

New rules to facilitate EU crowdfunding



The EU is working to help investors and businesses seize the potential of crowdfunding © AdobeStock/Arpad Nagy-Bagoly

New EU rules will allow European crowdfunding platforms to provide new opportunities for start-ups and investors.

The European Parliament approved new rules on 5 October 2020 that will enable crowdfunding platforms to easily provide services across the EU single market. This will widen the pool of potential investors for start-ups, innovators and small companies, as well as ensuring investors have a larger choice of projects and better protection.

Crowdfunding platforms operating in more than one EU country will have to comply with a single set of basic rules - [the new regulation](#) - instead of different rules in each country. The accompanying [directive](#) aims to broaden access to finance for small companies. The rules will apply to European crowdfunding service providers that raise up to €5 million per project per year.

Why is EU crowdfunding legislation necessary?

The lack of uniform crowdfunding rules across the EU results in legal uncertainty and discourages investment in projects in a different country. It also puts crowdfunding service providers off offering cross-border services.

This has limited opportunities for companies that could benefit from investments by a large number of people, especially when they operate in smaller markets.

What is crowdfunding?

- Start-ups and innovative companies often have difficulty accessing funds via traditional means such as bank loans. Crowdfunding service providers enable them to connect to and raise funds from multiple small investors, usually via digital platforms.

How will the new rules protect investors?

One of the major risks of crowdfunding is that investor decisions are often not based on data and may be influenced by emotions. Small companies going bankrupt or delays in delivering goods are among the most common problems that investors do not predict.

The new rules demand that crowdfunding service providers give clients clear information about the potential financial risks of each project. The investors have to be provided with a key investment information sheet on the project, prepared by the project owner or at platform level.

When will the rules enter into force?

The new rules for European crowdfunding service providers will apply one year following their publication in the Official Journal of the EU.

[Find out what members of the European Parliament have to say about the new crowdfunding rules.](#)

Find out more

[Press release: Final vote on EU rules for crowdfunding platforms](#)

[Legislative train: European crowdfunding providers for business](#)

[Legislative train: Crowdfunding: Amendments to the scope of markets in financial instruments directive](#)

[European Commission: Introduction to crowdfunding](#)