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From: **Simon Ward** <[simon.w@harmony.co.nz](mailto:simon.w@harmony.co.nz)>

Date: 4 July 2014 at 16:54

Subject: Re: CCCFA and Peer-to-peer lending

To: Jessica Birdsall-Day <[Jessica.Birdsall-Day@mbie.govt.nz](mailto:Jessica.Birdsall-Day@mbie.govt.nz)>

Hi Jessica,

Thanks for the call today it was good to have the opportunity to outline the two inconsistencies we see between peer-to-peer and the current CCCFA laws.

Attached is Harmony's structure diagram. I would ask that you please keep this confidential.

As discussed on the call the issues we see arise because the current CCCFA laws contemplate a direct borrower lender relationship, not a relationship where there is a peer-to-peer platform arranging and managing the loans on behalf of the lenders and borrowers.

The first issue is that the CCCFA requires the full name and address of the lender to be provided to the borrower. In peer-to-peer, where there are multiple lenders with the platform is appointed their agent to manage collections, it would be more practical to disclose the name of the peer-to-peer platform.

The second issue is where the peer-to-peer platform becomes subject to the restrictions around the types of fees a lender can charge because it is associated with a lender. A peer-to-peer platform is an online broker, matching lenders and borrowers. At Harmony, we believe that the most transparent pricing (replicating the practice at leading overseas platforms such as Lending Club in the USA), is to charge:

- the borrower an 'origination fee' for arranging the loan for them; and
- the lender a 'servicing fee' based on amounts actually collected for them.

Necessarily, both of the fees include an element of profit. This is how the Harmony platform earns its income. It cannot earn income from interest as it is not a lender. To facilitate overseas institutions providing wholesale funding, a related entity of the Harmony platform may be a lender (pass through on their behalf). Under the proposed changes to the CCCFA, I understand this may result in the Harmony platform being deemed a lender by association and therefore unable to include an element of profit in its fees charged to borrowers for arranging the peer-to-peer lending service. Clearly that would not be a commercially sustainable business model.

Please let me know if you would like to discuss further. We would welcome the opportunity to be involved in the process of updating the CCCF requirements to facilitate the efficient development of peer-to-peer lending in New Zealand.

Best regards

Simon

**Simon Ward**

Chief Financial Officer

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On 4 July 2014 13:30, Jessica Birdsall-Day <[Jessica.Birdsall-Day@mbie.govt.nz](mailto:Jessica.Birdsall-Day@mbie.govt.nz)> wrote:

As discussed, it'd be great to have a discussion on CCCFA and peer-to-peer lending.

Simon, we'll call you on [+64 \(21\) 227 8827](tel:+64(21)2278827).

**Jessica Birdsall-Day**

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