



Crowdfunding: Mapping EU markets and events study

Summary for the Expert Group of ECSF

17 February 2016



CROWDSURFER

DATA ON THE CROWD ECONOMY



The study

- The European Commission wished to assess market trends in crowdfunding markets in European Union Member States for the period **1 January 2013** to **31 December 2014**.
- Of particular interest were market changes following national legislative intervention that specifically targeted the crowdfunding market.



Content of our report

Our report principally comprises:

- **A mapping of crowdfunding markets in the EU** comprising:
 - a platforms mapping analysis
 - a projects mapping analysis
- **A regulatory events study** of selected national legislative intervention on crowdfunding, including market trends before and after those events.



Methodology: Platforms data

- We used two data sets: platforms and projects
- A platform is defined as web-based finance marketplace
- 510 'identified' platforms were in scope
- The data fields used for platform analyses were:
 - funding type (loans, equity, rewards, donations, and more)
 - launch year
 - primary country of operation (derived from project information)
- Platforms data was researched manually from public sources



Methodology: Projects data

- A project is defined as a request for funding
- Projects data was sought from identified platforms for 2013 and 2014:
 - 193 had sufficient time-series projects data ('participating platforms')
 - Of which 169 reported successful in-scope projects
- Principal reasons for non-inclusion:
 - insufficient relevant data
 - inaccessible data
 - technical complexities
- Data was gathered from public sources or contributed directly



Market mapping



Coverage

- €2.3 billion accounted for, of which the UK accounted for €2.0 billion:
 - Approximate total market coverage of 68% by amount raised
 - Loans coverage estimated to be 81%
 - Equity coverage estimated to be 81%
- Coverage varies considerably between Member States due to:
 - the number of active platforms
 - the accessibility of data
 - the suitability of data
- We cannot guarantee the sample is representative



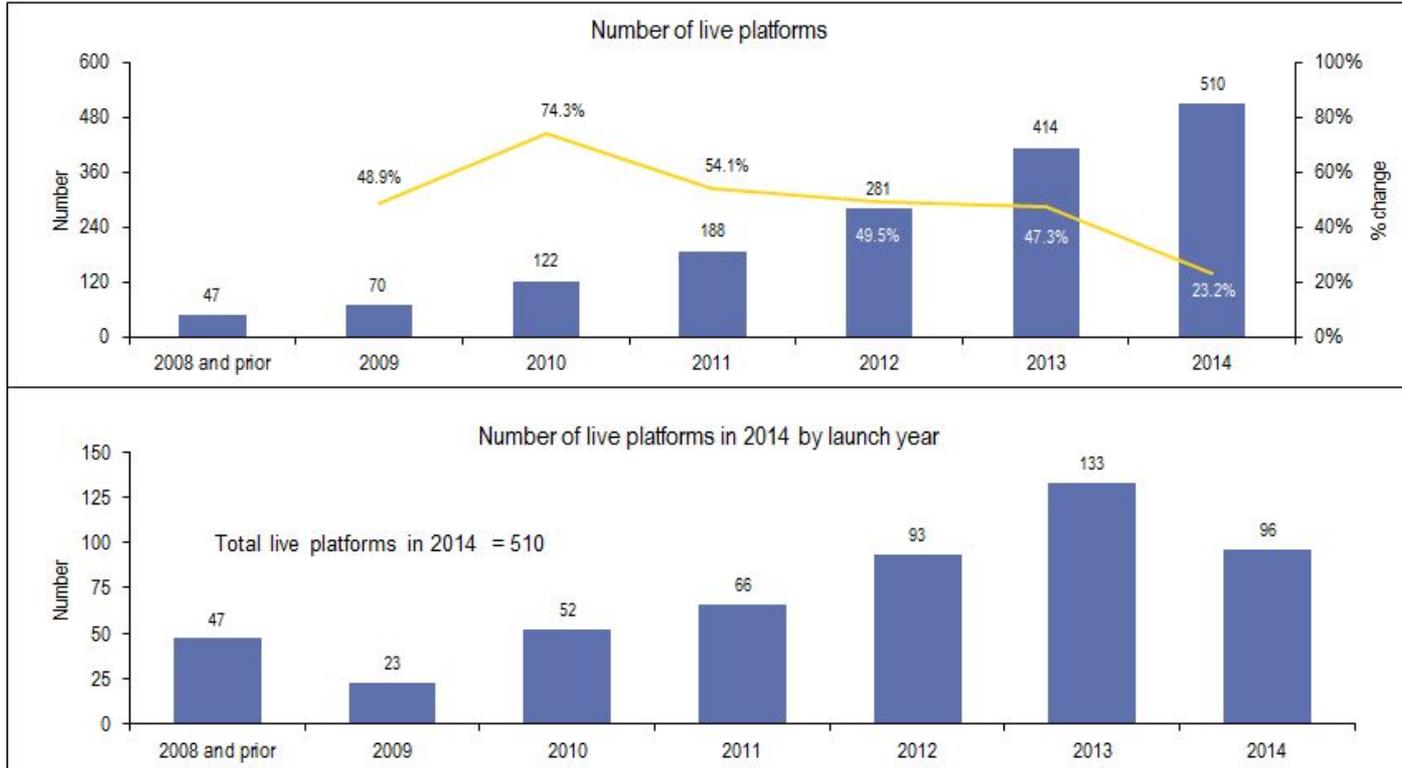
Platform mapping analysis (1)

- We analysed the number and types of platforms active in the EU
- We analysed platform formation rates, by funding type and location
- 510 live platforms were identified as active in the EU as at 31 December 2014:
 - 502 EU platforms (in 22 Member States)
 - 8 non-EU- platforms (non-EU countries with platforms that are active in the EU include the Australia, Canada, China, New Zealand and the USA)



Platform mapping analysis (2)

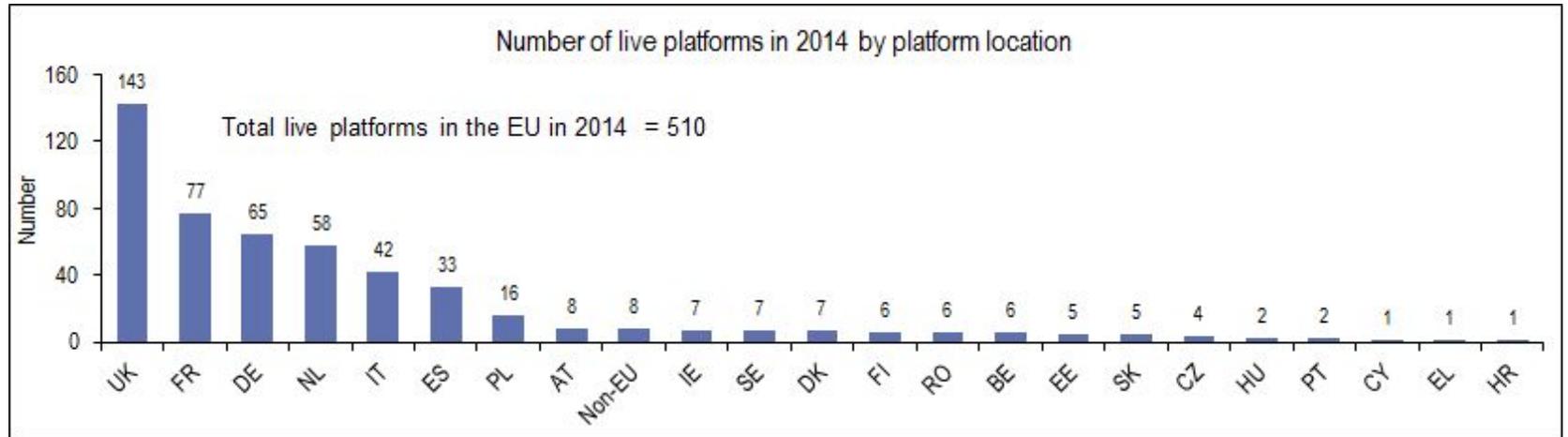
Figure 4: Analysis of the number of live platforms in the EU by number per year (Source: Platforms database, Crowdsurfer Ltd.)





Platform mapping analysis (3)

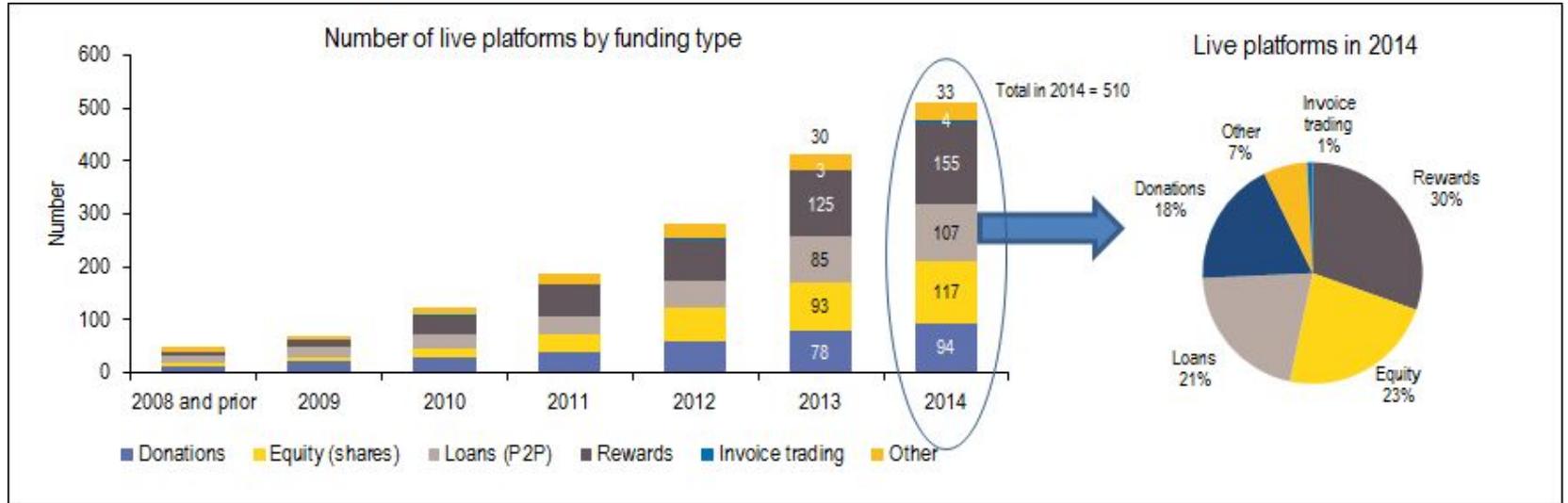
Figure 5: Analysis of the number of platforms operating in the EU by location in 2014 (Source: Platforms database, Crowdsurfer Ltd.)





Platform mapping analysis (4)

Figure 6: Analysis of the number of live platforms in the EU by funding type per year (Source: Platforms database, Crowdsurfer Ltd.)





Projects mapping: € raised

- Project mapping includes projects located:
 - inside the EU (undertaken on either EU platforms or non-EU platforms)
 - outside of the EU but undertaken by EU platforms
- Projects in the EU (2013 and 2014):
 - €2.3 billion raised for 190,854 successful projects, of which, €2.2 billion was raised for 185,753 projects using EU platforms
 - €85.1 million was raised for 5101 projects on non-EU platforms
- Projects outside of the EU but using EU platforms (2013 and 2014):
 - €77.8 million was raised for 16,054 successful projects



Projects mapping: cross-border

- Nearly €180 million of cross-border crowdfunding projects
- Most cross-border activity was on non-EU platforms operating within the EU, and EU platforms operating outside the EU
- Cross-border activity within the EU amounted to only €16.9 million of projects by participating platforms in the scope period



Regulatory events study



Markets for regulatory events study

The three markets included in this events study are:

- **Italy** (26 June 2013) – Regulation of equity crowdfunding by the Commissione Nazionale per le Società e la Borsa (CONSOB) under Regulation 18592.
- **UK** (1 April 2014) – Regulation of crowdfunding by the FCA under a new dedicated regime.
- **France** (30 May 2014, applicable from 1 October 2014) – Regulation of crowdfunding and introduction of two specific regulatory statuses.



Italy: key findings

- A low number of live equity platforms in Italy in the scope period (8)
- A low volume of projects for the total market (participating platforms undertook 373 projects, raised €4.5 million in 2014)
- Total market activity lower than other major markets - France (7511 projects and €50.5 million) and the UK (101,477 projects and €1.4 billion)
- Further policy measures have been (or will be) introduced
 - March 2015: Broadening of the category of companies eligible to raise funds on equity crowdfunding platforms
 - Likely future changes to equity and lending crowdfunding



UK: key findings

- No discernible change in the continued growth in project activity
- Decrease in platform launch activity after the regulatory event (22 new platforms in 2014 versus 34 in 2013)
- Regulation viewed as supporting the building of investors' trust in the industry and increasing interaction with other regulated firms
- Further policy measures have been introduced or will be:
 - New UK government rules to mandate the referral of SME loans declined by banks to alternative finance providers (including crowdfunding platforms)
 - Announcement of 'innovative finance' individual savings accounts (ISA)



France: key findings

- New statuses are popular, platform launches continue (>20 new CIP, >40 new IFP registrations with ORIAS)
- Project activity increased strongly from Aug 2014 onwards, with little identifiable change in this trend after the event (but est. coverage is 35%)
- As the new statuses are optional, some established platforms continue to operate under alternative (original) permissions
- It is too early to assess if new statuses will drive increased funding activity
- Further policy measures have been introduced or will be:
 - Expansion of enterprise-to-enterprise lending through reform of 'bon de caisse'



Conclusions



Conclusions: Market mapping (1)

- Crowdfunding is an EU-wide phenomenon, however there is significant diversity in activity (level, growth, type of funding) between Member States
- Overall, crowdfunding activity increased in 2014 compared to 2013:
 - Increase in the total amount raised, number of projects and platforms
 - However, the number of new platform launches decreased
- Rewards, loans and equity were the most common funding types by the number of platforms
 - Invoice trading is a major funding type based on the amounts raised



Conclusions: Market mapping (2)

- 8 out of 193 participating platforms operated with multiple funding types in 2014 (compared to 5 in 2013)
- Nearly €180 million of cross-border crowdfunding projects
- However of this cross-border activity, *intra*-EU activity was only €16.9 million



Conclusions: Regulatory events study

- **France** and the **UK** – No observable market changes in the time-series data; stakeholder interviews suggest that events helped support the maturing of the industry
- **Italy** – Event may have limited the level of equity crowdfunding activity by restricting the types of organisations eligible to participate
- **All markets** – Further policy measures appear to have built upon, or been catalysed by, the initial regulatory event
- As the European market continues to evolve, further research is required to fully understand trends around regulatory developments



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