# CROWDFUNDING MEETING

Brussels, 7 June 2012

The meeting was aimed at discussing the following issues:

→ Does the European crowdfunding industry need one or 27 legal/administrative frameworks?

→ Management of a crowdfunding platform. Lessons learned from the pioneers.

→ Crowdfunding: a new fashion or a real added-value support service for entrepreneurs?

The participants thanked the European Economic and Social Committee (EESC) for its support to the organization of this event.

The main issues discussed were:

- ✓ The introduction of the crowdfunding topic on the European agenda. A first opportunity will be given through the participation of crowdfunding experts in the hearing organized by the EESC on improving access to finance for SMEs.
- ✓ The interest of the European Commission in any innovative ways to finance SMEs developed outside the banking system.
- ✓ The main expectations and fears of crowdfunding platform managers, i.e.
  - an appropriate legal and administrative framework,
  - credibility of the industry: protection of investors, quality of the projects, transparency,
  - awareness raising,
  - exchange of practices through a European network,
  - professionalization of the industry: code of conduct, accreditation system,...
- ✓ The potential impact of the following three legislations:
  - promotion of the business profile due to the prospectus directive,
  - the maximum number of stakeholders,
  - activities of platforms due to investment services rules.

  The problem lies in the limitation of the full exploitation of the crowdfunding potential or in the different national context or interpretation of the EU framework by 27 national administrations. Cross-border activities might be difficult to launch.
- ✓ A few financial regulatory organisations replied to a survey aiming at finding out how they assess the legality of crowdfunding activities.
- ✓ In France, some platforms had to temporarily close due to fear of non compliance with some parts of the regulations on the investment services rules or banking licenses.
- ✓ Reference was made to the US 2012 JOBS Act which provides a legal framework for crowdfunding activities. The legislation was passed in 15 months, a speed record! The US legislation provides for exemptions for crowdfunding investment provided that the amount sought is less than one million US Dollars. This legislation ensures that investors do not purchase crowdfunding securities in excess of their financial capacity.
- ✓ Several platforms described their experience and business model. Key issues raised were:
  - need to provide support to the entrepreneurs,

- opportunity in the crowdfunding equity market segment,
- importance of the crowd investment vehicle to represent investors (cooperative by Symbid),
- size of the market,
- Opportunities for European platforms to become international players or to offer cross-border investment deals. Threat of US platforms such as Indiegogo which is able to raise several millions of US Dollars to be spent for geographical expansion.
- Means of sustainability (fees from project promoters and/or investors).

✓ The interest of regional authorities to invest in crowdfunding platforms is still under discussion. Some platforms have received public support to start their business.

✓ Reports on the trends in crowdfunding in Belgium, the United Kingdom and in France were presented as well as in the media industry.

✓ The relations between enterprise support and crowdfunding has been presented through seven key factors such as business model validation, pre-sale outlooks, equity dilution, pricing policy,...

✓ DG Internal Market and Services receives more and more queries about crowdfunding. The fact that the US JOBS Act is in place might inspire Europe though people do not yet perceive the importance of the industry.
It was suggested to look to the specific provision made by the European Commission in the field of social entrepreneur funds in order to suggest dedicated framework conditions for crowdfunding activities in Europe.

✓ Information regarding the launch of a European Crowdfunding Network was given.

✓ Participants expressed their willingness to continue to share information and experiences on a regular basis.

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First follow-ups

1. Oliver Gajda and Eva Serlachius took part in the EESC hearing on improving access to finance for SMEs held on 28 June 2012
2. NESTA published its report relating to the crowdfunding industry in the United Kingdom. This report entitled "The Venture Crowd: Crowdfunding Equity Investment into Business" and dated June 2012 is available at http://www.nesta.org.uk/library/documents/TheVentureCrowd.pdf
3. FinPart works on drafting a white paper regarding the crowdfunding industry in France. A summary of their work can be found at http://finpart.org/download/eng/FinPart-initiatives-to-foster-Crowdfunding-in-France.pdf
4. Representatives of the crowdfunding industry participated in the EU-US SME Workshop held in Rome. DG Enterprise and Industry said that they will look to the need of a dedicated EU regulation on the topic.

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# List of Participants

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