

# Current State of Crowdfundering in Europe

An Overview of the  
Crowdfundering Industry in  
more than 25 Countries:  
Trends, Volumes  
& Regulations





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*Current State of Crowdfunding in Europe* is a report based on research  
conducted by CrowdfundingHub  
in close cooperation with professionals from all over Europe.

Revised versions of this report and updates of individual countries can be  
found at [www.crowdfundingineurope.eu](http://www.crowdfundingineurope.eu).



## Foreword

We started this research to get a structured view on the state of crowdfunding in Europe. With the support of more than 30 experts in Europe we collected information about the industry in 27 countries. One of the conclusions is that there is a wide variety of alternative finance instruments that is being offered through online platforms and also that the maturity of the alternative finance industry in a country can not just be measured by the volume of transactions on these platforms.

During the process of the research therefore, the idea took root to develop an Alternative Finance Maturity Index. The index takes into account the volumes in the industry, the access to relevant and reliable data, the degree of organization of the industry, the presence and use of all the different forms of alternative finance and also the way governments are regulating the industry with rules that on one hand foster alternative finance but on the other hand also protect consumers and prevent excesses. Finally it includes the readiness of consumers, investors and entrepreneurs to use alternative finance instruments and the integration and cooperation of the traditional finance industry with the new industry.

During our study we created a list of 15 research areas that give an indication of the maturity of the alternative finance industry in a country. Eight of them are related to regulatory issues. There is a dependency between many of the research areas. It is obvious that if law prohibits a certain type of crowdfunding, it affects both the volumes realized by the industry as well as the diversity of alternative finance in a country.

For future growth and maturity of the industry, it is very important to get a better understanding of the alternative finance industry and therefore we will continue to improve the Alternative Finance Maturity index, based on new research data. The alternative finance industry is just getting started and we believe it is necessary to further increase the professionalization of the industry in order to make it a true alternative for traditional finance.

We would like to thank the more than 30 European experts who contributed to this report and provided us with data, research papers and their valuable ideas and insights on the trends in the alternative finance industry in their countries. Finally, we are grateful for the help and support of our great researchers Kleitia Zeqo, Flip de Jonge and Marije Lutgendorff.

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## Introduction

The alternative finance industry is a young industry and there is not a universally accepted taxonomy yet to describe the different actors in the industry. In The European Alternative Finance Benchmarking Report from Cambridge University (February 2015) this issue was already addressed. The Benchmarking Report followed the taxonomy of nine categories of business that had been constructed in defining and segmenting the UK alternative finance market in previous studies. We choose to follow this taxonomy as well and focus in our research on the four following types of crowdfunding:

- Donation based crowdfunding
- Reward based crowdfunding
- Peer-to-Peer lending (where possible subdivided into consumer and business lending)
- Equity based crowdfunding

The lack of a clear taxonomy is a hindrance for research. In the documentation and information we received about the crowdfunding industry in different countries, terms are used that do not always follow the same taxonomy. Crowdfunding, crowdlending and crowdfinance are frequently used terms but they aren't accurately defined. At least they are not defined on a European level and have a different meaning in the separate countries. For example crowdfunding is sometimes used as a synonym for equity based crowdfunding and sometimes it includes both equity and lending based crowdfunding to entrepreneurs. For the sake of uniformity, we tried to avoid the words crowdfunding, crowdlending and crowdfinance and converted them.

The alternative finance industry is a vibrant industry that develops very quickly. Community shares, civic crowdfunding, real estate crowdfunding and marketplace lending are examples of the developments that take place in the industry. We didn't include these kind of developments in this research, but we are sure that in future reports we can't ignore these new phenomena. For now, it was a challenge enough to collect information about the four mainstream types of crowdfunding.

For this research we worked together with more than 30 experts in all the European countries and asked them to provide us with reports and data about the crowdfunding industry in their country and give us their insights and views on the industry. We also asked them to share their knowledge about existing and upcoming regulations. We want to emphasize that by no means we intent to give legal advice in this report.

27 countries returned our questionnaire. For 17 of these countries we added a 3-page description in this report, based on the information provided by the country expert. On the first page of the country description we have included a list of local and foreign platforms. These are the platforms that are mentioned by the experts as being the most import platforms in their country. The list of platforms is not ranked or ordered in terms of volumes or any other criteria. With the list we solely wanted to give an insight in the types of platforms that are common in a country. With regard to foreign platform all experts mentioned Kickstarter and Indiegogo as being used in their country, even when the platform didn't formally launched their operations in certain countries.

As already mentioned we finally decided to create an Alternative Finance Maturity Index. All 27 countries are included in the Alternative Finance Maturity Index that is based on 15 research areas. The next chapter describes the Alternative Finance Maturity Index in more detail.



With the Alternative Finance Maturity Index we want to capture the causes behind the current state of crowdfunding in a certain country. After analysing the input we received from more than 25 countries we created a list of 15 research areas to assess the maturity of the alternative finance industry. Eight of them are related to regulatory issues. The other research areas vary from the size and volumes of the industry, diversity in types of crowdfunding platforms that entered the market to the degree of organization and the accessibility of data.

The Index focuses on the divergences (positive or negative) we found when analysing the information provided to us by European crowdfunding experts. If a country distinguishes itself in a positive manner in a certain research area we highlighted this area dark green. E.g. this is the case with tax reliefs, where the UK has a very progressive stance when compared with other European countries. In some areas the opposite applies. For example, donation based crowdfunding is possible under existing regulations in every country, however in some countries extra conditions have to be met, causing some administrative burdens. For these countries we used a lighter colour green. A description of the different research areas can be found on page 13.

# Management Summary

Our main conclusions are:

- **A positive stance from the government, enabling progressive regulation and tax reliefs, correlates with high volumes in the industry.** UK is the best example of this. Only in a few cases low volumes in countries are not related to regulatory issues and are low due to other reasons, e.g. the readiness for crowdfunding is low because the public is not accustomed to online payments.
- **There is an urgent call for more transparency and independency for aggregated data and a clear European taxonomy.** In the majority of countries there is no data available about total volumes of the industry. If data on an aggregative level is provided, there is increasing disagreement about precise volumes and about the definitions to be used. Independent organizations, like regulatory institutions, can significantly contribute in answering this problem. Especially when it comes to disclosures about defaults.
- **Too much focus on volumes can conceal what is really happening in a country.** Sometimes a country has high volumes in a certain type of crowdfunding (e.g. P2P consumer lending) because it is unregulated and the country is preparing legislation to protect consumer interests and to prevent irresponsible borrowing. In some countries existing law prohibits a certain type of crowdfunding, but in countries where new legislation is being prepared we see already many platforms getting started anticipating the new legislation.
- **Volumes will continue to grow with high rates and differences between countries will decrease because of new crowdfunding legislation.** In many countries new crowdfunding legislation has come into effect recently (or will come into effect this year). The focus is on removing barriers that result from existing regulations and on fostering access to finance for SME's and startups.
- **There is a high level of cross border activity from successful platforms.** Many platforms that are successful have presence in neighbouring countries as well. If there are no language barriers, the level of cross border activities increases, proving the fact that by nature crowdfunding isn't bound to geographical borders.
- **Optimism about the potential of alternative finance prevails.** Although once put away as just a marginal trend being embraced only by early adaptors, we see more and more serious interest in all levels of society. In the UK the alternative finance industry provides already a true alternative for traditional finance with over 10% of SME funding provided by alternative finance. Financial institutions play an increasing role in providing capital to be distributed through P2P-platforms, giving rise to a new phenomenon, the so-called marketplace lending.

## Description of Research Areas

### 1. Degree of organization/access to data

In the majority of countries there is no data available about total volumes of the industry, mostly because there is a low level of organization of the industry. In the United Kingdom, the Netherlands and France data about the total volume of the industry are collected, structured, aggregated and reported on a yearly basis. In some countries, e.g. Germany, there is only aggregated data available about volumes in subsectors of the industry. It is important to note that there is increasing disagreement about precise volumes in countries, also because reporting is often done by sources closely linked to the industry.

### 2. Volumes

Because of the lack of aggregated data in the majority of countries it is difficult to have an exact ranking of countries based on volumes. Many countries reported that volumes are growing fast, in some cases more than doubling each year. In the European Alternative Finance Benchmarking report (based on volumes in 2014) the UK ranked first, France ranked second at a great distance. In 2015, UK and France are in terms of volume still the indisputable numbers one and two. Germany, Sweden and the Netherlands ranked 3rd, 4th and 5th. We have no reason to believe that in 2015, these countries don't rank in the top 5 anymore but because of the lack of data (Germany, Sweden) we can't give a precise ranking. In terms of volume per capita Germany and France rank lower than Sweden and the Netherlands and Estonia has on average a high volume per capita, although most come from P2P-consumer lending.

### 3. Diversity in types of platform

Generally speaking, all types of platforms are present in most countries. Exceptions arise in the cases where a type of crowdfunding is prohibited by law (e.g. in Belgium P2P lending is not allowed). Equity based crowdfunding is on the rise in almost every country. In Portugal there is little diversity despite the fact that there are no major regulatory burdens. In Lithuania equity and lending based platforms can only operate with a credit institution licence.

### 4. Level of activity

As can be expected in an evolving market, there is a high level of activity in most countries. Many new platforms have entered the market. There is a clear correlation between the level of activity and new regulation that came or will come into effect. E.g. in Lithuania, with less than 3 million inhabitants, five P2P consumer-lending platforms have been launched in the last year, anticipating new regulations.

### 5. Cross border activities

Many platforms that are successful have presence in neighbouring countries as well. If there are no language barriers, the level of cross border activities increases. WeMakelt and Conda, headquartered in respectively Switzerland and Austria, are good examples of platforms that have expanded successfully to neighbouring German speaking countries. Bondora is an Estonian based platform that has a presence in neighbouring and in many other European countries as well.

## 6. Approach of the Banking Industry

The banking industry has had a wait-and-see approach and is now slowly entering the industry either with platforms owned by themselves or through partnerships. In Portugal Novo Banco Crowdfunding is launched, a donation based platform, in which Novo Banco accounts for 10 per cent of the total funding. The types of partnerships can be very different. There are examples of existing platforms that are integrated (white labelled) in a banking platform as is the case with Ulule and BNP Paribas in Belgium.

## 7. Approach of the Government

National governments take different stances towards crowdfunding. The UK government is the most progressive with the introduction of requirements for banks to be obliged to offer alternative finance options to clients to whom they refuse loans. In Belgium the government has taken an active role in launching, operating and financing crowdfunding platforms.

### Regulatory framework

## 8. Donations based crowdfunding

Donation based crowdfunding is possible in every country under existing regulations, in some countries some additional conditions have to be met, e.g. in Finland a very strict Act on Fundraising applies, causing extra administrative burden.

## 9. Reward based crowdfunding

Reward based crowdfunding is possible in every country under existing regulations. In some countries reward based crowdfunding is considered as e-commerce/online shopping with the obligations to refund purchases. The VAT regime that applies to reward based crowdfunding is subject to discussion in many countries.

## 10. P2P business/consumer lending

Compared to the other types of crowdfunding, regulations regarding P2P lending differ a lot between countries. P2P lending is prohibited in Belgium. In France an entrepreneur cannot lend to another entrepreneur. In Italy lenders cannot directly choose borrowers. In some countries P2P consumer lending is fully unregulated, but legislation is prepared to protect consumer interests and prevent irresponsible borrowing.

## 11. Equity Based Crowdfunding

In most countries equity based crowdfunding is possible under existing regulations for securities intermediation, but very strict regulations apply. In Denmark equity based crowdfunding is not possible for Danish based businesses. The way around it is to open a pro forma address in the country of origin of a foreign crowdfunding platform. As a result, UK equity platforms have started operations in Denmark.

## 12. Special Regulations to Foster Access to Finance for SME's

Many countries implement special regulations to foster debt and equity based finance to promote entrepreneurship. For example, Austria's new legislation is considered to be at the forefront of legislation in Europe. With the new law the obligation to publish a complete prospectus will only be needed for raising over €5 million. Many other countries have implemented or are planning to implement similar legislation with different maximum amounts. Belgium seems to be lagging behind.

## 13. Special Regulations to Protect Consumer Interests

Whereas in the field of equity crowdfunding regulatory bodies are implementing new, more liberal regimes, the opposite takes place with regard to P2P consumer lending. In some countries, like Estonia, P2P consumer lending was until recently unregulated causing serious social problems with regard to so-called SMS loans because of irresponsible borrowing.

## 14. Registration Obligations

France and the Netherland are examples of countries where recently the obligation for lending and equity based crowdfunding platforms to register is implemented. In both countries more than 60 platforms are registered.

## 15. Tax reliefs

Tax reliefs are applied in a few countries. UK is leading the way with Seed Enterprise Investment Schemes and Enterprise Investment Schemes Measures. Belgium has worked on similar tax shelters.

# The State of Crowdfunding in Austria

The Austrian crowdfunding market is slowly turning from a small market niche to a serious alternative in the financial system. The change owes its development to the introduction of a new legal framework, which came into effect in Austria on 1 September 2015. Since then, the number of crowdfunding projects and crowd based business models have increased rapidly.



Inhabitants: 8,65 million  
 GDP (ppp) per capita: \$39.826  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

Due to a blur difference between online and offline fundraising, there is no data on **donation based** crowdfunding.

The **reward based** market can be estimated for 2015 on €2,5 million.

**Equity based** crowdfunding started in 2013. Since then 70 projects have raised €11,1 million in funding<sup>1</sup>. With six active equity platforms, in 2015 alone €8,1 million was raised.

**P2P lending** is the fastest growing crowdfunding model. There are no exact numbers, but some businesses raised millions with this model, e.g. the company "Grüne Erde" leveraged €7,7 millions via their customers.

## Local platforms

**Respekt.net (donations)** has raised € 1,4 million since 2010 and is the largest donation based platform.

**Conda.eu** (equity and lending) launched in Austria in in 2013. The platform is also active in Germany and Switzerland.

**1000x1000.at** (mixed model) is a platform that offers reward and equity based crowdfunding opportunities, as well as P2P lending opportunities.

**Greenrocket.com (investing)** is a crowdfunding platform for sustainable companies in the fields of energy, environment, mobility and health.

## Foreign Platforms

Recently the Swiss platform **wemakeit.com** has set up its presence in Austria

The German platform **Startnext** is the largest reward based crowdfunding platform for creative and sustainable projects and startups.

**Kickstarter** and **Indiegogo** are among the most well known foreign platforms in Austria.

## Regulations in Austria

The Alternative Financing Act (Alternativfinanzierungsgesetz - AltFG) came into effect in Austria on 1 September 2015. It is the foundation for the wider establishment of alternative forms of financing, in particular crowdfunding. The new legislation is considered to be at the forefront of crowdfunding legislation in Europe.

Since 1 September, the obligation to publish a complete capital market prospectus will first apply starting with an issue volume of €5 million. Only a simplified prospectus (prospectus requirement light) is required for an issue volume between €1,5 million and €5 million.

One investor can invest up to €5.000 per project. However, this € €5,000 limit can be surpassed if the investor earns a net salary of more than €2,500 per month. In this case, the investor is allowed to invest double his net monthly earnings.

Internet platforms must provide certain information regarding issuers (nature of their business, how they were selected for participation on the platform, and any fees or remuneration received from issuers or investors).

The investment is made with the issuing SME or via crowdfunding platforms.

Reinhold Mitterlehner, Federal Minister of Science, Research and Economy, stated in a press conference that crowdfunding is considered to be a “meaningful complement to traditional credit financing” and aims to strengthen the entrepreneurial spirit in Austria

## Banks & Investors

Some of the large banks in Austria have own reward based or donation based crowdfunding platforms. Overall, the banking sector becomes more and more interested in crowdfunding, as it can be seen as a valuable tool for risk minimization. In economically difficult times when banks may not be lending freely, equity-based crowdfunding may also be a viable alternative to raising capital for start-ups and small businesses, and especially to combine these investments with traditional financing instruments.

***"Crowd Business: More innovation, less risk"***

The State of Crowdfunding in Austria is made possible by the contribution of Reinhard Willfort and Conny Weber

*What is the potential of crowdfunding in your country?*

Crowdfunding has enormous potential in Austria. Compared to other European countries, the Austrians have invested much less in crowdfunding so far. The mid-term potential for the crowdfunding market in Austria can be estimated on €65 million per year<sup>2</sup>.

*What is the biggest challenge?*

The key to a more dynamic investment culture in Austria seems to lie in the interaction of different financing components within one overall funding concept. Equity, grants, loans and crowd investment complement each other and can result in a new and improved performance in terms of innovative alternative financing. Especially for SMEs crowdfunding lowers the innovation risk through early customer involvement and promotes long-term customer loyalty.

*What is the future holding for Austria?*

Having regulation provides transparency and legal certainty for businesses, platforms and investors. In the future the crowdfunding market will continue growing like in the past two years. With increasing professionalization of the alternative financing industry, crowdfunding will establish as a real alternative to traditional financing. Especially for SMEs crowdfunding will become an important source of financing, due to the rigorous regulatory frameworks for banks.

# The State of Crowdfunding in Belgium

The Belgian market is slowly but surely becoming a viable alternative for funding. Belgium can be considered a latecomer in the industry, but is showing each year a growth of approximately 100%. The Belgian market is primarily dominated by local platforms, with some impact from international players in the reward based category



Inhabitants: 11,2 million

GDP (ppp) per capita: \$43,629

(Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

Approx. €1 million was raised by **donation based** crowdfunding in 2015

**Reward based** crowdfunding counts for €6 million, however, the exact amounts from Kickstarter and Indiegogo are not included.

Approx. €2,5 million is raised by **equity based** crowdfunding.

**P2P lending** is not yet permitted by the regulator in Belgium. This creates a serious hurdle in financing options for starting and especially scaling companies.

## Local platforms

**Angel.me** (mixed model) combines crowdfunding for rewards and equity, but is also linked to business angel networks and VC funds.

**CroFun.be** (mixed model) offers different types of crowdfunding including donations, rewards, loans, bonds and profit sharing.

**Bolero-crowdfunding.be** (investment) is a platform launched by KBC bank.

**MyMicroinvest.com** (lending and equity) engages professional investors to participate in the crowdfunding campaigns – with the exact same rights as smaller investors.

## Foreign Platforms

**Look&Fin**, (lending) works with established SME's. It selects cash-flow positive companies and attracts a strong investor base.

**Ulule**, (donation and reward) is a French based platform that is integrated (white labelled) in the BNP crowdfunding platform.

**MyMajorcompany**, a platform that enables internet users and music fans to invest in their preferred artists' projects. (They recently announced to stop their activities.)

Like in many other countries **Indiegogo** and **Kickstarter** have a relatively large presence.

## Regulations in Belgium

The regulation is coordinated via the FSMA, the Belgium regulator (Financial Services and Markets Authority).

For financial crowdfunding (equity and convertible debt) the following regulations are in place:

- Below €100k funding amount: no prospectus obligation, no limits on amount per investor.
- Between €100k-300k funding amount: exemption from the prospectus obligation, but with a limit of €1k per investor per company.
- Above €300k funding amount: prospectus regulation applies.

It is expected that the current limits will be increased to become more in line with neighbouring countries. Recently, Ministers and other government bodies have launched initiatives to promote entrepreneurship in general, and crowdfunding in particular, leading to the implementation of the tax shelter and probably increased exemption limits to encourage entrepreneurial activities in Belgium.

An important remark is that the market of P2P lending is not yet open. This form of crowdfunding that is by far the most important in terms of volume and total crowdfunding amounts globally and in every other country in Europe, is currently not permitted by the regulator in Belgium. This creates a serious hurdle in financing options for starting and especially scaling companies, and is one of the reasons why Belgium has experienced a slow growth.

## Banks & Investors

In Belgium, banks are taking an active role in the domain of crowdfunding. However, banks have taken a different position.

KBC has launched its proprietary platform for crowdfunding. Since their launch in 2014, they have funded 5 projects (figures until end 2015).

BNP has a dual approach: they are partner to an equity crowdfunding platform, but have launched a reward platform based on their own brand.

The attitude of investors is changing towards crowdfunding and investing in startups in general. One of the explanations for this is that platforms have a better selection and deal flow of projects.

A second reason is the launch of the Belgian tax shelter: this new fiscal instrument allows to deduct 30 to 45% of the invested amount from taxes, with a maximum of 100k€ per month and only for specific companies. This measure is comparable to the UK's Seed Enterprise Investment Schemes and Enterprise Investment Schemes Measures.

A third reason is that a growing number of business angels are spreading their investments from individual tracking and negotiations, to investments via crowdfunding platforms. This is a trend that is expected to further increase, comparable to evolutions in countries such as UK where nearly 50% of seed investments are done via crowdfunding platforms.

## Other trends

The government has taken an active role in launching, operating and financing crowdfunding platforms. Some examples: Boekensteun was launched by the Flemish government to facilitate crowdfunding for books. Growdfunding is a platform launched by the Brussels government to support crowdfunding for non-profits in the Brussels region. CrowdfundingGent is a platform launched by the city of Ghent to encourage mostly non-profit projects in the region of Ghent.

***“Crowdfunding is evolving from a domain that attracted only projects that were rejected by the banks, to an alternate funding method that is becoming the financing method of choice for many entrepreneurs.”***

The State of Crowdfunding in Belgium is made possible by the contribution of Jens Ivens and Bart Becks.

*What is the potential of crowdfunding in your country?*

There are a series of notable events, indicating potential for increased impact:

- The professionalization of the platforms and structures, notably by the top 5 in Belgium.
- The set-up of funding ecosystems creating links between crowdfunding platform, angel investors & VC's, incubators but also corporate partners and government.
- The arrival of entrepreneurship driven measures, such as the tax shelter and increasing limits in amounts related to prospectus exemption and funding amounts per investor
- The announcement of an expert-market by Euronext, allowing trading in crowdfunding shares. This can become a viable exit opportunity for crowdfunded companies.

*What is the biggest challenge?*

There are a number of challenges. One of them is to increase the limit per investor, currently capped at €1k per investor for projects below €300k. (When the limit of €1k per investor is exceeded, the prospectus regulation applies.)

A second challenge is the implementation of the fiscal incentives. The proposed law for equity crowdfunding (tax shelter) is not applicable to reward based crowdfunding.

The approval of P2P loans in the regulatory framework is very important for the Belgian crowdfunding industry.

The attitude versus risk capital and entrepreneurship is a general challenge. However, there is certainly a very positive evolution in that respect thanks to the work of many organizations

The integration of the 'entrepreneurship' and '(crowd)funding' efforts. Notable organization are startups.be, the startup manifesto, the ECN, Digital Belgium and many others. The coordination of joint efforts to increase the appetite for crowdfunding and entrepreneurship in general in a European and global context is an important action point.

*What is the future holding for Belgium?*

Crowdfunding will grow to become an important source of funding for entrepreneurs within every sector.

An important evolution is that crowdfunding platforms are becoming part, and sometimes even the cornerstone of new funding ecosystems. The limits between crowdfunding platforms and business angel networks are blurring, leading to increased opportunities for both groups.

Additionally, we see increased collaboration between platforms, incubators, startups, corporate venturing, VC's and government in order to create entrepreneurial hubs.

In general, Belgian crowdfunding market is experiencing a positive evolution and growth, contributing to a flourishing entrepreneurial ecosystem in the country.

# The State of Crowdfunding in Croatia

From the Croatian perspective, crowdfunding is currently a big challenge. The greatest weaknesses are a small overall awareness of the possibility of crowdfunding, low use of Internet, poor development and mistrust of e-business. But still, in Croatia there is a clear interest for crowdfunding. Every year there is a slow progress in the amount of campaigns backed, started or successfully produced and funded by Croatians.



*Inhabitants: 4,2 million*  
*GDP (ppp) per capita: \$21.791*  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

There are no data available for donation based crowdfunding.

The first reward based crowdfunding campaign launched in 2011. The number of campaigns has increased in the following years, while the total collected yearly amount has doubled to €6,6 million in 2015

Equity based; no data available

P2P lending is under strict regulation that makes the whole procedure complicated and expensive.

## Local platforms

There are two Croatian crowdfunding platforms:

**Croinvest:** this platform combines five models of financing (donations, awards, loans, ownership participation and profit participation) customized to domestic law.

**Croenergy,** donation based crowdfunding platform exclusively for sustainable energy and environmental protection projects.

Currently there are no equity based crowdfunding or P2P lending platforms in Croatia.

## Foreign Platforms

The most important foreign platform is **Indiegogo**. On the US based platform 47 projects were launched in 2015.

The second foreign crowdfunding platform operating in Croatia is **Kickstarter**. Eight projects started a reward based crowdfunding campaign on the platform in 2015.

## Regulations in Croatia

There are no legal obstacles with regard to crowd donating and crowd sponsoring.

However, crowdlending is strict regulated by the law on capital markets. That makes the whole procedure complicated and expensive. Public authorities cannot use this model for any type of projects – this is the official standpoint of the Ministry of finance. The Croinvest.eu platform offers this possibility in a way that project lead may offer investor to loan funds in form of a interest-free or interest-bearing investment loan, which needs to be repaid in a defined amount of time. Multiple loans setup is also possible on different terms. This model resembles the standard loan agreement defined by Croatian laws.

Crowdinvesting is possible in form of investing in exchange for shares in private limited liability company, for stake in a cooperative or in an exchange for a “silent” (secret) partnership stake in the profit of the fund-seekers company. In the first case the equity share will correspond to proportion of investment in the company’s registered share capital. In the second case, no matter the size of the investment, all members of cooperative will have equal voting rights and will have to participate in its operation, gain profit through it or otherwise participate in achieving its goals. All of these three possibilities reflect on the current Croatian laws.

## UNDP Croatia

UNDP Croatia came to the crowdfunding scene with its campaign for the Energy independent school Ostrog in Croatia at Indiegogo. After being successfully funded, UNDP Croatia recognized crowdfunding as a source for funding relevant social causes. It continued its work in crowdfunding with the Citizenergy project, aimed at creating a crowdfunding platform that will connect different campaigns related to renewable sources of energy in the world at one place. In 2015 UNDP started the first educational program on campaign production in Croatia - Crowdfunding Academy - in partnership with the social enterprise Brodoto, marketing agency for non-profits. Crowdfunding Academy currently mentors several crowdfunding campaigns in Croatia and keeps being one of the main crowdfunding promoters and educators in Croatia. In the end of 2015, the Academy has also reached a wider scope by creating a global educational program for UNPD offices around the world. The focus of that project was also on other alternative ways of financing, such as alternative currencies, forecast based financing, community bonds etc. That way UNDP has broadened its work and is, along with currently strengthening the crowdfunding scene in Croatia, working on world-wide alternative financing projects.

***“A great future predicted for crowdfunding gives us even a greater possibility for using it in making a positive social impact.”***

The State of Crowdfunding in Croatia is made possible by the contribution of Marina Petrović and Kristina Lauš

*What is the potential of crowdfunding in your country?*

Every year we see a slow progress in the amount of campaigns backed, started or successfully produced and funded by Croatians. The number of supporters of local campaigns in 2015 rose to 7673 compared to 6636 from 2014. Domestic crowdfunding campaigns to this date raised nearly \$ 1.5 million.

Last year 63 projects have been launched at different crowdfunding platforms, and only 23 of them collected the required amount. The conventional wisdom is that it is enough to launch a campaign and that success will come itself, which leads to often failures.

In the previous years the biggest focus of Croatian crowdfunders was in the field of gaming, music and film, while in 2015 there has been a significant turn, with more than 10% of campaigns coming from the field of community causes. We believe that a significant role here was played by the Crowdfunding Academy, co-founded by the UNDP Croatia and social enterprise Brodoto.

*What is the biggest challenge?*

Crowdfunding definitely needs to be regulated but under its own legal framework that respects its specificities.

Basic crowdfunding projects are innovative, risky and experimental at its core – investors need protection but have to be aware of the true nature of these projects. It is necessary to allow public sector to enter the game and let citizens invest in projects within their own communities.

# The State of Crowdfunding in Czech Republic

Currently the most common form is reward-based crowdfunding, which exists in the Czech Republic for four years now and is growing every year. For example the Hithit platform raised 80% more money in 2015 than in 2014. The second most used form of crowdfunding in the Czech Republic (that is actually not publically perceived as a form of crowdfunding), is P2P consumer lending. It started to accelerate during 2015 when Zonky.cz was launched. This platform has built its public recognition on the emphasis that people who do not match the criteria of banks should nevertheless have a chance to get a loan. SymCredit and Pujcmefirme represent Czech P2P business lending. These platforms are slowly gaining the trust of the public Equity crowdfunding has not been an active form of financing in the Czech Republic so far. Just one campaign has been successfully funded.



Inhabitants: 10,55 million  
 GDP (ppp) per capita: \$18,020  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

Despite a growing number of platforms and volumes generated, there has been nNo research in the Czech Republic to date. Consequently, the total numbers below serve only as an illustration of the overall traffic and popularity of crowdfunding.

In 2015 **reward based** crowdfunding has raised approximately €1,7 million.

**Equity based** crowdfunding has only seen a €28.000 transaction, when Panezdroj platform sold its own equity. With the launch of Fundlift in 2016, the market is expected to grow.

## Local Platforms

**Zonky.cz** is P2P consumer lending platform launched in 2015

**Hithit.com** is a reward based crowdfunding that launched its operations in 2013

**Startovac.cz** is the second biggest reward based crowdfunding platform. It was launched in 2013.

**SymCredit.com**.is a P2P business lending platform that was launched in 2014

**Benefi**, a P2P consumer lending platform, that launched its operation in 2014

## Foreign Platforms

**Bondora**, the Estonian P2P lending platform.

**Mintos**, a P2P lending platform with headquarters in Latvia has presence in the Czech Republic as well.

**Kickstarter** is not officially operating in the Czech Republic, but is very popular among Czech entrepreneurs.

## Regulations in Czech Republic

Crowdfunding in the Czech Republic is not covered by any specific legal act. While the market is growing, it still seems unlikely that specific crowdfunding regulations will soon be adapted. As no specific legal act governs crowdfunding in the country, the regulation remains quite vague. Each aspect of crowdfunding is covered by applicable Act, such as Acts on Data Protection, Income Tax etc.

Significant regulatory burden arises, however, in case of equity-based crowdfunding as it remains rather problematic to offer investment stakes in limited liability companies to a crowd of investors in the online environment of crowdfunding marketplaces. In case of equity-crowdfunding models, the current environment may require compliance with the provisions of the Act on Banks, the Act on Undertaking Business on the Capital Market, the Act on Bonds or the Act on Investment Companies and Investment Funds.

In order to operate an equity-crowdfunding platform, the firm providing the platform may need to be an investment firm (in Czech: "obchodník s cennými papíry") licensed pursuant to the Act No. 256/2004 Coll., the Capital Markets Act, as amended and meet all the requirements for duly licensed investment firm (the "Investment Firm"), and satisfy further conditions, such as hold a licence for execution of orders concerning investment instruments (e.g. investment securities) on the customer's account and others.

The total consideration for the investment instruments offered by the platform with respect to each individual project company has to be lower than €1,000,000, otherwise a prospectus must be produced and approved by the respective regulator.

## Banks & Investors

Banks have not made any significant steps yet towards becoming an active part in the crowdfunding industry, as they might not consider it as a real opportunity or threat. One of the Czech branch of Raiffeissen bank tried unsuccessfully to run its own reward-based crowdfunding platform called "Odstartováno".

The successful exception is the direct investment from credit company Home Credit to Zonky P2P consumer lending platform. Home Credit wanted to diversify its credit activities into trendy P2P loan financing.

Investors have been mostly investing to Czech P2P consumer loans on Bankerat, Benefi or Zonky. Zonky has gained the biggest attention from the investors, as they have several thousands people queuing for investing into the loans on the platform. Investing in loans on the Zonky platform is significantly different from the other platforms because investors have to manually pick each of the projects they want to invest in.

Czech investors are currently also investing on several international P2P platforms as Bondora, Mintos or Twino.

***“We are raising chances of projects to get funded through crowdfunding”***

The State of Crowdfunding in the Czech Republic is made possible by the contribution of Martin Strecha

*What is the potential of crowdfunding in your country?*

Czech crowdfunding is still gaining momentum, as more and more people get familiar with this method of financing. We are seeing now that reward-based crowdfunding is growing its total number of supporters year by year. A majority of crowdfunded projects are from the creative or art scene, but there is a growing number of business projects using crowdfunding as means of getting customer feedback. However, traditional means of financing projects still prevail.

The expansion of equity crowdfunding is expected to come after Fundlift has launched, a pure equity crowdfunding platform that will soon enter the market. This is expected to happen around June 2016. However, the launch has already been delayed a few times.

*What are the biggest challenges?*

Legal optimization and payment processing are the biggest challenges. When reward-based crowdfunding platform wants to hold backers money (as Kickstarter does), it has to have a banking licence. Thus platforms are using a mediator - payment gate, which is not fully filling their needs, because they have exceptional needs in comparison with regular e-shops. For reward-based platforms it is hard to find a perfect partner who is eager to function in same setting.

*What is the future holding for the Czech Republik?*

P2P consumer lending and reward-based crowdfunding has been showing an increase in attention from the public. I expect that those two forms will be the fastest growing in the future. The growth will become more significant if Kickstarter will add the Czech Republic to the list of eligible countries. The growth for other forms of crowdfunding is unpredictable as some of them have not been on the market for quite some time and the market in this sense is developing.

# The State of Crowdfunding in Estonia

Estonia is a European frontrunner! Crowdfunding started in 2009 with a local P2P consumer lending platform called isePankur (now Bondora). In 2015, Estonia ranked second in Europe on total volume per capital. Although the Estonian market is only 1M+ people it has the potential to grow by virtual Estonians – attracted by the e-residency program that was recently launched by the Estonian government.



*Inhabitants: 1,27 million*

*GDP (ppp) per capita: unknown*

*(Source: Wikipedia; Image Credit: NuclearVacuum)*

## Local Platforms

Estonia has numerous platforms, many of which operate cross border.

**Bondora.com** is aiming to become a pan-European lending platform. Bondora secured a peer-to-peer lending license in UK and is now under the supervision of the UK Financial Conduct Authority.

**Hooandja.ee** is the “kickstarter” of Estonia, launched in 2012 and has over 43,000 regular contributors and its user base is from 180 countries.

## Volumes

Despite being ranked as second in Europe on total volume per capital, there are no exact statistics available on the total volume of the Estonian crowdfunding industry for 2015.

**The donation based** crowdfunding platform Swedbank raised €1,1 million to date.

**Since its launch in 2012, the reward based** crowdfunding Hooandja.ee raised a total of €1,3 million.

The first **equity based** platform was officially launched in August 2015 and has raised €260.000 so far.

**Investly.co** the first business P2P lending and invoice factoring platform in Estonia (launched also 2014) has opened their shop in London this year.

The first equity based platform **Fundwise.me** launched in 2015.

## Foreign Platforms

**Mintos**, the Latvian P2P lending platform, expanded into Estonia in 2015.

**Indiegogo** and **Kickstarter** are the most important crowdfunding platforms from abroad.

## Regulations in Estonia

The currently valid regulation addresses only public offerings of securities in general and P2P consumer credit operations.

The law on P2P consumer credit platforms have been made more stringent. The law was adjusted to target SMS loans. SMS loans are unsecured instant loans obtained via a text message. Irresponsible borrowing and sizeable SMS debts have become a serious social issue Estonia. Starting from April 2016, credit providers have to apply for an activity license from the Financial Supervision Authority.

Financial law stipulates that public offering of securities cannot be over the limit of €100.000 without issuing a prospectus. (The Nordic average is €1,5 - €2 million.) This substantially decreases the possibilities for the crowdfunding market to grow in Estonia, unless the limit is substantially raised. There is a coalition of lobbying from the public private partnership initiative FinanceEstonia to raise this limit to at least €1 million.

The offers that do not qualify as public are as follows:

- An offer of securities addressed solely to qualified investors, or
- An offer of securities addressed to fewer than 150 persons per Contracting State, other than qualified investors, or
- An offer of securities addressed to investors who acquire securities for a total consideration of at least 100,000 euros per investor, for each separate offer, or
- An offer of securities with the nominal value or book value of at least €100,000 per security, or
- An offer of securities with a total consideration of less than €100,000 per all the Contracting States in total calculated in a one-year period of the offer of the securities.

## Banks & Investors

Banks have been mostly watching from the sides. Most banks operating in Estonia are subsidiaries of big Scandinavian banks. The exception is LHV bank, small relatively new and first in Estonia to experiment with coloured coins, cooperating with fintech star Transferwise (speeding up transfer and decreasing exchange rates). Some additional alternative financial players - offering payment and cards (Pocopay) and even a new credit institution have entered the market (Cofi under the trademark Inbank).

Swedbank has been promoting crowdfunding both rewards and equity type and run their own donation platform - they've risen €1,1 million € so far - €0,8 million on the bank's side and €0,3 million on the people's side.

The banks have mixed feelings towards crowdfunding, according to the CEO of Crowdestate, Swedbank refuses to put any money into real estate projects that have any sort of crowdfunding elements but some are even advertising crowdfunding to their potential clients.

Investor attitudes depend on their knowledge of investing and background. Newer investors usually start growing their portfolio with crowdfunding and are optimistic about it while seasoned investors are mostly still cautious as the industry as a whole hasn't still survived a bigger crash. Many sites probably wouldn't survive a more severe downturn with lost investor confidence and loan payments being delayed, higher delinquency rates etc. At least in case of equity based crowdfunding the site related risks are taken out of the equation when the projects get funded.

***“It is very likely that a new banking infrastructure will take form through the new fintech companies (like Pocopay, Monese, Fundwise) and financing methods like crowdfunding which will be the dominant form of financing in the near future.”***

The State of Crowdfunding in Estonia is made possible by the contribution of Henri Laupma.

*What is the potential of crowdfunding in your country?*

The potential for crowdfunding is huge; we are at the beginning of something extraordinary. This could be the game changer for how P2P small loans are funded and how real estate deals and enterprises are funded, worldwide growth in crowdfunding proves it and it continues to grow at +100% per year. It has the potential to promote entrepreneurship, to get more people into being entrepreneurs as it makes it much more visible how small businesses get funded and what is needed for successful deals. I think it has good influence on entrepreneurship overall as it shows how good companies get better results at crowdfunding campaigns.

*What are the biggest challenges?*

One challenge is that crowdinvesting is not regulated well enough. It is not yet also seen as an investment and can't be tied to the investment account. One can't deduct losses from investments and also has to pay taxes yearly.

The amount (now €100.0000) for not having to issue a prospectus has to be increased. Awareness of this instrument as a valid alternative to other investments has also to be increased.

Another challenge is that foreign investors are required to have a securities account at an Estonian commercial bank to invest if the shares are registered at the Estonian Central Register of Securities

Other problems are connected with overall poor investment habits, lack of knowledge about investing and poor consumption habits. In many western countries 20-40% of people invest; in Estonia the rate is much lower, probably below 5%. Situation is improving though, thanks to money bloggers and active investors, also crowdfunding sites and some banks give out information and educate people about these matters.

*What is the future holding for Estonia?*

There'll be some kind of regulation soon and hopefully the amount that is allowed to be raised publicly now (€100.0000) will be raised to €1 million at least.

The Estonian e-residency will take crowdfunding global and by summer 2016 it'll be even easier when local banks will allow e-residents to open bank accounts and securities accounts via video links.

# The State of Crowdfunding in Finland

As in every other country, in Finland crowdfunding is an amoeba-like creature without a clear definition. Although not fully developed, the market covers donation and rewards-based, as well as lending and investment-based crowdfunding. This makes it difficult for the general public to make a distinction between donations and investments, posing thus a challenge on the financial markets player. Legal status on investment-based crowdfunding is not clear either. A law on investment-based crowdfunding (equity and debt) is being prepared and is likely to enter into force in July 2016.



*Inhabitants: 5,5 million*

*GDP (per capita: \$42,2599*

*(Source: Wikipedia; Image Credit: NuclearVacuum)*

## Volumes

There is little data available about the crowdfunding industry in Finland.

On the platform of Invesdor, equity based crowdfunding, €7 million was raised in 2015. A quadrupling since the volume in 2014 was only €1,4 million.

## Local platforms

**Invesdor.com** (equity and debt) is a Helsinki-based fintech platforms that operates across the European Economic Area.

**FellowFinance.fi** is the biggest marketplace lending platform in Finland. Founded in 2013, it offers high-quality and secure online marketplace services in Europe.

**Vaurus.fi** (equity and debt) was launched in 2011.

**Mesenaatti.me** was launched in 2012 as a reward and donation based crowdfunding.

## Foreign Platforms

**Kickstarter** and **Indiegogo**

**FundedByMe** (Sweden) focuses on equity-based crowdfunding and P2P consumer lending.

## Regulations in the Finland

So far there is no specific law on crowdfunding, but this is about to change. A law on investment-based crowdfunding is under way and likely to enter into force in late 2016. The industry is still governed by several laws: Companies Act, Securities Markets Act, Act on Investment Firms, Act on Credit Institutions. In case of donation-based crowdfunding, a very strict Act on Fundraising applies.

The current regulatory status is both aiding and curtailing the industry: The players having opted for a MiFID license are heavily regulated, while others are not. Investors are probably unable to figure out the difference and the effect of that difference on investor protection.

Bringing together parties to a business transaction related to a financial instrument in a manner that enables execution of a transaction between the parties has been interpreted as transmission of client orders under MiFID by the Finnish Financial Supervisory Authority. Acting as a subscription spot, i.e. merely selling equity or bond issue, thus also constitutes transmission of orders, as the subscriptions are further transmitted to the company raising funding. According to this interpretation, investment-based crowdfunding platforms need a MiFID license.

Both public and private limited companies can raise money from the public through crowdfunding. An issue below 2,5 million euros does not require a prospectus.

Lending-based crowdfunding does not normally require credit institution authorisation, nor is it subject to supervision. If the service provider receives repayable funds and grants credit or provides other financing from its own balance sheet, the activity needs authorisation and is subject to supervision.

## Banks

Banks' attitude towards lending and investment-based crowdfunding has changed dramatically within a few years. First they were contemptuous. Then they required level playing field. Now the attitude is more of a cooperative kind, disrupt or be disrupted. Banks have realized that not only is crowdfunding a serious business but also a threat to the conventional financial services business.

**'You miss 100% of shots you did not make' -  
Wayne Gretzky**

The State of Crowdfunding in Finland is made possible by the contribution of [Johanna Palin](#)

*What is the potential of crowdfunding in your country?*

The full potential of crowdfunding is yet to be unleashed, but lending and investment-based crowdfunding have established their status as a means of funding for companies. A company doing a crowdfunding round is no longer news.

*What are the biggest challenges?*

Because the concept of crowdfunding is so wide, it might be difficult for the general public to take the lending and investment-based crowdfunding seriously. Also, there may not be common rules even within one sub-category of crowdfunding. For example, in investment-based crowdfunding, some of the players have opted for a MiFID license, while others have not. Industry is also very vulnerable at this fledgling stage: A crowdfunding scandal would tarnish the brand of the whole industry and even the regulated operators

*What is the future holding for Finland?*

Crowdfunding has solidified its position as a means of funding and investing in Finland. We are likely to see a big increase in the volumes in the next few years, compared to for example business angel and venture capital funding, or bank lending. The upcoming law on crowdfunding will make the legal status more clear for those actors not holding a MiFID license.

# The State of Crowdfunding in France

France is among the first countries to embrace crowdfunding, with the first platforms (reward based and lending without interest) launched in 2007 /2008. Today, France counts about 140 platforms. Since 2013 volumes in crowdfunding have been doubling. Despite witnessing a slow down, donation and reward based are still the most popular forms of crowdfunding, gathering around 80% of the financiers. The lending platforms are growing rapidly due to the new regulation that enables an individual to lend with interest to an enterprise.



*Inhabitants: 67,2 million (2016)*  
*GDP (ppp) per capita: \$40.375 (2014)*  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

Total amount raised in 2015 is nearly €300 million, broken down into:

**Donation based** crowdfunding: € 8,3 million

**Reward based** crowdfunding: € 41,9 million

**P2P consumer lending:** € 137,5 million

**P2P business lending:** € 31,6 million (credit) & €24,1 million (bonds)

**Equity based** crowdfunding: € 50,1 million

(Source: Financement Participatif France, Baromètre du Crowdfunding 2015 by Compinnov)

## Local Platforms

Compared to other countries there are many local platforms in France, the largest and most well known are:

**KissKissBankBank & Ulule** (reward based).

**Lendix, Unilend, Lendopolis and Lendosphere** (P2P business lending).

**Anaxago** and **Wiseed** (equity based platforms).

**Prêt d'Union** (P2P consumer lending)

## Foreign Platforms

There are no exact data available but **LendingClub** is probably one of the largest international platforms active in France, next to Indiegogo and Kickstarter.

## Regulations in France

France was the leader to implement a specific crowdfunding regulation. Since the 1<sup>st</sup> October 2014 two statuses were set up: IFP (Intermédiaire en Financement Participatif) for the crowdlending, and CIP (Conseiller en Investissement Participatif) for crowdfunding (equity and bonds).

Since then more than 60 platforms were registered as IFP and created much growth in the **P2P lending** industry.

A private lender can now provide up to €1000 for a loan with interest or €4000 for a loan without interest. Enterprises are not allowed to lend to other enterprises on crowdfunding platforms. The borrower can get a loan for the maximum amount of €1 million, for a maximum maturity of 7 years.

Since December 2015, a government amendment gives the possibility for lenders to deduce the potential loss from the non-reimbursement of a crowdfunding loan, to the interests received from other loans in the calculation of their income taxation.

Since the new regulation of October 2014 32 **equity based** platforms were registered as CIP. A CIP can deal with common shares or fixed-rate debt instruments. The maximum amount that can be raised is €1 million. The CIP is not allowed to communicate on its project (just institutional communication is allowed).

The other option for equity platforms is to register as PSI (Prestataire de Service d'Investissement), which is a European status. It needs a minimum capital of €50.000 if funds are not received from the public, €125.000 if funds are received from the public.

Regarding the possibility for enterprise to lend to other enterprises: the government choose the cash voucher as an instrument to enable this (in order to preserve the bank monopoly). At the moment the government is also preparing this instrument to apply for CIP's.

There is no specific regulation for donation based or reward based crowdfunding.

Since December 2015, the local authorities can use crowdfunding to finance projects. Before, it was complicated, as they were not allowed to entrust the administration of their funds to a private structure.

However, the rules to call for public generosity have to be clarified. A threshold has to be fixed by decree. For now, it is not clear if initiatives have to do a declaration to the (local) government before can launch a call for public generosity on a platform.

## Banks & Investors

After a time of wait and doubt, the banks are slowly looking at crowdfunding with interest and close partnerships. The types of partnerships can be very different:

- Banks are forwarding projects to platforms they can't finance themselves in order to provide solutions for their clients' needs (e.g. Crédit Coopératif with Wiseed),
- Some banks are launching and investing in crowdfunding platforms (Crédit Mutuel Arkéa and Prêt d'union)
- Sometimes they are lending to small and medium enterprises on crowdlending platforms (Groupama Bank and Unilend) or financing projects selected from reward crowdfunding platforms.
- There are also examples of banks assessing the credit risks for financiers (SPEAR and Société Générale)
- Some are involved in the selection of the projects that can be financed on crowdfunding platforms (BNP Paribas and Wiseed)

***“We can speak of real dynamic crowdfunding sector in France. This is proofed by the number of platforms launched and the yearly increase in volumes.”***

The State of Crowdfunding in France is made possible by the contribution of Florence de Maupeou.

*What is the potential of crowdfunding in your country?*

The crowdfunding regulation that was implemented in October 2014 caused a real dynamic in the crowdfunding sector because:

- It proofed the willingness of the government to develop the sector and they gave it more visibility.
- It gave an appropriate status for the crowdequity platforms whereas before the platforms had to take inappropriate status to their activity.
- It was a breach in the French bank monopoly as before the new regulation, the individuals were not able to lend with interest.

However, there are still some constraints for the development of the sector that we hope will resolved. In September 2015, 15 propositions for the development of the sector were proposed: <http://financeparticipative.org/les-15-propositions-de-fpf-pour-le-developpement-du-crowdfunding/>

*What is the biggest challenge?*

The lack of European harmonization: Each time a platform wants to operate in a foreign country, it has to adapt the local regulation and its process.

*What is the future holding for France?*

Crowdfunding is more and more structured and the banks are looking at it with more interest, doing some various kind of partnerships: acquisition of an interest in a platform, orientation of projects they can't finance towards platforms, credit risk insurance, lending to enterprises through the platform...

However, to enable the sector to fulfil its potential, we still have some barrier to remove as enabling the enterprise to lend to other enterprises through crowdfunding platforms, increase the threshold of 1000€ per project for a lender, facilitate the communication on projects for the crowdequity, promote a better taxation of the financers considering the risk taken by them, etc.

# The State of Crowdfunding in Germany

The first reward-based crowdfunding platforms in Germany started in 2010. This was when the term “crowdfunding” was brought to the broader public. Prior to that there were already some lending- and donation-based platforms on the market. A year later in 2011 equity-based crowdfunding started to evolve with the financing of startups. Over the next couple of years many crowdfunding platforms of different types entered the market, not all of them are still active. Today you can find more than 60 active platforms that have an operational base in Germany.



Inhabitants: 81million

GDP (ppp) per capita: \$47,033

(Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

No data is available for donation based crowdfunding.

Für Gründer reports the following volumes in 2015:

Reward based crowdfunding: €9,8 million

P2P consumer&business lending: €66,8 million

Equity based crowdfunding: €37,3 million

Crowdfunding.de reports that € 48,9 million is raised on equity based platforms.

## Local Platforms

**Auxmoney.de** (peer2peer) is a lending platform that started in 2007.

**Betterplace.org** (donation) is a platform focused on social projects.

**Seedmatch.de** (2011) is the first platform focusing on equity based crowdfunding for startups .

**Startnext.com** (Startnext (2010) is the leading reward based platform and is one of the largest platforms focused on creative and sustainable projects in the German speaking countries.

**Companisto.com** is an equity based crowdfunding platform that started in 2012.

## Foreign Platforms

**Wemakeit** is an artists' initiative founded in 2012 in Switzerland, now also present in Germany and Austria.

**Indiegogo** and **Kickstarter** are the most important crowdfunding platforms from abroad.

## Regulations in Germany

The so called “Kleinanlegerschutzgesetz”, the first law that gives equity-based crowdfunding a legal framework, became effective in summer 2015.

Equity-based crowdfunding projects, that issue subordinated or profit participating loans, do not need a costly prospectus, if the maximum funding sum does not exceed €2,5 million. Instead of that a “financial assets information leaflet” (up to 3 pages) is requested, which has to be deposited at the Federal Financial Supervisory Authority. The maximum sum a natural person is allowed to invest in such a project is €10.000. But when investing more than €1.000, the investor needs to assure that he holds disposable assets of at least €100.000 or that he invests less than twice of his monthly net-income. The law comes along with more rules, as the right to withdraw from the investment within 14 days or a warning that needs to be shown when on advertisements for the project. Platforms need an approval according to §34f Gewerbeordnung (GewO) for “Vermögens- und Finanzanlagen”.

There are critics about the maximum funding limit of €2,5 million, the cap for natural persons to invest maximum €10.000 and the limitation to subordinate loans. But the general feedback from the market is positive. The regulation provides clear guidelines and serves also as a sign that politician recognize the relevance of crowdfunding. An amendment of the law is planned for the end of 2016.

## Banks

Banks did not enter the crowdfunding market on a grand scale yet. They are involved when it comes to financial transactions, but you rarely see them as a provider of crowdfunding services. Only in the field of charitable crowdfunding, several banks started to run regional platforms.

Some of the leading banks in Germany published reports or were involved in the financing of academic studies about crowdfunding. This can be interpreted as a clear sign that banks have crowdfunding on the radar.

## Trends

The volumes raised by reward-based crowdfunding show a modest growth over the last years, but the market is still waiting for a major breakthrough. Reward-based crowdfunding is dominated by one strong German platform. At the same time international platforms with a German website find acceptance among projects that aim for a global crowd.

The volume of lending-based crowdfunding is growing for years. Next to P2P lending for individuals, platforms start increasingly to approach small and medium sized enterprises. The market for equity-based crowdfunding is divided into three main categories: startups/SME's, energy and real estate. Real-estate crowdfunding shows a tremendous growth over the last year and with it comes along new platforms entering the market. Established platforms focusing on startup financing are developing new investment models as e.g. venture debts, crowd-voting or special purpose vehicles that allow a direct stake in equity.

***“Crowdfunding is here to stay. Knowledge transfer, transparency and high quality projects will unleash its full potential.”***

The State of Crowdfunding in Germany is made possible by the contribution of Michel Harms

*What is the potential of crowdfunding in your country?*

The potential of crowdfunding in Germany is huge. There are massive savings on German bank accounts and people are looking for investment alternatives, as interest rates are low.

*What is the biggest challenge?*

One of the main challenges is to overcome people’s lack of knowledge about the possibilities of crowdfunding. Many people in Germany just do not know much about crowdfunding. A study that was conducted in 2015 with 1.000 respondents (online representative for Germany) revealed some interesting facts. While 52% of the respondents have heard about crowdfunding, only 25% claimed to know what it exactly is.

For the further development of crowdfunding it is essential to establish general trust about it. A potential barrier to broader acceptance is the public failure of poorly executed crowdfunding projects. Also untrustworthy offerings that make use of the term “crowdfunding”, can have a negative impact on the market. Mandatory standards could help to differentiate clearly between reliable crowdfunding products and scam.

*What is the future holding for Germany?*

The development of crowdfunding in Germany is just at the beginning. There are different drivers that will help to push crowdfunding to the next level.

Medium-sized businesses are the backbone of the German economy. If these companies start to fully understand the advantages of crowdfunding, we will see a considerable advancement of the market. Also regional crowdfunding bears huge potential. Moreover new fields of application for crowdfunding will be discovered.

As mentioned previously, it requires further investor education to encourage self-dependent investments. Due to low interest rates and a lack of investment alternatives, people are forced to take responsibility for their money. This will help crowdfunding.

The level of professionalism within the German industry increases continuously. It would bring additional know-how and seriousness to the market, if crowdfunding companies succeed in attracting experienced manager from the traditional finance industry.

We have an exciting market development ahead. The German crowdfunding scene is full of visionary minds and motivated entrepreneurs. They will go the long distance to establish crowdfunding as an inherent part of the German financing system.

# The State of Crowdfunding in Ireland

Through recent financial crises Irish businesses, charities and artists have looked to crowdfunding to overcome challenges in financing projects and ideas (Kennedy, 2011). In recent years there has been increased interest from organisations in the area of crowdfunding both at a public and private level. Several noted crowdfunding platforms can be found both in The Republic of Ireland and Northern Ireland such as 'iCrowdfund' and 'Seedups' (Coyne, 2016, Faulkner, 2016). Furthermore, public sponsored research has looked at the prospect of using crowdfunding in Ireland to assist national scientific research funding agencies (Cullina et al., 2014).



*Inhabitants: 6,38 million*  
*GDP (ppp) per capita: \$47,329*  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

Between 2011 and 2014 two of the main national Irish crowdfunding platforms (Fundit and iDonate) reported throughput of 2-3 million euros each. Recent industry figures have shown further growth in the sector since 2014.

## Local platforms

**FundIt.ie** (donation and reward) is run by Business to Arts, a not-for-profit organisation working to support resilience and transformation in the cultural sector. FundIt is presently supported by The Bank of Ireland

**iCrowdFund.ie** (donation and reward) was launched in 2014. It is a module of iDonateConnect, which supports over 1400 non-profit organisations in Ireland with fundraising initiatives.

**CoFunder**; (peer2peer) finds its origins in **SeedUps** and has operations in Ireland, the UK and USA. CoFunder provides peer-to-peer lending to growth based companies looking to expand but who lack the capital to do so.

## Foreign Platforms

**Indiegogo** and **Kickstarter**

## Regulations in Ireland

From a legislative perspective the rules and regulations that apply nationally are at a formative stage. There has been an absence of regulation treating crowdfunding as a distinct means of raising finance for several reasons. Firstly, crowdfunding as a domain has only recently gained traction with the term 'crowdfunding' arising circa 2006 (Sullivan, 2006). Secondly, existing national legislation covers the ambit of many types of crowdfunding presently used in Ireland. Accordingly, there is no present pressure from organisations for new laws covering existing models in use. Thirdly, many Irish businesses still prefer traditional financing methods over crowdfunding. However, this situation could change in the near future.

The four main types of crowdfunding namely rewards, donation, equity and lending are covered by various pieces of existing national/European legislation/regulation. In Ireland at present there is evidence of the predominant use of the rewards, donation and lending models. To date there has been some interest and research in crowdfunding on the part of The Central Bank of Ireland who have issued a consumer notice on crowdfunding including peer-to-peer lending (Central Bank of Ireland, 2015). This could ultimately lead to bespoke legislation in the area where it has been highlighted by the Central Bank that certain consumer protections cannot be presently availed of.

Presently, several core pieces of legislation directly and indirectly apply to aspects of crowdfunding in Ireland;

The Companies Act, 2014 prohibits a private company from issuing securities to the public save for specific exemptions (Ireland, 2014). Any companies involved in such offers to the public will fall under the scope of the Companies Act (and amending) legislation. Accordingly, companies that use crowdfunding in such circumstances need to be mindful of this legislation and of any on-going legislative changes. The provisions regarding exemptions within the Companies Act can change, in some instances, on an annual basis.

Accordingly, companies that use crowdfunding in such circumstances need to be mindful of this legislation and of any on-going legislative changes. The provisions regarding exemptions within the Companies Act can change, in some instances, on an annual basis.

Crowdfunding initiatives that act as "banking businesses" are regulated by the Central Bank Act of 1971 (Ireland, 1971). Furthermore, businesses that are involved in acting as "investment firms" or in the business of "payment services" are guided by the Markets in Financial Instruments Directive (MiFID), Payment Services Directive (PSD) and their amending legislation respectively (European Council, 2008, European Council, 2007). In these contexts the Central Bank of Ireland has regulatory and supervisory roles.

In conclusion, there are two immediate observations regarding the present state of crowdfunding in the Republic of Ireland. Firstly, it is posited that due to perceived risk and lack of regulation, equity crowdsourcing has yet to find traction in the Irish market. Secondly, the question remains as to whether or not other non-equity types of crowdfunding require specific legislative provision in Ireland. Crowdfunding initiatives that are not engaged in offering "investment" or "payment" services within the meaning of the directives do not face the same level of regulatory requirements. This seems to be the case for many Irish crowdfunding initiatives operated by charities and philanthropic organisations. While there are other regulatory issues regarding crowdfunding the aforementioned legislative provisions cover the bulk of concerns faced by many crowdfunding initiatives in Ireland. As stated the Central Bank have publically expressed their concerns (Central Bank of Ireland, 2015) from the consumer perspective. Lastly, a recent public report has stated that "(in) order to set the conditions for SMEs in the creative economy to thrive; the Government should examine how to regulate the crowd-funding sector to afford better protection to both lenders and businesses".

***“Equity based crowdfunding for SME's has huge potential in Ireland, but the Central Bank needs to be supportive of the process.”***

The State of Crowdfunding in Ireland is made possible by the contribution of [Eoin Cullina](#)

*What is the potential of crowdfunding in your country?*

A recent survey by Irish Venture Capital Association VenturePulse in 2014 concluded that Irish start-ups and SMEs raised €401 million from investors that year. This figure showed growth of 41 per cent over the previous year. Accordingly, it is posited that where Ireland has a strong track record of VC investment similar SME crowdfunding initiatives should grow in parallel.

*What is the biggest challenge?*

The biggest challenges facing equity and lending crowdfunding in Ireland are regulatory challenges. Both the Central Bank of Ireland and a government Joint Committee on Jobs, Enterprise and Innovation have presented observations on legislation in the area of crowdfunding.

*What is the future holding for Ireland?*

Based upon present growth in technology and the sciences in Ireland crowdfunding can play a critical role in supporting the growth of innovation in the SME sector.

- DISCLAIMER: This document presents as a general overview of crowdsourcing in Ireland and is in no way to be construed as legal advice.
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# The State of Crowdfunding in Italy

Crowdfunding established itself rather quickly in Italy, where Produzioni dal Basso the first donation and reward-based platform was launched in 2005. The growth of the crowdfunding market has been slow, but nevertheless relevant. Crowd-investment (lending and equity) started in the last two years. Lending is heavily regulated and still intermediated by the platforms (lenders may not choose borrowers).



*Inhabitants: 60,80 million*

*GDP (ppp) per capita: \$35,665*

*(Source: Wikipedia; Image Credit: NuclearVacuum)*

## Volumes

**Crowdfunding in Italia Report estimates donation based** crowdfunding with a total of €4.986.444, surpassed by **reward based** crowdfunding with a total of €7.104.340.\*

In smaller amounts, **P2P consumer lending**: was calculated to €3.054.324, whereas **P2P business lending**, authorized only last summer has not been measured yet.

The Italian Accosiation of Equity Crowdfunding estimates a total of €3.433.986 raised.

\* Source: Crowdfunding in Italia - Report 2015, Crowdfunding

\*\*Source: Associazione Italiana Equity Crowdfunding

## Local platforms

**ProduzionidalBasso.com** (donation and reward) was founded in 2005. It is one of the first platforms founded in Europe.

**DeRev.com** (donation and reward) is the main Italian crowdfunding platform. It was founded in 2013.

**Starteed.com** (mixed model) was launched in 2012 as a platform combining donations, rewards and equity.

**Rete del Dono** (2011) is a donation based platform for collecting online donations to non-profit organization in particular

**Eppela** is a donation and reward based platform. It was founded in 2011.

## Foreign Platforms

The UK equity platforms, **Seedrs** and **Crowdcube**, both have visibility in Italy.

**Kapital.com** is a European platform with presence in Italy however, **Kickstarter** and **Indiegogo** are the most important ones when it comes to donations and rewards.

## Regulations in Italy

Donation and reward-based crowdfunding are not regulated. Platforms don't need to be licensed and are free to agree terms and conditions with campaign owners and crowdfunders. Donations for certain kinds of charity enjoy tax advantages.

Lending-based crowdfunding is heavily regulated and platforms ought to have a licence from the Bank of Italy, which is the banking regulator. Lenders cannot directly choose borrowers.

Equity crowdfunding is regulated by law and by CONSOB, which is the securities and exchange regulator and it limited to funding certain kinds of companies only.

Crowdfunding platforms operating in equity need to be licenced and are considered financial intermediaries and thus are monitored by the CONSOB authority. The maximum amount raised cannot exceed €5 million per year. There is no maximum number of shareholders or investors.

Individual investments must be concluded either by the platforms or by broker-dealers, in full compliance with anti-laundering laws and the E.U. Markets in Financial Instruments Directive (MiFID). This dictates that platforms must ask the potential client to provide information regarding his/her knowledge and experience in the investment field relevant to the specific type of product or service, and check if the investment profile matches the proclivity to risk investments, eventually warning the client in case of mismatch. But there will be an exemption for small investments:

- For individuals: €500 per deal and €1000 annually;
- For companies €5.000 per deal and €10.000 annually

## Banks

Banks are watching carefully at the evolution of the market; some banks are starting to understand that alternative finance might help their scoring system and select companies who deserve credit, as validated by the crowd.

As far as the deal flow is concerned, Italy has a great potential: there are many companies developing innovation in far different industries, or offering great products. Most of them don't find investments from professional investors and don't succeed in getting loans from the banks system.

Equity platforms have not invested much in communication, and there is still poor awareness on this financial tool.

Larger operators are expected to join the market, now that regulation makes operations more affordable.

***“The crowd is increasingly participating to innovation providing ideas, technology and resources. Only businesses that learn riding this huge wave will win the game.”***

The State of Crowdfunding in Italy is made possible by the contribution of Alessandro Lerro

*What is the potential of crowdfunding in your country?*

Donation and reward-based platforms are being now used as communications tools; large tel-co operators are starting to sponsor platforms, to get a visibility return.

Crowd-investment (lending and equity) started in the last two years. Lending is heavily regulated and still intermediated by the platforms (lenders may not choose borrowers).

Equity crowdfunding has been allowed by the first regulation enacted in the world in 2012: unfortunately legislators used an upside-down approach, that didn't help the market to grow properly, while abroad bottom-up approaches left more room to the market to shape itself.

New regulations have been issued in spring 2015 and winter 2016, aiming to sustain the needs of platforms, campaign owners and investors. Nevertheless, the Italian first year is comparable to that of other countries in terms of deal size and numbers and volumes.

*What is the biggest challenge?*

People are not used to invest in other people's business. This is true not only for retail investors, but also for professional investments (in average below €100.000 per year). Indeed, crowdfunding in Italy started with the cultural industry: to date the largest volume is donated to projects involving books, exhibitions and movies.

The lack of traditional source of finance (bank loans) is slowly driving the attention to alternative finance and crowd-investment.

*What is the future holding for Italy?*

The whole market is growing. A report from Università Cattolica del Sacro Cuore, Milano, mentions:

- Number of platforms: + 68%
- Projects received: + 108%
- Campaigns: + 67%
- Total volume of funding: + 85%

The success rate decreases, from 37% to 30%, but this might be explained with several reasons, including more competition among campaigns.

Lending crowdfunding is expected to grow quickly as two new platforms have just been licensed and more players seem willing to enter in the market.

Equity crowdfunding is expected to take off, as two main bugs have just been fixed by the legislator and the regulator: the kind of companies who can use crowdfunding to raise finance has been enlarged and platforms can directly run the test whether the investment envisaged is appropriate for the client, without bringing the client off-line at a broker dealer.

# The State of Crowdfunding in Lithuania

Crowdfunding platforms based on donations or reward models could operate in Lithuania without any major regulatory burden, nevertheless Lithuania has no donation or reward based platforms. Due to its unfavourable regulatory regime, Lithuania has no equity based or P2P lending based crowdfunding either platforms except for P2P consumer lending platforms. Within the last year as many as five P2P consumer lending platforms were launched in Lithuania. An amended Law on Consumer Credit came into force 1 February 2016. Until then P2P consumer lending has been subject to existing regulation, where only credit institutions can operate equity based crowdfunding and P2P business lending platforms designed to attract finance to legal persons. A draft Crowdfunding Law has already been submitted to the Parliament and will probably be adopted by the end of May 2016.



Inhabitants: 2,88 million  
 GDP (ppp) per capita: \$29,380  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

€2,3 million has been raised on P2P consumer lending platforms in 2015. This market volume is based on statistics for 2015; for more information, please see (only in Lithuanian): [https://www.lb.lt/vartojimo\\_kredito\\_rinkos\\_apzvalga\\_2015\\_m](https://www.lb.lt/vartojimo_kredito_rinkos_apzvalga_2015_m).

## Local Platforms

**Savy.lt**, a P2P consumer lending platform launched in 2014.

**FinBee** an P2P consumer lending platform launched in 2015.

**Paskolų Klubas** a P2P consumer lending platform launched in 2015.

**Manu**, a P2P consumer lending platform launched in 2016.

**Optimalus Kreditas (OK)**, a P2P consumer lending platform launched in 2015.

## Foreign Platforms

No foreign platforms are currently operating in Lithuania.

## Regulations in Lithuania

The main obstacle for crowdfunding in Lithuania is current restrictions in the Lithuanian Law on Financial Institutions. According to this law, acceptance of repayable deposits or other repayable funds from non-professional market participants is allowed for credit institutions only and is subject to licensing requirements established by Lithuanian law. This particular legal obstacle is the reason why Lithuania has no crowdfunding platforms since a crowdfunding platform operator engaged in **equity** or **lending** models would need to obtain a credit institution licence.

The **draft Crowdfunding Law** sets limitations on investment sums. For example, investors (either natural or legal persons) will be able to freely invest up to € 1,000 in a single crowdfunding project over a 12-month period. This limitation does not apply to informed investors (i.e. high net worth individuals) and investors that have passed a suitability test.

The draft law requires the owner of a crowdfunding project wishing to raise from €1000K to €5000K over a 12-month period to prepare an information document under the Lithuanian Law on Companies. The owner of a crowdfunding project that seeks to raise more than € 5,000,000 over a 12-month period should issue securities in line with the requirements set in the Lithuanian Law on Securities.

The draft law determines that a secondary market for a crowdfunding platform is qualified as a multilateral trading facility. This falls under the regulation of the Lithuanian Law on the Market in Financial Instruments, which implements MiFID. This means that a crowdfunding platform operator that wishes to launch a secondary market should be additionally regulated under a separate regulation.

Prior to starting their activities operators must be included in the Public List of Crowdfunding Platform Operators. Operators included in the list will be considered to be financial advisory firms under the Law on the Market in Financial Instruments (in other words, a financial advisory firm is a firm that enjoys exemption from Article 3 of the MiFID).

According to the Law on the Market in Financial Instruments, a financial advisory firm may provide execution-only services (ie reception and transmission of orders) and offer investment recommendations. Under the proposed legislation, the right to provide these investment services will enable legal persons to operate equity-based crowdfunding platforms in Lithuania. The draft law specifically determines that an operator who wishes to provide investment services other than execution-only services and investment services must be licenced under the Law on the Market in Financial Instruments as an investment firm.

According to the **Consumer Credit Law**, the main requirements for **P2P lending platforms** are:

- The authorised capital should be at least €40K.
- An operator must prepare and approve a business continuity plan.
  - An operator must publish certain information on its website as well as disclosing certain information to the lender prior to concluding a loan agreement.
- Legal persons cannot be lenders on P2P lending platforms.
- Each lender may lend to a particular borrower up to €500 for any 12-month period.
- The total amount that may be lent by one lender to all borrowers via one single peer-to-peer lending platform is €5K for any 12-month period;
- A platform operator may calculate its commission fee only from repayments already made by the borrower to the lender.

## Banks

Banks in Lithuania do not interact with the crowdfunding industry. Only one example is known of a peer-to-peer consumer lending platform that started cooperating with a bank, that is, the platform known as “FinBee”, which became a financial intermediary of a credit institution in order to be allowed to handle its investors and borrowers funds[2]. All other peer-to-peer consumer credit platforms for fund handling activities engage e-money institutions or payment service providers.

*"Cooperation between alternative and traditional finance is the future of the financial sector"*

The State of Crowdfunding in Lithuania is made possible by the contribution of Artūras Asakavičius

*What is the future holding for Lithuania?*

Huge potential exists for crowdfunding in Lithuania due to lack of financing for small and medium enterprises. Crowdfunding should help to minimise the funding gap and increase competition among traditional investors, such as banks and various funds. The market expressly declares the need for crowdfunding.

*What is the potential of crowdfunding in your country?*

Taking into account that Lithuania faces problems in financing small and medium enterprises (for example, in the second quarter of 2014, as many as 39% of credit applications from small and medium enterprises were denied by the banks in Lithuania) crowdfunding should become a tool to boost the economy and provide the necessary financing for small and medium enterprises. Crowdfunding is strongly welcomed by the market, the regulator and legislators alike.

*What are the biggest challenges?*

The biggest challenge facing crowdfunding in Lithuania is financial education. People will not be sufficiently aware of crowdfunding's potential, or of its benefits and risks. As a result, the crowdfunding market could face constant challenges to growth in Lithuania. Another challenge worth mentioning is institutional investors in Lithuania. These investors are currently suspicious of crowdfunding and it will take some time to see them cooperating with crowdfunding platforms.

# The State of Crowdfunding in the Netherlands

The alternative finance industry in the Netherlands has a long history and a wide variety of crowdfunding platforms.. Crowdfunding started in 2006 with the reward based platform Sellaband. In 2010 several P2P business platforms were launched. In 2011 the first equity platform started. In recent years the industry saw the advent of several international platforms, making the industry a vibrant place of crowdfunding activity. P2P business lending counts the lion share of volumes in the Dutch crowdfunding market. As per April 1, 2016, the Dutch regulatory framework applicable to lending and equity based crowdfunding will be amended. With the amended regulations the Netherlands try to foster the further growth of the industry, in order to improve the access of finance for SME's.



*Inhabitants: 17 million*

*GDP (ppp) per capita: \$49,094*

*(Source: Wikipedia; Image Credit: NuclearVacuum)*

## Volumes

For some years now the crowdfunding industry is doubling in volume each year. In 2015 €128 million was raised, subdivided to:

Donation based crowdfunding: €4,4 million

Reward based crowdfunding: €20,3 million

Lending based crowdfunding: €98,9 million

Equity based crowdfunding: €4,5 million\*

Source: Douw&Koren, Crowdfunding in Nederland 2015  
\*according to Crowdfundmarkt, equity based crowdfunding counts for €6,9 million (Crowdfinance 2015, the full report)

## Local Platforms

**VoorDeKunst** is a donation based platform for the creative sector, founded in 2010.

**GeldVoorElkaar** is the largest P2P business lending platform and started in 2010.

**Oneplanetcrowd** launched in 2012, it offers loans and convertible loans to sustainable project through its platform.

**Collin Crowdfund** and **Kapitaal Op Maat** are both P2P business lending platforms that started their activities in 2013.

**Symbid** is an equity based platform that launched in 2011.

## Foreign Platforms

**Spotcap**, headquartered in German, launched its P2P business lending platform in 2015.

**Lendico**, P2P business and consumer lending platform started in 2014.

The UK based P2P business lender **Funding Circle** entered the Dutch market in 2015 by acquiring Zencap.

**Kickstarter** officially launched in 2014 in the Netherlands. **Indiegogo** is also present.

## Regulations in the Netherlands

There is no specific regulation for donation and reward based crowdfunding.

In 2014 lending and equity based platforms have to register at the Netherlands Authority for the Financial Markets (AFM) in order to get a licence to operate or an exemption for this license. More than 60 platforms are now registered.

As per April 1, 2016, the Dutch regulatory framework applicable to loan based crowdfunding and equity based crowdfunding will be amended.

Investment limits applicable to lending and equity based crowdfunding platforms are doubled to €40.000 (equity based) and €80.000 (based loan) respectively. Platforms need to conduct an investors test in order to assess whether the investment is sound for this particular retail investor.

From the investors test it should become apparent that the investor invests a sound part of his/her freely available assets for investment. The AFM holds the view that a retail investor should not invest more than 10% of his/her freely available assets for investments in crowdfunding projects.

The crowdfunding platform needs to conduct an investor test prior to the initial investment of such retail investor through the crowdfunding platform in excess of €500. Moreover, the crowdfunding platform needs to re-assess whether any investment exceeding the first €5000 as well as any multiple of €5000 thereafter through the platform is sound by re-determining whether the investor has sufficient freely available assets for investment.

Any loan based or equity based crowdfunding platform needs to fill in the monitoring form made available on the website of the AFM on a semi-annual basis.

A loan based crowdfunding platform in the Netherlands (and focusing on non-consumer credit only) should have obtained a dispensation for the prohibition to act as intermediary in respect of redeemable funds pursuant to the Dutch Financial Supervision Act before it can become operational.

It should be noted that at the moment a loan becomes negotiable another regulatory regime becomes applicable to the crowdfunding platform. As from that moment, a dispensation from the prohibition to act as intermediary in respect of redeemable funds no longer suffices; the crowdfunding platform will generally be considered to provide investment services if it acts as a broker between the borrower on the one hand and the investors on the other hand. As a consequence, the platform would require a license as an investment firm and will become subject to the heavy 'MiFID' framework.

In anticipation to MiFID II an inducement ban already applies to investment firms under Dutch law. As such, an equity based crowdfunding platform will – subject to it qualifying as an investment firm – not be entitled to provide or receive, directly or indirectly, any inducement in respect of the investment services provided by it other than directly from its client and subject to a limited number, generally not applicable, exceptions. Loan based crowdfunding platforms are not subject to this inducement ban. In order to create a level playing field between these two types of crowdfunding platforms, the crowdfunding decree includes a new exception to this inducement ban for crowdfunding platforms having a MiFID license.

(An extended version of the above text can be found on the site of FG Lawyers, New Crowdfunding Rules as per 1 April 2016.)

### Banks

Banks do not enter the crowdfunding market on a grand scale yet. One bank launched their own platform, but closed it after a couple of years. Generally speaking, the banks seem to have a positive but still wait-and-see approach towards the industry and cooperate with existing platforms for co-financing projects.

***"The real economy will get a boost if the banking and alternative finance industry take next steps in combining new and traditional finance instruments "***

The State of Crowdfunding in the Netherlands is made possible by the contribution of Carlien Roodink

*What is the potential of crowdfunding in your country?*

The volumes of the Dutch crowdfunding industry prove that crowdfunding 'is here to stay'. Measured in volume per capita the Netherlands rank among the top 3 of European countries. Compared to other countries the volume P2P business lending is very high.

These volumes were realized even before the new regulations on lending and equity based crowdfunding come into effect. With the new regulations the AFM is aiming at the further growth of these types of crowdfunding. Especially with regard to equity crowdfunding, there is still a lot of potential for further growth of the industry.

P2P consumer lending is still in its infancy compared to the other types of crowdfunding. Only €3,6 million was raised in 2015 (total volume of the industry is €128 million). There are no regulatory hindrances preventing the growth of consumer lending.

Civic crowdfunding is a new upcoming type of crowdfunding in the Netherlands. Projects in the public space and/or projects with a special focus on serving local communities are more and more financed by crowdfunding. An example is the crowdfunding campaign for the (re)building of a regional hospital that raised €10,8 million.

*What are the biggest challenges?*

The effects of the new regulations regarding investor tests are being disputed by the P2P lending platforms. It is their point of view that the tests imply a heavy administrative burden for the platforms and discomfort for the retail investors and therefore will hinder the use of crowdfunding instead of fostering the use of crowdfunding. In the coming year it will show if the industry is right in disputing the effects of rules. The AFM has already announced that the new regulation is seen as a pilot.

*What is the future holding for the Netherlands?*

SME's raised €92 million on P2P lending platforms. In order to make this form of crowdfunding a real alternative for bank loans and close the funding gap for SME's, next steps will have to be taken in combining new and traditional finance instruments. This requires close cooperation between banks and platforms, willingness to build interfaces between each other's working processes and willingness to refer clients to one another. If these kind of next steps are taken, the funding cap for SME's will be closed. In the end the real economy will get a real boost from this.

# The State of Crowdfunding in Portugal

Reward based crowdfunding was introduced in Portugal in 2011 by two platforms: Massivemov and PPL. Massivemov has stopped its operations, as other platforms that also tried reward-based crowdfunding since then, which shows the difficulty of having a profitable operation. PPL is the only reward-based crowdfunding that is still active in Portugal, having raised around €1,5 million for almost 500 successful projects. There is room for further growth, once the general public is comfortable with the concept of crowdfunding and online payments.



*Inhabitants: 10,43 million*  
*GDP (ppp) per capita: \$28,476*  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

There is limited data available on the crowdfunding volumes. The amounts mentioned are rough indications about the volumes raised from the start of operations:

Donation based crowdfunding: €240 000

Reward based crowdfunding: €1,5 million

P2P business lending: €1 million

(The other forms of crowdfunding do not apply for Portugal.)

## Local Platforms

**Ppl.com** (reward) is the only platform providing reward crowdfunding since 2011.

**Raize.pt** started its activities as a P2P business lending platform in 2014.

**NovoBancoCrowdfunding.pt** (donation) was launched in 2012 by Novo Banco Bank.

## Foreign Platforms

Although not officially operating in Portugal, a number of Portuguese projects are published on the platforms of Kickstarter and Indiegogo.

**Seedrs**, equity based crowdfunding platform, has recently based a tech team in Portugal. It seems now to be attracting Portuguese startups and investors to the platform.

## Regulations in Portugal

Portugal has published proposed investment crowdfunding regulation, for both debt and equity, in a consultation paper. The consultation has recently closed. The proposed rules are as follows:

Non-accredited investors can invest up to €3k per project and a total of €10k per year.

Accredited investors, defined as those individuals with an annual income equal or higher than €100k have no limit.

Entrepreneurs and projects can raise up to €1 million in a given year, unless the offer limited to qualified investors only, in which case the cap is €5 million.

Crowdfunding platforms have to register and are required to be endowed with a minimum capital of €50,000 or, alternatively, a liability insurance covering for that amount.

## Banks

NOVO BANCO launched a donation-based crowdfunding platform in late 2012, which is still active today. Banks have demonstrated a modest interest in the alternative finance industry and have done little so far to either fight it or collaborate with it.

***"In the near future, crowdfunding will be a familiar concept to everyone and a common tool to raise funds online for almost any purpose"***

The State of Crowdfunding in Portugal is made possible by the contribution of Yoann Nesme.

*What is the potential of crowdfunding in your country?*

Raize.pt is a lending platform recently launched that is tapping the SME eco-system, where usually robust and mature companies look for working capital. We believe the potential for this type of crowdfunding is significant.

Reward-based crowdfunding also has potential for further growth, once it goes beyond the early adopters. We believe that most of the users of the popular PPL platform are early adopters.

Equity CF might have some potential given the entrepreneurial boom in the country, however we find difficult to attract a large number of appealing startups that are investment-ready.

*What are the biggest challenges?*

One challenge is to educate the overall population about the concept. A large part of the population is still uncomfortable with online processes and payments.

The cap of €3.000 per project or €10.000 per year, can limit in our view the potential of equity crowdfunding.

*What is the future holding for Portugal?*

I think reward-based crowdfunding makes a lot of sense in every country. It applies to many different types of projects, be they entrepreneurial (creation of a new product) for market validation, cultural (arts, theatre, music) that find it hard to find financing elsewhere (banks will not lend, professional investors are not interested, public funding shrinking) and social, that use crowdfunding as an easy way to attract online donations. It has been relatively successful in Portugal, although PPL thinks that there is still room for significant growth. In the near future, crowdfunding will be a familiar concept to everyone and a common tool to raise funds online for almost any purpose.

Another promising model is P2B lending, given the number of SME's that have a relatively solid background and can offer good returns to lenders.

Equity crowdfunding might also occupy a good space in the Portuguese market, although its success will largely depend on the survival rate of startups born in Portugal, where the entrepreneurial culture has only recently started.

# The State of Crowdfunding in the Spain

Although it is being 7 years since the crowdfunding came into use and expands in Spain, the growth of this industry has been unequal. There have been many platforms that have emerged in these years of evolution in the field of reward and donation based crowdfunding, which was the first type of most popular crowdfunding. However, this number of platforms has varied because there have emerged new types of crowdfunding that have been gaining strength in Spain, as the crowdlending or equity crowdfunding. The current number of crowdfunding platforms in Spain is around 52. It is a relatively young but continuously growing market and it is leading increasingly to investment products.



*Inhabitants: 46,44 million*  
*GDP (ppp) per capita: \$35,269*  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes (2014)

Donation based crowdfunding: €0,8 million

Reward based crowdfunding: €35,1 million

P2P consumer lending: no data available.

P2P business lending: €13,7 million

Equity based crowdfunding: €10,7 million

(Source: Moving Mainstream, The European Alternative Finance Benchmarking Report, University of Cambridge)

## Local Platforms

**Verkami** and **Lanzanos** are reward based crowdfunding platforms for creative projects. Both are founded in 2010.

**Goteo** (2010) is a platform for civic crowdfunding and collaboration on citizen initiatives and social, cultural, technological and educational projects.

**Libros.com** is a crowdfunding platform with the focus on the publishing of books

## Foreign Platforms

### **Kickstarter** and **Indiegogo**

**CrowdCube**, equity based crowdfunding platform from the UK.

**FundedByMe** (2011) focuses on equity-based crowdfunding + P2P consumer lending.

**Ulule**, reward based crowdfunding platform from France.

## Regulations in Spain

The main regulation of the crowdfunding industry in Spain is oriented to the equity crowdfunding and crowdlending. The law 5/2015 of 27 April to promote the business financing has represented a total control and regulation of the investment in crowdfunding platforms. This regulation considers two kind of investors, qualified and unqualified, and setting limits of investment for each type of investors:

Qualified investors: have a total income of more than €50.000 per year or a financial asset of more than €100.000

Unqualified investors: those with less than €50.000 of income per year.

Only qualified investors can invest more than €3.000 in the same project or more than €10.000 in the same platform per year.

Unqualified investors only can invest less than 3000 € per project.

This regulation has provided more security and protection for investors in Spain

However, on the other hand it has meant the establishment of requirements for platforms that have caused many of those already operating in the field of equity crowdfunding have had to redirect their activity or look for ways to meet the stringent requirements set by the law.

Platforms must be registered at the CNMV (the agency in charge of supervising and inspecting the Spanish Stock Markets) or at the Bank of Spain in order to develop their activities. They must have a capital stock totally disbursed of €60.000 as well as a liability insurance.

Donation and reward based crowdfunding is not being regulated in Spain. In this kind of crowdfunding the general laws affecting to the VAT or tax allowance apply.

## Banks

The Spanish banking system has passed to see the crowdfunding in all types as a threat or interference in their activity to happen to him as a possibility to seek alliances or refocus the banking system by expanding the types of products offered.

In fact, there are already several examples of established alliances between banks and companies in the field of crowdfunding. Similarly, banks and financial institutions have developed their own donation and reward based crowdfunding platforms.

Investors, meanwhile, are finding new ways of investing their resources not previously found and this has facilitated obtain higher returns for them and achieve project financing. Still some way to go and banking in Spain is reinventing.

The State of Crowdfunding in Spain is made possible by the contribution of [Eva M<sup>a</sup> Gómez Jiménez](#)

*What is the potential of crowdfunding in your country?*

This industry, being so young, has a great ride yet in Spain that continues to emerge new formulas linked to the field of crowdfunding and Fintech such as crowdfactoring or crowdfactoring. It is an industry constantly changing and will continue to generate new avenues of activity.

*What are the biggest challenges?*

The main challenge in this industry is to spread the message of what this kind of crowdfunding is and how an enterprise can raise money from a crowdfunding platform. So the challenge is about education in crowdfunding, and diffusion about the way of accessing to the alternative finance industry for the entire society.

*What is the future holding for Spain?*

The future of crowdfunding in Spain has good perspectives because there is yet a long way for the development of the industry and the creation of new models into the industry. The global increment in the number of platforms and start-ups in this sector as well as the growth in the amount of money achieved for the financing of projects and enterprises is a good proof of this.

# The State of Crowdfunding in Sweden

In 2015, crowdfunding in Sweden after leaving its niche from being somewhere in the corner of entrepreneurial finance, where it started in 2011, went mainstream. By 2016 Swedish entrepreneurs could not only choose from at least seven local platforms but also from a range of business models and nearly all types of crowdfunding. Closing campaign rounds in amounts of €800.000 in Equity crowdfunding would have been impossible two years ago.



*Inhabitants: 9,8 million*

*GDP (ppp) per capita: \$47,319*

*(Source: Wikipedia; Image Credit: NuclearVacuum)*

## Volumes

The numbers below provide a preliminary indication for the volumes raised in the Nordic countries in 2014 (source: The European Alternative Finance Report, University of Cambridge, 2015)

Donation-based Crowdfunding: €0.1million

Reward-based Crowdfunding: €9.1million

P2P consumer lending: €87 million

P2P business lending: €28,4 million

Equity-based crowdfunding: €3,7 million

(NB: data collected by Michal Gromek, based on platforms indicate that €14 million equity was raised in the time period Q4 2014 - Q1 2016).

## Local platforms

**FundedByMe.com** (equity + P2P consumer lending) was launched in 2011.

**Toborrow.se** (P2P lending) started in 2013 and is available for C2B as well as B2B.

**Crowdculture.se**, **Takespace.se** and **Agreatday.tv** is a donation based platform. Agreatday has recently removed the rewards part and operates only in donations.

**Tessin.se** (2014) is a real estate crowdfunding platform.

**Trustbuddy.se** (P2P lending) filed for bankruptcy in 2015.

## Foreign Platforms

**Invesdor.com** from Finland, an equity-based platform founded in 2012

**CrowdCube.com** from the UK (equity-based crowdfunding)

**Indiegogo** and **Kickstarter** are the most well know reward based crowdfunding platforms.

## Regulations in Sweden

Crowdfunding has still no legal definition in the Swedish regulations. Its regulation is allocated in different sections of the legislation, which has been created a long time before the FinTech age. In the recent publication on Crowdfunding by the Swedish Financial Authorities (Finansinspektionen) it has been pointed out, that under certain circumstances it is even unclear which public authorities should execute supervision on crowdfunding.

Due to a lack of regulation of equity crowdfunding for private limited liability companies on platforms without MIFID license is very complex. The Swedish Private Limited Liability Company called Privat Aktiebolag - is one of the most popular SME companies type for legal entities in Sweden. Privat AB companies can not advertise their desire to sell shares to the public and can't take in more than 200 new shareholders in one share issue.

For potential investors to view financial information, business plans or financial forecast of a Privat AB during an equity-based crowdfunding campaign on a Swedish platform without a MIFID license, the platform requires the user to become an "exclusive member" while signing up even with social media accounts. After logging the "exclusive member", has access to full information provided by the company. The platform does not advertise any offerings from Privat AB companies - it informs about the fact that the project seeks to fund. (Being informed about a share issue process is not considered advertisement.)

One of the leading platforms blocks the share issue process once the 200 investor limit is reached. If the company would like to continue to raise funding, the Privat AB board has to make a decision to issue shares for a second or third time. In this way, the regulation of an intake of 200 investors can be enforced.

## Banks & Investors

Within the next upcoming 18 months, a close cooperation between Swedish crowdfunding platforms and banks is expected. Until now Swedish banks express a particular "love-hate" relationship with the platform operators. The banks in Sweden are aware of the changes caused by FinTech and crowdfunding in particular, but still have decided not to follow other traditional financial institutions in the UK or the USA, which already cooperate with platforms since years.

"In 2016 the crowdfunding industry in Sweden should continue to grow exceeding the European average. Despite very impressive growth rates on paper. all Swedish crowdfunding platforms combined will not originate more loans or provide more equity to Swedish companies in a year, than a big Swedish bank pays out on loans during a business week" - mentioned one of the Swedish bank executive during a personal interview. The question that arises from it, is how big does Crowdfunding have to be to partner-up with a Swedish bank?

Employees of crowdfunding platforms expressed that banks in Sweden use the "low-volume-argument" for delaying cooperation with crowdfunding platforms. The more pressing issue is the lack of transparent and proportionate legislation, adapted to a digital industry. Even the Swedish Financial Supervision informs that the supervision responsibility is unclear in Sweden, so it is hard to that the banks will take compliance risks

***“It is high time for public authorities in Sweden to define Crowdfunding by law, create a national discussion forum and lead us out of this medieval dungeon of shady legislation.”***

The State of Crowdfunding in Sweden is made possible by the contribution of Michal Gromek.

*What is the potential of crowdfunding in your country?*

There are approximately 90.000 SME companies with nearly €99 million unfulfilled financial needs per year, which could use crowdfunding to close their financial gap. 99% of the enterprises in Sweden are SME's and they account for nearly 2.1 million employees, which is 65.8% of total employment. SME's are creating four out of five new jobs in Sweden. According to a report on SME performance from the European Commission, the SME companies in Sweden are nearly 50% worse in delivering new-to-market ideas than EU average. The country lacks in public aid for business compared with other EU countries.

*What is the biggest challenge?*

A recent report from the Stockholm School for Economics has indicated that Stockholm is being considered as the European Fintech Hub number two just after London. 32% of Sweden's total €826 million in investments in private companies in 2014 has been conducted in the fintech sector. Despite the growing importance of FinTech, the amount of attention from the public side, can be considered as insufficient. Additionally, Sweden has not followed the developments of neighbouring country Denmark, which has already established the Crowdfunding Association. The latter has received public grants for various activities. The authorities there use crowdfunding as a “social proof” before paying out grants to startups.<sup>1</sup>

As stated by Dr Rotem Shneor from the Nordic Crowdfunding Alliance: *“Despite significant growth, crowdfunding as a concept remains relatively unknown and/or unclear to the majority of the public in the Nordic countries, a situation also prevalent among players in local entrepreneurial ecosystems.”<sup>1</sup>*

*What is the future holding for Sweden?*

In soon future we should see a more extensive interconnection between crowdfunding and traditional financial actors. In 2015, crowdfunding companies have extensively worked on a range of partnerships with business angels, incubators and external providers. This trend should continue and benefit the entrepreneur with an increased amount of service. Since 2009 Venture Capital fund managers have pulled back from financing early stage ventures, what until today empowers crowdfunding and will continue.

If I were asked to predict the future of the banking industry cooperating with crowdfunding platform, I would argue that once at least ONE of the Swedish banks will decide to launch a partnership with a platform at least 60% of the banks will follow within 18 months.

# The State of Crowdfunding in Switzerland

The Swiss crowdfunding market is relatively young and small compared to other countries. Interesting though, the market is growing and more platforms emerge. Foreign platforms recently enter the Swiss market. There are currently nearly 40 platforms in Switzerland. The development stages of crowdfunding in Switzerland are similar as in other countries. Firstly we saw new platforms emerging. Also different types of crowdfunding emerge e.g. reward, lending, equity, and donation. Combinations are possible in the future as well. The market is early stage, developing and experimenting what works and what not. It is a very interesting fact that a large amount of Swiss investments via crowdfunding platforms are made abroad.



*Inhabitants: 8,21 million*  
*GDP (ppp) per capita: \$58,731*  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

## Volumes

In 2014:

Donation based: no data available

Reward based: CHF 7,7 million (€7 million)

P2P consumer lending: CHF 3,5 million (€3,2 million)

P2P business lending: not data available

Equity based: CHF 4,6 million (€4,2 million)

For 2015 the volumes are expected to have doubled.

## Local platforms

There are nearly 40 platforms, some well known are:

**Wemakeit** is an artists' initiative founded in 2012 in Switzerland, now also present in Germany and Austria. It welcomes culture, creative, tech, science, journalism, community and agriculture projects.

**investiere.ch**, an equity based platform that combines best practices of traditional venture capital with e-finance.

## Foreign Platforms

The following platforms are the most active ones in Switzerland:

### Indiegogo and Kickstarter

**Seedmatch**, a German funding platform that does seed and private equity investments.

## Regulations in Switzerland

In terms of regulations, Switzerland does not have a specific crowdfunding ruling established. Today, mainly banking law applies. However, as the crowdfunding market continues to grow, it is more likely that Switzerland will adapt or create crowdfunding regulations. That in fact has become very dynamic recently. There are discussions between the industry and Swiss financial regulation institutions and authorities. Most recently the FINMA announced: "FINMA encourages innovation and competitiveness in the Swiss financial marketplace" by setting a Fintech-friendly environment and reducing obstacles for FinTechs ([www.finma.ch/authorisation/fintech](http://www.finma.ch/authorisation/fintech)). Also the support from the politics seems to fuel the initiative. The main regulative obstacles for crowdfunding are: keeping the money on behalf of the borrower during the fundraising period for more than a week, having more than 20 investors (lending, equity).

## Banks

Many banks have peer-to-peer finance on the watch list, some ignore the topic, and a very few actively dive into the deep water. This is not surprising. However, the approach differs. The common pattern seems to be that banks do not fully engage into crowdfunding/lending yet. This may be due to regulation but also due to reputation and the risk associated with it. However, currently the entry point for banks is reward based crowdfunding. The driver here is a pure marketing perspective as well as to gather first experience. As of the beginning of 2016 Switzerland has three banks with a crowdfunding platform. But more will follow. So far there is not a "lending club" model of having many banks participating over one platform. This however could be interesting in particular for smaller banks in order to gain from lower entry costs, efficiency gains, having a greater community and a bigger marketing impact.

***"What if peer-to-peer finance becomes the preferred method of finance for SMEs combined with a strong marketing aspect?"***

The State of Crowdfunding in Switzerland is made possible by the contribution of Andreas Pages.

*What is the potential of crowdfunding in your country?*

There is huge potential for crowdfunding in Switzerland. Mainly the area of crowd lending for small and medium sized businesses and property crowdfunding as well as donation based crowdfunding for NGOs seem to be next likely developments on the Swiss market. The opportunity for SMEs in Switzerland will be to use crowdfunding as an alternative way for investment, as well as having a marketing platform (proof of concept). This is in particular true for financing below CHF 250,000, as there is a so-called "funding gap". Another recent development is the discussion with cities about the use of crowdfunding as an alternative form of financing. In general you will find in Switzerland a lot of industries use crowdfunding and experimenting. Some of the most promising industries are property, startups, as well as arts and culture.

*What is the biggest challenge?*

In terms of crowd-investing it will be the regulations. However, more generally, crowdfunding or peer-to-peer finance in Switzerland needs to gain more trust, needs to be promoted by the government in order to reach more publicity.

*What is the future holding for Switzerland?*

Certainly Switzerland may benefit from the second mover advantage, the good economy as well the fact that Switzerland is regularly one of the top ranked innovative countries.

# The State of Crowdfunding in the UK

Crowdfunding, in all its forms, continues to grow and thrive across the UK. As a country that embraces all the four primary models of crowdfunding, the UK has enjoyed a vibrant and innovative market for some years now and that comparative maturity is building the confidence of participants on both the demand and supply side. As the awareness of crowdfunding grows, and with that the scale of deals, so does the applicability of crowdfunding to an ever wider range of business and project type.



*Inhabitants: 64,72 million*  
*GDP (ppp) per capita: \$39,826*  
 (Source: Wikipedia; Image Credit: NuclearVacuum)

**Volumes in 2015** (note that there is disagreement about precise totals)

Donation based £12 million

Reward based crowdfunding £42 million\*

P2P Business lending  
 (£881 million excluding real estate lending.)

P2P consumer lending £909 million

Equity based £332 million\*\*  
 (£245 excluding real estate crowdfunding)

Community shares £61 million

(Source: Pushing Boundaries, The 2015 UK Alternative Finance Industry Report, University of Cambridge)

\* Crowdfunding Data Center reports £50 Million

\*\* Altfi reports £169 Million

## Local platforms

**Crowdfunder.com** (reward) has extended its offer to include Community Share Issues.

**FundingCircle.com** and **Zopa.com** (P2P Lending) are well established. Their continued growth is certainly in part a function of the lack of retail investment opportunities driving investors in search of returns on to the platforms. Funding Circle alone has made more £1.1 billion available to businesses from its foundation. The borrowing for business is, in most cases, to fund expansion and growth but the variety of deal financed by the crowd grows with a £1.5 Million management buyout financed by the Edinburgh based LendingCrowd being a recent example

**Crowdcube.com**, **Seedrs.com** and **SyndicateRoom.com** (equity) dominate the market in terms of both value and number of deals.

Each has a distinctive model or approach and they highlight the perceived benefits of this differentiation as a key competitive advantage. Exits for investors are beginning to emerge and for the more traditionally oriented investors this will be a key factor in the perceived success of crowdfunding in the coming years.

## Foreign Platforms

**Kickstarter** and **Indiegogo** have UK presence.

## Regulations in the UK

The UK crowdfunding sector is subject to specific regulation in the equity and P2P lending field. The regulatory body is the Financial Conduct Authority (FCA), which introduced a wholly new set of regulations for the P2P sector in April 2014 and, at the same time, some additional requirements for equity crowdfunding platforms. Prior to this the P2P sector was not formally regulated, as it was not considered to fall under any existing regulatory regime. The regulations require that platforms operating in the sector must be authorised (Licensed) and conform to standards set out by the FCA.

The equity sector has always been regulated but additional regulations dealing specifically with crowdfunding activities were introduced also in April 2014. These will be reviewed and amended if deemed necessary. Primarily the regulations require platforms to be authorised (Licensed) or to have regulated activities managed by authorised parties, and a screening process must be in place to sort sophisticated and non-sophisticated investors. If an investor is deemed a “non sophisticated” investor constraints are placed on how much they are permitted to invest, in that they must not invest more than 10% of their net investable assets in investments sold via what are called investment-based crowdfunding platforms.

Additional regulations concern the communication of the offers, the fairness, language and clarity of description used to describe these offers and the awareness of the risk associated with them.

Whilst most offerings are small enough to take advantage of the exemptions offered by the EU Prospectus Directive there are examples where crowdfunding activities have been conducted with properly prepared prospectuses thereby permitting higher raises to be transacted, notably the Brewdog Equity For Punks IV offer.

Whilst often viewed as a good regulatory regime there are those that contend that they are founded in an old world understanding of finance and motivation and so are not sensitive to the distinctiveness of crowdfunding models and philosophy. Survey data suggests that most platforms are reasonably comfortable with these arrangements however, as the intention is to protect the consumer from inappropriate behavior by platforms and those they permit onto them, this metric of acceptability to platforms may not be a good indicator of the efficacy appropriateness of the existing regulatory framework.

## Banks & Government

Set against a period of continued subdued demand from business for bank finance it is apparent that crowdfunding is beginning to be seen as an important source of finance to business. The UK government is introducing requirements for banks to be obliged to offer alternative finance options to clients to whom they refuse loans. This is likely to increase pressure on banks to engage more fully with the sector. It is worth noting that in a survey of 200 international delegates attending the University of Edinburgh Business School's Credit Risk and Credit Control conference three-quarters felt alternative lenders now pose a threat to banks and traditional lenders. There is some way to go before this happens but even Ian McCafferty, External Member of the Monetary Policy Committee of the Bank of England acknowledges, “we may well be seeing the early stages of some important changes to the architecture of business finance.”

The generally positive stance toward crowdfunding from the UK Government is also helpful to the sector. This encouragement can be seen through the Government's use of the British Business Bank to place funds on to a number of alternative finance platforms, the maintenance of the SEIS and EIS tax incentive scheme for investors in startups, and with introduction of the new P2P ISA provisions.

**" With such extraordinary rates of growth crowdfunding must be careful to retain its soul and distinctiveness."**

The State of Crowdfunding in the UK is made possible by the contribution of Tim Wright

*What is the potential of crowdfunding in your country?*

Some notable trends are the rapidly increasing flow of institutional funds on to crowdlending platforms in particular. This manifests itself in a number of ways not least the increasing number of single lender loans that can be found in the loan books of major lending platforms. In keeping with global trends the rapid emergence of real estate funding via crowdfunding is common in the UK and seems set to continue to develop.

In terms of the trends for platforms in the UK, the regulatory environment appears to have begun to fulfil an unspoken agenda of some of the actors arguing for it. That is to say that it is beginning to act as a barrier to entry for new platforms as the cost of compliance rises and the number of new platforms tailed down for first time in 2015. It is now increasingly common to find authorised and regulated platforms in the Equity and Lending space beginning to offer the authorisation as an asset to be licensed by third parties.

*What are the biggest challenges?*

The main challenges include:

Transparency - as the market becomes more complex and crowded the competitiveness between platforms is making it harder to accurately report performance and activity levels. Without valid and sensible comparative data it is difficult for participants to make sound judgements and for civic and governmental bodies to act and respond in the most appropriate manner.

Risk - As time passes the attrition rate on entrepreneurial start ups will inevitably begin to take effect, with the rising failure rate of some businesses which have been funded in part by crowdfunding being portrayed as a failing specific or unique to crowdfunding or of uniquely high risk to "novice investors". Already some lurid stories have emerged which have sensationalised some failures, and this is not merely in the equity realm but includes the reward sector as well. The awareness of investors and backers of risk and how to mitigate it in a manner appropriate for crowdfunding needs to be continuously reviewed. Unfortunately current regulations do not necessarily effectively do this.

Distinctiveness - The increasing involvement of the established capital markets in the alternative finance and crowdfunding sector has the risk of eroding the distinctiveness of the sector and making it simply another arm of an established and privileged market. Apart from such an outcome, should it occur, being a betrayal of the promise of opportunity, inclusivity and equity that crowdfunding offers it runs the potentially greater risk of reducing the distinctive nature of the funding that crowdfunding can provide and, in so doing, reducing the value to the investee.

*What is the future holding for the UK?*

The future has a great deal of promise for the UK crowdfunding industry if it continues to grow while retaining its ability to be distinctive and addressing area that the market has historically underserved. It has the potential to change the business finance sector from its traditional dominance of bank finance, to bring a wider participation in the funding of business and society with the potential for more equitable outcomes, and its ability to underpin a vibrant entrepreneurial business environment is a promising one. But, to do this, a more integrated ecosystem needs to emerge where the distinctive advantages of crowdfunding as an approach to drive innovation and not solely a source of finance are more widely understood.

