

Crowdfunding in the EU

Identification	
First name -open reply-(compulsory)	Iwona
Family name -open reply-(compulsory)	Mertin
What category describes you best? -single choice reply-(compulsory)	Association / interest representative
Organisation's name -open reply-(compulsory)	EUROCHAMBRES- The Association of European Chambers of Commerce and Industry
Transparency register ID number (If you do not indicate your ID, your response will count as an individual contribution) -open reply-(optional)	001408272283
Country (of residence or establishment) -single choice reply-(compulsory)	Belgium
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)	open call to the public - through the internet - to collect funds - during a specified time period - for a specific project - in the form of small contributions - from a large number of individuals
Should crowdfunding be reserved to projects with smaller financing needs? -single choice reply-(optional)	No
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)	donations - rewards - pre-sales - profit- or royalty sharing - lending - debt (bonds) - equity (shares) - other models / comments - * I think some of the above categories should be treated as one
What categorisation would you propose? What comments would you like to make? -open reply-(compulsory)	There are also cases of a cooperation between a crowdfunding platform and a bank, e.g. a case of Rabobank in the Netherlands.
Which models should be treated as one category and why? -open reply-(optional)	
A division into three groups could be proposed, namely: 1. donations/rewards/pre-sales, 2. Lending/Debt(bonds), 3. Profit- or royalty sharing/Equity (Shares).	
Other than donations, there is also	no

<p>lending- or investment-based crowdfunding with <u>social objectives</u>. Should these be treated differently than any other lending or investment campaign for profits?</p> <p>-single choice reply-(optional)</p>	
<h2>Benefits of crowdfunding</h2>	
<p>Growth & jobs -single choice reply-(optional)</p>	medium
<p>Entrepreneurs & SMEs -single choice reply-(optional)</p>	medium
<p>Social entrepreneurs -single choice reply-(optional)</p>	medium
<p>Innovation -single choice reply-(optional)</p>	small
<p>Research and development (R&D) -single choice reply-(optional)</p>	small
<p>Small retail investors -single choice reply-(optional)</p>	medium
<p>ARE THERE OTHER BENEFITS FROM CROWDFUNDING? -open reply-(optional)</p>	<p>Sense of involvement and participation; becoming familiar with decisions requiring financial knowledge and understanding. For project owners: high- Market testing and market validation, Crowdfunding helps reach more, Feedback, advice and other non-financial resources from contributors; medium- Speed of fundraising; small- Less dependence on traditional forms of financing, Reduced costs of finance, Flexibility. For Contributors: very attractive- Direct involvement in the project, Helping a friend; Somewhat attractive- An investment opportunity, Doing some good, Helping the local community, Directly selecting projects worth financing; irrelevant- It is a new trend that looks cool.</p>
<p>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)</p>	
<p>FRAUD - project owner or platform does not use the money for the stated purpose -single choice reply-(optional)</p>	Too high
<p>PROJECT FAILURE - project owner tries his best, but the project fails and does not deliver what was promised to crowdfunders -single choice reply-(optional)</p>	Acceptable
<p>MISLEADING ADVERTISING - project is presented as all rosy, and people contribute without knowing</p>	Acceptable

the risks they take -single choice reply- (optional)	
CONTRIBUTORS DO NOT GET BACK THE MONEY they could reclaim in case of an unsuccessful campaign -single choice reply-(optional)	Too high
ARE THERE OTHER RISKS IN THE DONATION, REWARD OR PRE-SALE MODELS OF CROWDFUNDING? -open reply-(optional)	In case of failure due to lack of proper understanding of the crowdfunding process, the entities involved might reject any future involvements in a fund-raising process of that type. Risks to project owners: too high- IPR protection; acceptable- failure in public, overfunding risks; negligible- reputational risks.
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)	I'm not sure
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 project does not fail, it may not be able to pay dividends) -single choice reply-(optional)	Too high
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)	Acceptable
Complexity -single choice reply-(optional)	Acceptable
DO YOU SEE OTHER RISKS IN	Lack of exit strategies.

FINANCIAL FORMS OF CROWDFUNDING (profit-sharing, lending, securities)? -open reply-(optional)	
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)	donations - rewards - pre-sales - profit sharing - lending - equity/debt (shares/bonds)
Providing easier market access to all EU countries -multiple choices reply-(optional)	
Protecting contributors from risks -multiple choices reply-(optional)	donations - rewards - pre-sales - 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)	Combining public funding and crowdfunding- there is no need to interfere; Coordinating self-regulation- Could be helpful in some cases; Providing easier market access to all EU countries- market on national scale is too immature yet.
Should all crowdfunding platforms be obliged to -multiple choices reply-(optional)	Inform project owners and contributors of applicable fees - Guarantee the processing of payments - Check the identity of the project owner
What other measures would protect contributors appropriately, especially in the case of "direct crowdfunding campaigns" that do not use a platform? -open reply-(optional)	Reducing asymmetry of information by a clear flow of information between a campaign organiser and contributors.
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)	
Review of crowdfunding-oriented regulation (Source: http://www.europecrowdfunding.org/wp-content/blogs.dir/12/files/2013/10/ECN-Review-of-Crowdfunding-Regulation-2013.pdf)	
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)	No harmonisation
to assess the profile of the investor -multiple choices reply-(optional)	No harmonisation
to perform due diligence / credit risk assessment of projects -multiple choices reply-(optional)	No harmonisation
to monitor the performance of the projects after a successful campaign -multiple choices reply-(optional)	No harmonisation
to act as nominee shareholder or contributors' representative in legal proceedings related to a project -multiple choices reply-(optional)	Yes, for lending - Yes, for equity / debt
to manage conflicts of interest within the platform -multiple choices reply-(optional)	Yes, for lending - Yes, for equity / debt
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)	
Should contributors be advised to diversify their investments into crowdfunding? -single choice reply-(optional)	yes
Should there be a minimum or a maximum amount set for individual contributions? -single choice reply-(optional)	Maximum
What maximum amount for which crowdfunding model(s)? -open reply-(optional)	It is difficult to define a ceiling amount as the conditions and needs of businesses differ depending on the country. The entrepreneurs may be limited (on average between 2,000 to 10,000 USD) in donation based cf.
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)	Q: Would you consider contributing to a crowdfunding project from another EU country, if the campaign is in your language?- A: Yes, but only if there is a guarantee that I will not be cheated. Q: Are you aware of any consumer / investor complaints relating to any form of crowdfunding?- A: Pebble Watch- the demand was higher than the supply so the customer had to wait a long time to receive their products. Intangible good- artists who weren't able to deliver e.g. a CD due to lack of vein. Q: What do you think of financial forms of crowdfunding (lending, securities, profit sharing)?- A: It has many advantages to firms and contributors. Q:

What are the obstacles to market access for donation, reward or pre-sale campaigns/platforms?*- A: The obstacles involve such aspects like: language, legislation, different interpretations of financial authorities.