

Crowdfunding in the EU

Identification	
First name -open reply-(compulsory)	Johanna
Family name -open reply-(compulsory)	Palin
What category describes you best? -single choice reply-(compulsory)	Association / interest representative
Organisation's name -open reply-(compulsory)	Federation of Finnish Financial Services, FFI
Transparency register ID number (If you do not indicate your ID, your response will count as an individual contribution) -open reply-(optional)	732849684209
Country (of residence or establishment) -single choice reply-(compulsory)	Finland
Do you agree to publishing your replies on the European Commission's website? -single choice reply-(compulsory)	Yes
Definition and models of crowdfunding	
WHAT IS CROWDFUNDING? Which elements should always be present in a crowdfunding campaign? -multiple choices reply-(optional)	
Should crowdfunding be reserved to projects with smaller financing needs? -single choice reply-(optional)	
CATEGORIES Crowdfunding can take many forms, depending on what contributors get in return for their money. Which of these models are you familiar with? -multiple choices reply-(optional)	
Other than donations, there is also lending- or investment-based crowdfunding with <u>social objectives</u> . Should these be treated differently than any other lending or investment campaign for profits? -single choice reply-(optional)	no
Benefits of crowdfunding	
Growth & jobs -single choice reply-(optional)	
Entrepreneurs & SMEs -single choice reply-(optional)	
Social entrepreneurs -single choice reply-(optional)	
Innovation -single choice reply-(optional)	
Research and development (R&D) -single choice	

reply-(optional)	
Small retail investors -single choice reply-(optional)	
ARE THERE OTHER BENEFITS FROM CROWDFUNDING? -open reply-(optional)	
WHAT <u>SPECIFIC ADVANTAGES</u> DO FINANCIAL FORMS OF CROWDFUNDING HAVE? (PROFIT-SHARING, LENDING, EQUITY AND DEBT) If earlier you suggested different categories, please describe the advantages of those. -open reply-(optional)	
FRAUD - project owner or platform does not use the money for the stated purpose -single choice reply-(optional)	Too high
PROJECT FAILURE - project owner tries his best, but the project fails and does not deliver what was promised to crowdfunders -single choice reply-(optional)	Acceptable
MISLEADING ADVERTISING - project is presented as all rosy, and people contribute without knowing the risks they take -single choice reply-(optional)	Too high
CONTRIBUTORS DO NOT GET BACK THE MONEY they could reclaim in case of an unsuccessful campaign -single choice reply-(optional)	Acceptable
ARE THERE OTHER RISKS IN THE DONATION, REWARD OR PRE-SALE MODELS OF CROWDFUNDING? -open reply-(optional)	
Could a scandal undermine contributors' confidence? -single choice reply-(optional)	yes
Investors overvalue the project (pay more for the shares than what they are worth) -single choice reply-(optional)	Acceptable
Project fails and investors lose the capital they invested -single choice reply-(optional)	Acceptable
Investors are not able to exercise shareholder rights -single choice reply-(optional)	Too high
The company issues new equity and dilutes the investment value of first round investors -single choice reply-(optional)	Too high
Lack of exit options (investors are not able to sell-on the equity) -single choice reply-(optional)	Too high
Investment not being profitable (even if the	Acceptable

project does not fail, it may not be able to pay dividends) -single choice reply-(optional)	
Complexity -single choice reply-(optional)	Too high
Lenders do not know the credit-risk of the borrower -single choice reply-(optional)	Acceptable
Project fails and lenders do not get back the money they lent -single choice reply-(optional)	Too high
Lenders do not receive the promised interests -single choice reply-(optional)	Too high
Complexity -single choice reply-(optional)	Too high
DO YOU SEE OTHER RISKS IN FINANCIAL FORMS OF CROWDFUNDING (profit-sharing, lending, securities)? -open reply-(optional)	We consider it very important that the different forms of financing are regulated in order to guarantee level playing field and investor protection. Regulation causes costs and without regulation the providers of crowdfunding services would be better off than the regulated providers of finance. Investors participating in crowdfunding ventures are usually non-professional and should have equal protection with other forms of finance. It is important that investment decisions are being made based on sufficiently broad and correct information so that the risks will not be underestimated and thus underpriced. Authorization and supervision are the most focal elements in an eventual regulation, but requirements could be set for the size and the annual reports of the funded entity as well as to the liability of the platform provider. Regulation and the required documentation needs to be proportional to the size of the loan or the amount of the capital collected. Money-laundering, taxation and lack of insolvency procedures may also pose a risk.

Identifying the role of the EU

Raising awareness -multiple choices reply-(optional)	donations - rewards - pre-sales - profit sharing - lending - equity/debt (shares/bonds)
Combining public funding and crowdfunding -multiple choices reply-(optional)	
Coordinating self-regulation -multiple choices reply-(optional)	
Sharing national experiences & regulatory best-practices -multiple choices reply-(optional)	
Providing easier market access to all EU countries -multiple choices reply-(optional)	
Protecting contributors from risks -multiple choices reply-(optional)	profit sharing - lending - equity/debt (shares/bonds)
Do you have in mind other areas of action for the EU that would help reap the benefits of crowdfunding? -open reply-(optional)	All forms of finance should be equally regulated in order to guarantee a level playing field among the providers of finance and sufficient investor protection.
What do you think of EU law on financial services as applied to crowdfunding today? -single choice reply-(optional)	It should be calibrated to better fit crowdfunding

Which specific measures should be calibrated and how? -open reply-(optional)	
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A European legal framework for financial forms of crowdfunding should be -single choice reply-(optional)	some common minimum standards applying to every campaign / platform
to inform contributors of investment risk or credit risk -multiple choices reply-(optional)	Yes, for lending - Yes, for equity / debt
to assess the profile of the investor -multiple choices reply-(optional)	
to perform due diligence / credit risk assessment of projects -multiple choices reply-(optional)	
to monitor the performance of the projects after a successful campaign -multiple choices reply-(optional)	
to act as nominee shareholder or contributors' representative in legal proceedings related to a project -multiple choices reply-(optional)	
to manage conflicts of interest within the platform -multiple choices reply-(optional)	
to cover eventual losses to contributors through compensation scheme or insurance -multiple choices reply-(optional)	No harmonisation
What other duties should financial crowdfunding platforms have? -open reply-(optional)	Documentation
Should contributors be advised to diversify their investments into crowdfunding? -single choice reply-(optional)	
Should there be a minimum or a maximum amount set for individual contributions? -single choice reply-(optional)	
What other measures would be needed to grant access to markets but also address the risks of financial forms of crowdfunding? -open reply-(optional)	
Do you have any other comments? -open reply-(optional)	We find it positive that the Commission has started a consultation with a possible harmonized EU rules in mind, as crowdfunding markets are already international.