory finds that Pawnshop breaks the allowed territory limitation?
   * What penalty if we not following this restrictions?
2. **Credit parameters:**
   * What is minimum and maximum tenure/loan amount of Pawn credit defined by Law?
   * How does regulators control that we follow the requirements on credit tenure/loan amount?
   * What is the penalty for breaking such requirements?
3. **Financing:**

* What are the ways/sources allowed to fund its’ credit portfolio? (for example: foreigner’s investments, bank loan, deposits from local individuals, deposits from foreigner’s individuals and other). What requirements for this operations?
* Can a Pawnshop take a loan secured by its’ pawn credit portfolio?
* What are the limitations for the size of Pawnshop’s portfolio?
* Can a Pawnshop receive funding from abroad to disburse money?
* Can local Pawnbroker receive funding from other local company that is 100% owned by foreigners? Loan? Trust agreement?
* Any restrictions for collect profit from local company to foreigner shareholder?