EUROPEAN COMMISSION
Directorate General Internal Market and Services

FINANCIAL MARKETS
Securities markets

SUMMARY

RESPONSES TO THE PUBLIC CONSULTATION ON CROWDFUNDING IN THE EU

March 2014

The European Commission held a public consultation on "**Crowdfunding in the EU – Exploring the added value of potential EU action**" between 3 October and 31 December 2013.

The Commission received **893 responses** to its on-line questionnaire and 16 contributions by e-mail or post.

The results are published in three forms: statistics are available here for viewing, search and download. Individual position papers submitted by stakeholders are available for download here. The main conclusions of the consultation are presented in this summary.

Who answered the questionnaire?

Almost half (414) of the respondents were actual or potential contributors to crowdfunding campaigns. A further 152 respondents were project owners who might start a campaign in the future, or already did so in the past. We received 81 answers from crowdfunding platform managers, 91 answers from associations and interest representatives, as well as many from academics, banks, business angels and venture capitalists. Ten submissions were received from national regulatory authorities.

The greatest number of replies was from France (254) and Germany (151) with Italy, the UK, Spain, Austria and Belgium representing each between 8 and 5% of the total responses. A further 8 EU countries had between 4 and 1% of replies each, and from the European Economic Area (EEA) only Malta and Norway were not represented in the consultation. Sixteen replies were received from outside the EEA.

Stakeholders define crowdfunding broadly

As for the definition of crowdfunding, the large majority of stakeholders replying to the public consultation define crowdfunding as "an open call to the public to collect funds for a specific project". But the majority of respondents define it yet more narrowly, adding to the above definition that the call is "made through the internet", and that "the funds are collected from a large number of individuals, during a specified time period". Less than half of respondents consider that crowdfunding is defined by "small contributions from individuals". An overwhelming majority think that this form of financing should not be reserved to projects with smaller financing needs.

The most well-known form of crowdfunding for respondents is the donation-based model

The most well-known forms of crowdfunding are donations and rewards, recognised by 74% and 69% of respondents respectively. Pre-sales, profit sharing and equity are also widely known models that 50% to 60% of stakeholders claim to know about. This is followed by lending (45%), hybrid models (32%) and debt (25%). Very few respondents had suggestions for an alternative classification.

Crowdfunding for financial returns differs from crowdfunding for non-financial returns

The border line between the various types of crowdfunding is sometimes blurred, and respondents consider that some categories could be treated together. Many stakeholders point to the fact that, while there are important differences between donations and pre-sales, together with rewards these types of crowdfunding do not promise any financial return. Profit-sharing, lending and securities on the other hand offer potential profits to contributors, even if lending is very different in nature from equity investments. In other words we could distinguish between crowdfunding and crowdinvesting. While there are important differences between lending- and securities-based models, under both contributors take the position of investors.

Crowdfunding for projects with social objectives should be given special attention

Social entrepreneurs can also use crowdfunding, and they might not be limited to those models that do not offer any financial returns. Lending at interest or without interest is an existing form of social crowdfunding today. A majority of respondents think that crowdfunding campaigns with social objectives merit a distinguished treatment from other financial-return crowdfunding. But as to what that treatment should be, opinions are divided. Many respondents refer to the risk of abuse if applicable rules are lighter for social projects than for other financial-return crowdfunding campaigns. The responses focus quite strongly on the need to define what social objectives are, and verifying whether funds are indeed used for the stated objectives. Some concrete solutions are put forward, such as *ex ante* transparency and forms of *ex post* verification: audits, social impact assessment or periodic reporting. Some respondents call for a favourable tax treatment of social projects. While a few respondents mention the need to harmonise impact measurement, others warn against such intervention. A further list of dispersed ideas is also put forward, which will be examined in more detail by the European Commission in the context of follow-up work on crowdfunding and the social business initiative.

Contributors confirm that crowdfunding is cross-border by nature

As for (actual or potential) contributors who answered the questionnaire, 3 out of 4 respondents have already contributed to a crowdfunding project; about a quarter of them across borders. When questioned about their willingness to contribute to campaigns from another EU country, 82% of contributors say they would do so, either without any further thinking (38%) or for projects that they really believe in (44%). A further 14% of contributors claim they are inclined to give money to cross-border projects provided there is some guarantee they would not be cheated. Less than 3% of respondents say they would not contribute to foreign campaigns because they want to support local projects only, and only 1% consider that it is simply too risky to give money cross-border.

Of those who have already given money to crowdfunding more than two thirds are satisfied with their crowdfunding experience, with less than one third saying it is too early to tell. Only 2 respondents out of 299 had a bad experience with crowdfunding.

Contributors appreciate choosing projects directly and being involved

For a great majority of contributors the fact that crowdfunding is a new trend does not matter. 85% of potential or actual contributors say that the biggest benefit they derive from crowdfunding is that they can select directly the projects worth financing. Direct involvement in the project is also ranked as an important benefit by a large majority. Somewhat less than half of the contributors think doing some good or helping a community is what makes crowdfunding attractive. Around 40% of respondents rank helping friends or investing as a main motivation to engage with crowdfunding.

Many crowdfunding platforms seem very interested in operating across borders

The Commission also asked specific questions to the 81 crowdfunding platform managers who responded to the public consultation. Of the 81 platforms, 31 report the amounts raised through the platform in the course of 2012, which total more than €180 million. It seems that the consultation captures roughly a quarter of European crowdfunding, both in terms of the number of platforms and the money raised, although we only have estimates of market size for 2012.[1]

Most of the responding platforms host reward-based campaigns (44%), followed by equity-based, donations, pre-sales and lending models (each between 26 and 36%). Royalty sharing and debt-based crowdfunding platforms are the least represented (15 and 10% respectively). Almost half of these platforms are not authorised by any national authority, one respondent is authorised as a bank, 3 are payment service providers, 7 are investment firms, and a further 22 are authorised as another category.

More than half of the platforms accept projects or contributions from another EU country. One-third says they would like to operate abroad, although they do not do so yet. Here there is an interesting contrast between those platforms that offer services in non-financial return crowdfunding and those who engage in crowdfunding activates with financial returns. Whereas 81% of non-financial return platforms operate cross-border presently, only 38% of lending or securities based platforms accept projects and contributions from outside the Member State of their establishment. 48% of the lending or securities crowdfunding platforms would like to operate abroad in the future, although they do not do so at present, compared to 14 % of non-financial return platforms.

Concerning the obstacles to operate in another EU country, 12% of non-financial platforms quote the lack of information about legal requirements and 7% the difficulty of checking foreign projects reliability. On the other hand, 44% of financial return platforms refer to the lack of information about legal requirements as an obstacle to their cross-border expansion and 27% to the high costs of authorisation in another Member State. This seems to imply that the internal market works relatively well for non-financial return crowdfunding models, whereas for crowdfunding with financial returns certain obstacles remain.

Overall only 3 platforms say payment processing across different Member States is an obstacle, one reports that rules on identity verification to combat money-laundering are too complex, and one claims that publishing projects in multiple languages causes problems.

Only 9 platforms out of the 81 responding to the consultation do not express an interest in providing services in other EU member states – although we understand that platforms interested in cross-border activities might have been more inclined to answer the consultation.

Almost all (93%) of the platforms responding to the consultation adhere to a code of conduct. Between 80 and 90% perform the following tasks: preliminary screening of projects (legality, compliance with platform's conditions), informing project owners and contributors of applicable fees, checking identity of project owners, facilitating the communication between contributors and project owners, informing contributors of risks.

[1] The estimated figure raised through crowdfunding in Europe in 2012 is €735 million – see Massolution (2013) "Crowdfunding industry report 2012" – and there were an estimated 300 platforms in Europe in 2012 – ECN "A framework for European crowdfunding" (2012) at http://www.europecrowdfunding.org/files/2013/06/FRAMEWORK_EU_CROWDFUNDING.pdf

Project owners: almost three out of four respondents are planning to launch a crowdfunding campaign in the future

Project owners replying to our questionnaire are overwhelmingly male. They come mainly from France, Germany, Italy, Spain and Portugal, but more than 20 countries are represented. Most of these respondents categorise their project as entrepreneurial, artistic, or innovative. But there are also some respondents with social, green technology or ecological, or other forms of project.

Only slightly more than a quarter have already launched a crowdfunding campaign, but of those who have, almost all used a crowdfunding platform. Most respondents have launched a rewards-based campaign, but many others have used donations, pre-sales and profit-sharing models. Only one or two respondents have launched an equity, lending or debt-based campaign. Less than half of these respondents have tried to obtain financing from other sources before launching the campaign. Only half of the campaigns have been successfully closed, with about a quarter still on-going and one-fifth ending without success. Half of the successful campaigners have obtained further financing from other sources after the crowdfunding campaign – although none of these from banks, venture capitalists or through an IPO; some of them received financing from business angels, the rest from other sources.

For project owners, crowdfunding reduces dependence on traditional forms of financing

As for project owners, 75% feel that less dependence on traditional forms of financing is a major benefit for them. A large majority confirm that reaching more people through crowdfunding, as well as market testing and market validation, are of major interest. Less important benefits are the flexibility of crowdfunding arrangements, the speed of fundraising, feedback, advice and non-financial resources received from the crowd and the reduced costs of financing.

Crowdfunding offers various benefits to users, helps job creation, promotes innovation and entrepreneurship

The vast majority (74%) of respondents perceive crowdfunding to be highly beneficial for innovation and a large majority (67%) consider it highly beneficial for SMEs and entrepreneurs too. A majority of stakeholders feel that crowdfunding offers great advantages also for social entrepreneurs as well as for R&D. Somewhat more modest benefits are expected for growth and jobs in general and for retail investors as the particular user group of crowdfunding models with financial-returns.

The most praised benefits of crowdfunding include citizens' engagement and community building, participation to innovation, democratisation of finance, and empowering contributors so that they can finance the projects they choose, with transparency provided towards contributors. Many stakeholders argue also that crowdfunding promotes financial education, since in financial return crowdfunding investors receive more information, build-up experience and increase their financial literacy.

A further advantage of crowdfunding for many is that no traditional financial intermediaries are involved in the process, leading to decentralisation of finance and less bureaucracy. Others note that crowdfunding complements other sources of finance and can be combined with for example bank lending (hybrid financing), facilitating capital formation for businesses.

Another important benefit often quoted by respondents is that philanthropic, social, cultural, innovative and ecological projects can get access to finance. One respondent points out that contrary to traditional forms of finance, crowdfunding often involves values such as sympathy, sharing, support.

Advantages to project owners include access to capital in a phase of development where it is the most difficult to obtain financing, market feedback, accelerating how innovative projects get to the market, and - very importantly – that crowdfunding "spreads the entrepreneurship culture" by changing in a positive way peoples' views of, and attitude towards, entrepreneurs. Two respondents point out that crowdfunding links the financing phase with the marketing phase, reducing the risks that the entrepreneur takes up financing but the project fails at marketing stage, leaving the entrepreneur with substantial debt.

Some respondents share their predictions about the future evolutions of certain business models, or the results of their activities and its impact on promoting start-ups and job creation. One platform's experience is that in a little over a year, funding through their portal (which combines crowdfunding with angel capital) has led to the creation of well over 350 jobs. Another respondent reports that the amount of money crowdfunding has provided for UK SME's is growing rapidly, reaching £332m for 2013, assisting 5,000 start-ups between 2011 and 2013.[2]

Project owners perceive little risk in crowdfunding

Project owners who have launched a crowdfunding campaign or might launch one in the future were also asked about the risks of crowdfunding to those who launch a crowdfunding campaign. Respondents do not signal major concerns. The risk of insufficient intellectual property rights protection is regarded as being too high by only 22% of respondents, with 7% not being sure and the rest thinking this risk is acceptable or even negligible. Reputational risks concerning the fact that launching a crowdfunding campaign could signal that the project owner could not obtain financing from other sources are ranked as negligible by the majority of respondents. The risks of an unsuccessful campaign being a failure in public are thought to be acceptable by most project owners. The risk of overfunding is perceived to be acceptable or negligible, both answers receiving more or less the same score.

Risks to contributors are acceptable to the majority, but too high for some

As for the risks of crowdfunding, the overwhelming majority of respondents regard the risk of project failure as acceptable, while only 13% consider this risk to be too high. While the risks of fraud and misleading advertising are also ranked as acceptable by most stakeholders (50% and 47% respectively), it is remarkable that about one in four respondents consider these risks to be too high. The risk of not receiving back reclaimable funds is perceived as slightly lower, with one in five respondents ranking this risk as too high.

74% of respondents consider that a scandal could undermine contributors' confidence in crowdfunding – although looking at (actual or potential) contributors' replies the prediction is slightly more optimistic, but with still 70% claiming contributors would lose confidence after a scam.

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[2] http://www.nesta.org.uk/sites/default/files/rise-future-finance.pdf

When asked about other risks in crowdfunding that do not offer financial returns, stakeholders highlight very different risks. A common thread is that lack of information is a major risk, which can be best addressed through transparency. The most often mentioned risk relates to fraud, either on the part of the project owner or the platform. Specific risks of rewards and pre-sales models are also highlighted: overfunding or underestimation of funds needed; delays in delivery, delivery of bad quality products or no delivery at all. Money laundering risks are also mentioned by several respondents. Several stakeholders mention the risks of hackers attacking platforms where people pay over the internet. Some stakeholders raise other interesting issues, such as the risk that in a boom of crowdfunding, some platforms may not be well-prepared or professional enough, or concerns about the privacy of contributors.

In the equity and lending models, perception of the risk depends on its type

Equity model. Stakeholders were invited to rate the risks and overall complexity of equity model. The questionnaire pointed out the most significant risks associated with this business model. The responses vary depending on the type of risk involved. The majority of stakeholders accept the financial risk (i.e. the risk of their investment being unprofitable or the risk of losing the invested capital as a result of project failure). Among contributors there also seems to be a broad agreement (above 50%) that these risks are acceptable. The risk of overvaluation of the project is ranked as acceptable by almost half of stakeholders.

Views are more divided on liquidity and legal risks. For more than one third of respondents, the lack of an exit option seems to be of little concern while over 25% consider this risk to be too high. Similarly, more than one third of stakeholders are willing to accept legal risk which is understood to mean both equity dilution and the difficulties with the exercise of shareholders rights in cross-border settings. At the same time, over 20% of respondents perceive these risks to be too high. The views of contributors are similar: for almost 35%, liquidity and legal risks are thought to be acceptable.

There is no common view on other types of risks. Over 33% of respondents are willing to accept the legal risk and liquidity risk while around 25% view these risks as too high. As for complexity of the equity model, about 34% of contributors accept it while for 20% this feature does not matter.

The great majority of regulatory and supervisory authorities perceive the risks of equity dilution and lack of liquidity as too high. 60% agree that the risk of losing invested capital as a result of project failure is too high. However, they are more divided on the perception of overvaluation risk.

Lending model. As for lending activity the questionnaire set out two types of risks related to this model: credit and financial risks. The views on credit risk diverge to a large extent. 38% of respondents are able to accept the information asymmetry with investors knowing little about the borrowers' creditworthiness while almost one third of stakeholders see this risk as too high. Views are also split among contributors: 40% agree that the credit risk is acceptable whereas almost 1 in 3 contributors consider this risk to be too high.

Almost half of respondents agree that the lending model involves a high degree of financial risk. Similarly, almost half of contributors perceive this risk to be acceptable.

Their views on credit risk and the complexity of the lending model are divided. 37% of contributors accept the credit risk whereas about 25% consider this risk to be too high.

There is broad agreement among regulatory and supervisory authorities that the lending model entails high credit and financial risks and involves high degree of complexity.

Stakeholders are concerned about money laundering and legal uncertainty in financial return CF models

Stakeholders were requested to express their views on other risks they see in financial return crowdfunding forms. Many underscore the importance of increased transparency to address the risk of money laundering and call for preventive measures aimed at identification of parties and checks of capital flow. Stakeholders also highlight the need to increase legal certainty in the context of cross-border activity. They acknowledge that the regulatory framework across the Union remains fragmented, creating different legal standards in Member States. Five primary areas of concern are identified: (i) the applicable law in the event of insolvency of the platform, (ii) the legal treatment of contributions collected on platforms' accounts (who owns the funds), (iii) intellectual property protection, (iv) the legal status of the platforms involved in crowdfunding and (v) the tax treatment of contributions. One stakeholder also refers to unfair contract terms.

Many respondents acknowledge that financial return models raise investor protection challenges, including the financial risk and lack of public information about the company or project owner, which does not facilitate a thorough investment analysis. They admit that this is partly because of low financial literacy among contributors and call for actions aimed at awareness raising.

There also seems to be the need for increased transparency towards investors by ensuring adequate monitoring of the investment and project owner. Requiring platforms to periodically follow-up projects, promoting investor relations or individual investment limits could all be measures to mitigate the financial risk.

In its response the European Banking Authority (EBA) has carried out a risk analysis of the lending model. It identifies three types of risks depending on the market participant involved: (i) risks arising for lenders/fund contributors, (ii) risks arising for borrowers/fund seekers and (iii) general risks. The key risks for contributors include: financial/credit risk, risk of operator default and legal risk. The latter can take different forms: (i) risk of fraud and money laundering (ii) no full visibility over the contractual arrangements between lenders and borrowers, which raises the concerns over identification of responsibilities, (iii) lack of transparency with regards to fees, interest rates, product features and (iv) the risk of misleading information. Furthermore, the funds may not reach the borrowers as platforms are not required to seek an authorisation as a money remittance provider (in cases where funds are transmitted via a platform). It is also important to note that both borrowers and lenders can experience unsatisfactory complaints handling. In addition, as crowdfunding is an internet-based business, regulatory arbitrage opportunities can be easily exploited: firms may choose the jurisdiction with a 'light-touch' approach to regulation. EBA calls for risk mitigation measures in order to ensure that market participants have confidence in the market.

Where could EU action add value?

- 65% of respondents think that some form of EU intervention to either ensure protection of contributors or open the markets would add value in the field of securities-based models and 64% thinks the same for lending models. Less support is enlisted for similar EU action for non-financial forms of crowdfunding (46%-50%).

- Sharing national experiences and regulatory best practices on financial-return crowdfunding models is supported by around 50% of respondents. Less support is registered for sharing national experiences for non-financial return models (between 38-40%).
- Awareness raising for all forms of crowdfunding, particularly for equity and lending (49%), but also for other crowdfunding models (40-47%), also scores quite high.
- Coordinating self-regulation at EU level for financial-return crowdfunding models is supported by 42-44%, whereas for non-financial forms of crowdfunding the support for this option is just above 30%.
- Granting public financial support to crowdfunding platforms or campaigns receives the lowest support among stakeholders: around 35% for securities and lending, even lower for the other forms of crowdfunding.

Concerning other actions the EU could take to promote crowdfunding, most stakeholders mention legal harmonisation, mainly in the area of crowdfunding for financial returns. Some of the above list of actions were mentioned again in the replies: education and awareness-raising, public funding, self-regulation and soft law measures were the popular themes.

Some original proposals that did not feature in the questionnaire were also made. Some stakeholders refer to further aligning tax treatments either between crowdfunding and other forms of investments, or within the area of crowdfunding, across different Member States. Others suggest setting up an EU platform managed by the EU institutions, or setting up a website displaying all crowdfunding platforms or projects within the EU. Many stakeholders would like to allow for all forms of crowdfunding in all EU Member States. Other interesting ideas include dematerialising procedures and using crowdfunding for climate change financing.

Action on crowdfunding for non-financial returns: obstacles remain, but no clear need for harmonisation

756 respondents think EU action to protect contributors would add value for non-financial forms of crowdfunding, but less support is given to harmonising certain duties of all crowdfunding platforms at EU level. Informing project owners and contributors of applicable fees gets the support of 34% of respondents, followed by the obligation to check the identity of the project owner (33%), to guarantee the processing of payments (30%) and finally to check the legality of the projects proposed (27%).

Those who expressed support for EU measures to facilitate cross-border activity and address investor protection concerns for non-financial forms of crowdfunding were requested to identify the obstacles to market access for donation, reward and pre-sale campaigns/platforms. Most stakeholders refer to the fragmented legal framework applicable today across the EU to non-financial models. They emphasise that divergent national legislation creates obstacles to the smooth functioning of crowdfunding market in the cross-border context. The key issues include the lack of legal clarity on legal status of platforms, the legal treatment of contributions and the lack of transparency about the project or business plan. Some stakeholders consider that national rules on raising funds are too restrictive in some Member States, which prevents the development of crowdfunding. Some respondents consider that the cost of payment processing and the lack of a universally trusted payment method are the main obstacles to cross-border operation.

Other obstacles mentioned include lack of awareness, lack of trust, language barriers, limited access to high-speed Internet and investment limits in certain jurisdictions.

Action on crowdfunding for financial returns: EU legislative action supported by most respondents

Only 10% of those familiar with EU law on financial services think it is adequate for financial forms of crowdfunding and does not need to be changed.

As for the form of a potential European legal action on crowdfunding, the majority of respondents (48%) believe that minimum harmonisation would be best. 24% of respondents think an optional "29^{th} regime" would be the most suitable form of EU action, whereas 19% are in favour of total harmonisation.

Protecting contributors and enhancing the single market are equally important considerations for financial return models

There is broad agreement among respondents (about 65%) that EU intervention to address investor protection or facilitate cross-border activity would bring added value for financial form of crowdfunding. Indeed roughly the same number of respondents wanted to see action on further market opening (about 49%) as on investor protection (about 51%).

Information standards on investment and credit risks for financial return models need to be harmonised

Stakeholders were invited to express their views on whether the responsibilities of platforms hosting campaigns with lending or equity/debt should be harmonised at a European level. The question allowed them to select more than one reply. The majority of stakeholders agree that information standards on investment and credit risks need to be harmonised. Many stakeholders (38% support for lending and 40% for equity/debt model) are of the view that EU harmonisation should require platforms to perform due diligence and credit risk assessment of projects. Over 48% respondents are in favour of a harmonised framework for platforms to provide advisory services in relation to portfolio diversification.

Views are more divided on whether EU action is necessary to harmonise standards with regard to project monitoring, managing conflicts of interest and representation of platforms in legal proceedings related to a project (acting as nominee shareholder or contributors' representative). 37% of stakeholders oppose EU intervention to provide a more consistent framework for compensation schemes and insurance rules to cover eventual losses, whereas over 20% see the need for action in this regard for equity model and 20% of respondents – for lending.

Great majority (above 60%) oppose setting minimum or maximum amounts for individual contributions. Of those who express support for regulatory intervention as to the amount sets for individual contributions, 14% are in favour of setting maximum amounts while less than 4% prefer minimum investment limits. Those who support maximum limits are divided on the exact amount to be set. Some stakeholders support €1000, others prefer €10 000. Most stakeholders view the investment limit as a variable which depends upon: (i) investors' personal income, (ii) the crowdfunding model, (iii) loan size (for lending models), (iv) the size of the business project (i.e. funds to be raised) and (v) the level of risk of the business project.

Stakeholders call for increased transparency in financial return models

Stakeholders were invited to express their views on whether platforms involved in financial return crowdfunding activity need to be subject to other requirements than those set out in the questionnaire. Many respondents recognise the need for transparency requirements, in particular disclosure obligations with respect to platforms' business conduct, projects and the fees they charge. Periodic reporting to shareholders and supervisory authorities is also mentioned. In the context of transparency, respondents acknowledge that crowdfunding platforms should provide adequate information for contributors on risks. In particular, platforms should be required to clearly explain all the risks involved, some being also in favour of guidelines and good quality information about the risks so that investors can make a well-informed investment decision. Stakeholders underscore the importance of transparency concerning the project owners and companies. This could be addressed in several ways: (i) platforms could be required to provide investors with standardised information about projects and project owner (e.g. the Key Investor Information Document could be used as an inspiration), (ii) platforms could provide information on the risks and results of each project, (iii) platforms could be required to check the business plans of project owners.

Respondents also emphasise the importance of increased legal clarity to ensure that (i) funds are locked in a segregated bank account until the targeted amount is fully subscribed, (ii) the payment system is secure, (iii) contributions are reimbursed when the campaign goal is not reached, (iv) platforms are subject to anti-money laundering checks and (v) contractual arrangements are available to investors. Some consider that all payments between lenders and borrowers (including interest calculation) should be recorded in book-keeping.

Some take the view that the scope of platforms' responsibility should depend on the scale of investments being made through a platform. For instance, if an individual contributes in small amounts, there is no need for wide investor protection.

There seems to be the need for an adequate regulatory structure ensuring transparency and suitable investor protection in financial return models

Stakeholders were asked to point out other measures needed to grant access to markets and address the risks of financial return models. The responses diverge to a large extent. Many respondents explicitly highlight the need for: (i) increased transparency, (ii) harmonisation of platforms' requirements and (iii) appropriate supervision of the crowdfunding market. In their view, platforms need to be subject to an authorisation and on-going supervision process in order to ensure adherence to strict quality standards. To this end, harmonised requirements to ensure access to information about project and project owners are necessary. Reporting obligations could be one way to achieve this. A few respondents consider that platforms need to be fully regulated as financial return models are a form of investment and therefore they have to be compliant with financial regulation and be responsible for the products they sell.

Quite a number of replies recognise the need for an enhanced investor protection framework in order to protect investors against risks. A few respondents consider that the issue could be addressed through setting maximum levels for investments. Others suggest that risks need to be clearly stated and information about the project should not be misleading. Investors should demonstrate that they understand all risks involved. One crowdfunding platform notes that it already has strong warnings in place which must be signed electronically rather than by simple tick boxes. This is to ensure that investors are aware of the risks being taken. Some stakeholders who refer to investor protection emphasise the importance of proper calibration of any future regime which should be proportionate to the risks involved and not to be overly restrictive or burdensome. They argue that securing the right balance between investor protection rules and the promotion of a sustainable European crowdfunding business is necessary.

A number of participants also emphasise the need to increase legal clarity on insolvency rules applicable in case the platform fails, anti-money laundering rules and intellectual property rights protection.

Several participants express concerns about the current fragmented regulatory regime in Europe and feel that regulatory action at EU level should not be further delayed. In this context, they note that harmonisation of information and conduct of business rules could be a way forward.

Some stakeholders feel that there should be some sort of institutional, public support for the creation of companies. They consider that this would help achieve sustainable growth and job creation, in particular for local communities.

A few respondents expressed support for an independent rating agency (it could be a public or private entity) to conduct an evaluation of projects and provide a risk classification which would inform investors about the risk level of the project. Against this background, they suggest that cooperation between banks and platforms should be promoted so that banks could act as a 'neutral rating agency' and assess the creditworthiness of the project owner. The credit risk could be addressed as banks have expertise in this field.

Several participants argue against the need for legislative intervention at Union level and favour raising awareness, education, sharing international experience and best practices as the most effective measures to address the risks entailed by financial return models.

Other measures mentioned by stakeholders include, among others: (i) insurance schemes to address the risks related to financial return models, (ii) tax policy measures, (iii) requiring professional investors to subscribe for a certain percentage of shares in order to raise the confidence of retail investors and (iv) creating a portal that would bring together all the crowdfunding services provided across Europe.

The results reported here reflect only the views of those who decided to answer the public consultation. The views expressed may therefore not be representative.

Expressions used in this feedback statement:
Almost all respondents = around 90%
Vast majority, overwhelming majority = 70% or more
A large majority, great majority = around 60-69%
The majority, most stakeholders = 50% or more (for multiple choice: the answer Receiving the highest score regardless of the percentage)
Almost half = around 47-49%
Many stakeholders = around 40% (not a clear majority, but substantial)
Some stakeholders, other stakeholders = 20% or less
A few stakeholders = around 10%
Very few stakeholders = less than 10%