

# How Fintown operates and is regulated.

## Transparent and reliable company.

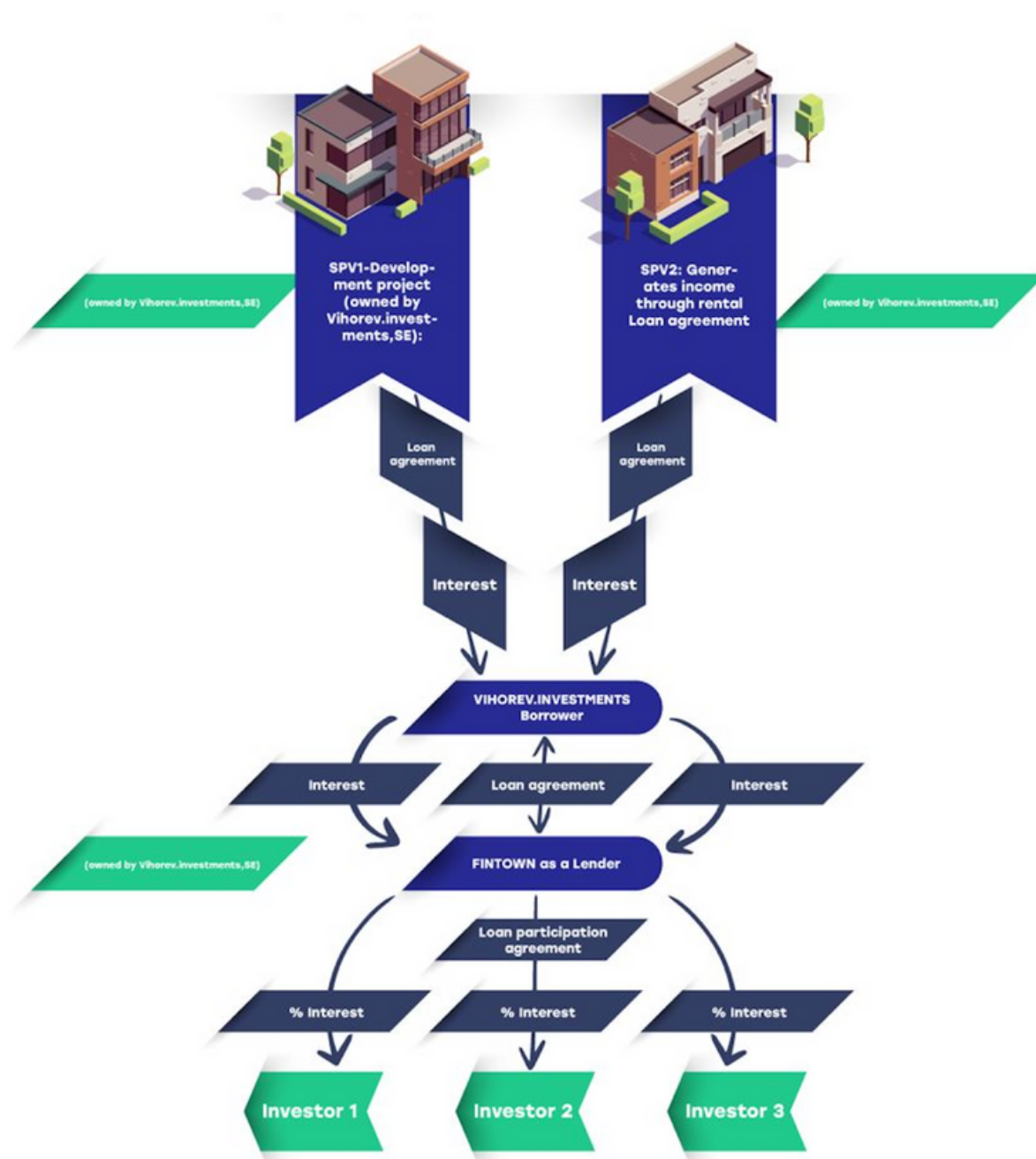
Fintown operates in accordance with established regulations, guidelines, and best practices to ensure that its operations are secure, transparent, and in compliance with relevant laws and regulations. The company implements robust internal controls, risk management procedures, and auditing processes to ensure that its operations are carried out in a responsible and compliant manner. In addition, Fintown is subject to ongoing monitoring and supervision by relevant regulatory authorities, which helps to ensure that the company remains in compliance with all applicable laws and regulations. Through these measures, Fintown is committed to providing its clients with the highest standards of security, transparency, and quality of service.

## Loan participation - Fintown's business model.

In loan participation, a platform will originate a loan to a borrower. This is the only loan the borrower enters into. Subsequently, or concurrently, with the origination of this loan, the originating Platform arranges participation with other lenders. Under the participation arrangement, the participating investors agree to assume the risks and rewards of a portion of this loan by transferring funds to the originating platform in return for the rights to cash payments for that portion of the loan participated out to the participating investor.

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## Loan participation model

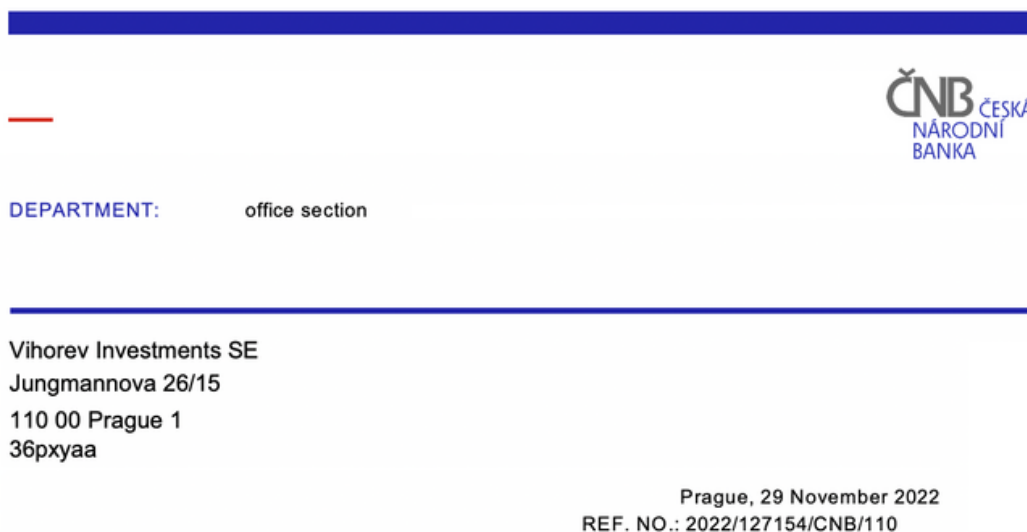


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## National Bank of the Czech Republic

Fintown's business model does not fall under a licensed type of activity.

The official response of the National Bank of the Czech Republic is below.



Dear All,

On 30 June 2022, the Czech National Bank received your qualified query regarding individual aspects of the use of the crowdfunding platform. Specifically, the subject of your query is two projects: the first titled as the Participation Project, the second titled as the Crowdfunding Project. For both projects, you ask whether they fall under the supervisory remit of the Czech National Bank and, in the case of the Crowdfunding Project, whether the project falls within the scope of Regulation (EU) 2020/1503 on European crowdfunding service providers for businesses ("Crowdfunding Regulation"), if the service provider is linked to the project owner in terms of assets and personnel.

With regard to your question, we generally note that the Czech National Bank does not assess specific business models or products that relate solely to the specific facts of the questioner. In this regard, we only state the following:

On 1 August 2022, the Czech National Bank issued a document<sup>[1]</sup> containing answers to frequently asked questions on the Crowdfunding Regulation. The questions in your letter refer to the answer to question 2, which states, inter alia,

"The Regulation covers crowdfunding platforms where the credit is materially provided by the investor (lender) directly or with the participation of a crowdfunding platform acting as an indirect representative of the investor (commission relationship), where the platform does not act on its own account and risk in granting the credit.

Conversely, the Regulation excludes cases where the platform grants the loan for its own account and the risk and the right to the return, as well as the risk arising from the granted loan,

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is subsequently transferred to an unlimited number of lending investors who, in return for their investment, receive the right to participate in the granted loans (Article 1(1) in conjunction with Article 2(1)(a) of the Regulation).

The Regulation will also not apply to models using the assignment of a loan receivable, originally granted by the platform, to individual investors (see Article 45(2)(d) of the Regulation)."

This document of the Czech National Bank also deals with the issue of conflict of interest, specifically the question and answer No. 7, which refers to Article 8 of the Regulation on crowdfunding. We also recommend the ESMA FAQ<sup>[2]</sup> on this matter, which was updated on 23 September 2022 with question and answer 5.15 dealing with conflicts of interest and also question and answer 3.12 dealing with self-bidding and the need to obtain authorisation under the Crowdfunding Regulation.

If you are still unclear about any aspects of the interpretation of the relevant regulations, you may contact the Czech National Bank by way of a professional query in the financial market area (see also the Czech National Bank's approach to providing answers to such queries<sup>[3]</sup> for more details).

The above reply to your submission was prepared by the relevant CNB department or, alternatively, the documents prepared by the relevant CNB department were used in its preparation. Sending is normally handled by the Communications Department of the Office Section.

Yours sincerely,

**Petra Vodstrčilová**  
in charge of the Communication Department and  
spokesperson of the CNB Office Section  
**Czech National Bank**  
[www.cnb.cz](http://www.cnb.cz)