EU rules to boost European crowdfunding platforms agreed

- A single set of rules will apply to crowdfunding services in the EU, up to EUR 5 000 000
- Strict rules to protect investors from financial losses
- Member states responsible for authorising and supervising crowdfunding providers

EP negotiating team reached a deal with the Council on Wednesday on EU-wide rules to help crowdfunding services function smoothly and foster cross-border business funding.

The uniform set of criteria will apply to all European Crowdfunding Service Providers (ECSP) up to offers of EUR 5 000 000 (from EUR 1 000 000 proposed by the Commission), calculated over a period of 12 months per project owner, the agreed text says.

To enable small companies or start-ups to use the crowdfunding option, the shares of certain private limited liability companies, which are freely transferable on the capital markets, were included in the scope of the legislation.

The legislation will be accompanied with additional safeguards and clarification on how investors should be informed of the consequences of their choices.

Protecting investors: clear information and transparency

Investors would be provided with a key investment information sheet (KIIS) drawn up by the project owner for each crowdfunding offer, or at platform level. Crowdfunding service providers would need to give clients clear information about the financial risks and charges they may incur, including insolvency risks and project selection criteria.

In addition, investors identified as non-sophisticated would be offered more in-depth advice and guidance, including on their ability to bear losses and a warning in case their investment exceeds either 1000 EUR or 5% of their net worth, followed by a reflection period of four calendar days.
Authorisation and supervision

Negotiators decided that a prospective ECSP would need to request authorisation from the national competent authority (NCA) of the member state in which they are established. Through a notification procedure in a member state, ECSP would also be able to provide their services cross-border. Supervision would also be carried out by NCAs with the European Securities and Markets Authority (ESMA) facilitating and coordinating cooperation between member states. ESMA’s role, and to a lesser extent that of the EBA, was strengthened in areas such as binding dispute mediation, data collection from NCAs in order to produce aggregated statistics and development of technical standards.

Quotes

"I am satisfied that we came to an agreement on the final version. I hope that, in a couple of years, investors will see this agreement as a good 2019 Christmas gift", said Eugen Jurzyca (ECR, SK), rapporteur for crowdfunding regulation.

"This regulation will allow crowdfunding service providers to give SMEs, start-ups and innovative companies new opportunities. New projects will have better access to finance that will boost the real economy", said Caroline Nagtegaal (Renew, NL), rapporteur responsable for file on “Markets in financial instruments: crowdfunding service providers”.

Next steps

Technical work on the text is now under way by the services of the three institutions. Afterwards, the agreement will have to be approved by the Economic Affairs Committee and the Parliament as a whole.

Background

Crowdfunding is increasingly an alternative form of finance for start-ups, as well as for small and medium enterprises (SMEs) at an early stage of company growth. A crowdfunding service provider operates a digital platform open to the public to facilitate prospective investors or lenders being matched with businesses that seek funding.

Further information

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Procedure
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