Q1: Do you have any comment on the elements to be disclosed as part of the description of the credit risk assessment process?:

We welcome the fact that the European legislator is making a clear commitment to digital debt financing with the ECSP. Digital debt financing and investing are an attractive, growing segment worldwide. Our digital debt industry is moving out of its niche everywhere. Together for Germany, our members come to a cumulative financing and investment brokerage volume of EUR 11.7 billion in 2020. In our understanding, the targets of any regulation of the non-bank lending sector should be to improve the quality, professionalism, integrity and transparency of the industry and to keep them consistently high. The Association of German Debt Capital Platforms has already committed to these goals with its foundation on 4 June 2019 and is continuously developing industry standards for the various operational areas of digital financing and investing. They are an important step on the way to a uniform seal of approval. Once all the standards have been completed, only those members who have had their compliance independently verified by an external body will be allowed to carry this seal. Looking now at what we are currently discussing in our committees around our draft risk management industry standard on the one side and the draft regulatory technical standard on the other side, we see room for improvement. In general, we advocate more transparency, standardization and measures to increase efficiency. Currently, the draft regulatory standard leaves room for maneuver and also seems to materially increase the sum of transaction costs. More specifically, the draft regulation should aim at reducing asymmetric information between project owners and investors as well as, moreover, ensure an adequate risk assessment which is comparable between the European online marketplaces. Specifically,

crowdlending platforms run a relatively new business. They act as an intermediary between investors and debtors. They mainly focus on lending to private customers as well as small and medium enterprises (SME). The data of private customers is protected by the GDPR. Besides, SMEs typically have weaker disclosure requirements than Corporates. Moreover, the loan size is comparatively small which means high screening costs related to the loan amount. Hence, these debtor types are characterized by a substantial amount of private information about their default risk. The banking business is an established industry. During long-termed relationships banks could reduce asymmetric information and, with it, select the lower-risk enterprises. Thus, rejected enterprises are more likely to seek alternative funding sources. Summarized, crowdlending platforms face customers with material private information about their default risk. In addition, crowdlending platforms are more likely to attract those enterprises with a comparatively high risk (Adverse Selection). Hence, a targeted regulation aims at reducing asymmetric information between investors and borrowers. First, we believe this requires a standardized precise definition of information to be provided to investors. While banks are directly performing lending activities, a crowdfunding service provider acts only as an intermediary between investors and project owners. With respect to these differences we welcome the transposition of the default definition in article 178 CRR into the customized default definition in Art. 1 of the draft RTS pursuant to art. 20 sec. 3 of the ECSPR. Nonetheless, we still see the need for the interpretation of "indicators of unlikeliness to pay: (a) the investor's consent to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement" This wording suggests that in the event of a distress all of the investors must give their consent before a restructuring with a material loss can be done. However, with a high number of investors it is not excluded that single investors react slowly, do not react at all or act in their own interest with the result that it harms the other investors. This may cause a strong delay or even impedes any agreement. To prevent cumbersome processes it would be helpful if a crowdfunding service provider could enter into a contractual agreement with the investors on a restructuring procedure before an investment is made or it should be clarified that agreements comparable with to the German "Schuldverschreibungsgesetz" are possible, which allow the CSP to decide on behalf of all investors if this is in the interest of the majority of the investors and the majority of investors have given their consent. Second, the supervisor must enable the industry to collect as much information as necessary for the purpose of assessing the debtor's risk. As this may be in contrast to data protection law there must be found ways in view of the GDPR. In some cases it would make sense to share common information, for example information about the financing of an enterprise by different financial institutions. On the one hand, it must be legally possible to collect the relevant information. On the other hand, a support by the supervisor or disclosure obligation would be helpful, for example with a common database, available by crowdlending platforms upon request and with the agreement of the loan applicant. Third, the assessment of the borrower's risk must be standardized. The current draft asks the crowdlending platform to assess the risk and disclose it to the supervisor. Our experience with the banking business demonstrates that this does not standardize the assessment of risk at all. Typically, the same enterprise underlies a broad range of risk evaluations by different financial institutions. Thus, an external party cannot rely on the financial institution´s risk assessment. With it, the external party cannot accurately compare the risk of different portfolios. The supervisor typically does react with an intense monitoring of the rating systems. However, this imposes high costs on the financial institutions and substantially reduces their efficiency. These costs slow down the improvement of a rating system significantly, which is the opposite of the supervisor´s original intention. Despite this huge effort, there is still a big variation of the risk assessment between financial institutions. To overcome these strong disincentives in view of the crowdlending platforms it is strongly advisable to follow the principle of financial statements. Then, the risk assessment would follow a set of external rules. This risk assessment would only require a standardized set of information. It would be comparable, minimize the monitoring costs and establish higher efficiency. More specifically, the draft regulatory standard should aim at separating the internal and external risk assessment, similar to the historically developed accounting system. There, too, a distinction is made between the calculation of income/expenses in external accounting and revenues/costs in internal accounting. An external risk assessment follows the purpose of transparency and comparability. An internal risk assessment, on the other hand, would rather serve the purpose of internal risk management, control and prevention. The better the internal risk assessment, the more competitive a crowdlending platform is with regard to this perspective. As a result, the less risky debtors can be neatly identified and higher returns can be achieved due to the lower default risks ceteris paribus. For external assessment, we believe all crowdlending platforms should follow an identical standard risk assessment process. This would then be complemented by the validation results of an internal risk assessment. The external risk assessment would, thus, simultaneously serve as a benchmark within the analyzed exposure class. Also, by means of a validation using various measures, it can be shown to investors how well the internal risk assessment is performing. This can be done without having to disclose the business secrets within the internal rating

system to a supervisor or to any investors. Under this system, only monitoring costs related to risk-relevant information would be incurred by the supervisory side. The largest cost block, the supervisory monitoring of the rating system to process information on a risk statement, would be eliminated though. Hence, the costs to further develop a rating system would be significantly lower than under the current supervisory framework at banks. The innovation of internal rating systems would not be slowed down as much as is currently the case. As we have learned from you in the hearing dated 20 July 2021, EBA do not exclude that the detailing of the risk methodology may be outside its mandate. If the Commission and EBA still stuck to this view at the end, we would propose to at least specify the information even more in order to narrow the scope for discretion.

Q2: Do you agree with the information to be provided for each portfolio, in accordance with Art. 6(7)(b) and 6(4)?:

RE Article 10 section 2 and Article 13: Both articles call for extensive information on projects on other crowdlending platforms, etc. We suggest creating a central database and uniform API to minimize the increased transaction effort. Otherwise, regulation will lead to increasing costs and inefficiencies to the detriment of SME and investors in the scope of ECSP. RE Articles 8, 9, 16: We suggest that the following sections be reviewed for freedom from friction: Article 8: Weights do not aggregate to 100%. Accordingly, "and (ii) of the annual interest rate of every loan included in the portfolio;" in section 2 dash 2 should be deleted. Article 9: The text should rather address the distribution of the "loan amount" than "loan". Artikel 16: Section 4 should be amended and rather address the value at risk than the "variance or by the standard deviation of the returns of loans".

Q3: Based on your experience with investor information documents required under your national regulatory framework on crowdfunding: Have you seen good practices of information disclosure for loans included in individual portfolio management?:

n/a

Q4: Do you agree with the scope of credit agreements relevant for the information on past defaults to be included to Investors?:

n/a

Q5: Do you agree with the content of policies and procedures that crowdfunding service providers need to have in place with respect to contingency funds?:

n/a