



INSTITUTE FOR LAW AND FINANCE

*Goethe-Universität Frankfurt am Main*

## **ILF Guest Lecture**

**Professor David C. Donald**  
**Chinese University of Hong Kong**



David C. Donald is a Professor in the Law Faculty of The Chinese University of Hong Kong and Executive Director of CUHK's Centre for Financial Regulation and Economic Development. David previously taught at the Institute for Law and Finance of the University of Frankfurt, Germany and worked as a commercial lawyer in the US and Europe. His publications focus on corporate law and securities market structure, with an emphasis on comparative law issues and new technology.

David is a member of the *Asian Journal of Comparative Law* editorial board and the Taiwanese Higher Education Forum Core Committee and collaborates with the Cambridge Centre for Alternative Finance. He is also currently engaged in a multi-institutional research project entitled, "Balancing the Opportunities and Risks of Financial Technology: FinTech Regulation and Policy."

**TOPIC:** SMART PRECISION FINANCE FOR SMALL BUSINESSES FUNDING

**DATE AND TIME:** THURSDAY, 17 OCTOBER 2019, 7.00 P.M.

**LOCATION:** ROOM "DEUTSCHE BANK", HOUSE OF FINANCE, GOETHE-UNIVERSITY, CAMPUS WESTEND, THEODOR-W.-ADORNO-PLATZ 3, 60323 FRANKFURT AM MAIN

**Please register under:**

**<http://anmeldung.ilf-frankfurt.de>**

**Abstract:**

Small businesses are the heart of most economies. Yet their combination of high risk and opacity with uncertain return dissuades banks and other investors from providing the necessary financial backing to get a business off the ground. Overcoming the significant asymmetries of information is simply not seen as worth the high transaction costs required.

Technology – particular digitalization and data analytics – has in recent years lowered the transaction costs of small business lending through web portal loan application systems and automated systems capable of analyzing varied data sources indicative of the borrower's solvency and stability. Still, lenders need more information and both the loan application process and the evaluation of borrower data can be too time-consuming and expensive.

This paper sketches the parameters of an application for the 'precision financing' of small businesses, through an analysis of the legal and technological innovations that could be introduced to make such financing simpler, thus further increasing funding available to small businesses. The precision financing concept seeks to decrease information asymmetry and transaction costs while also limiting agency risk of a borrower misapplying funds. The recommendations offered are also designed to be complementary to eventual business growth toward venture capital investment.