

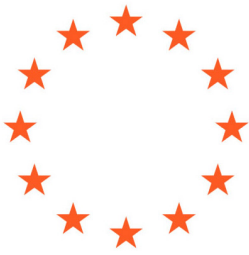
**SOLAR**PLAZA

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# Crowdfunding Legal Framework Overview

## EUROPE



## Crowdfunding Regulation on a Europe-wide cross-border transactions basis

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The EU has been looking at innovative ways of diversifying funding mechanisms and crowdfunding ranks high among these. Like in other sectors of the Internal Market that are not entirely functional, the European Commission has adopted a cautious approach monitoring the crowdfunding market before trying to regulate it.

The European Commission took the first step in March 2014. The Commission's Communication on Unleashing the potential of crowdfunding in the European Union recognises that crowdfunding has several advantages and is a promising source of funding to many different players.

The results of the public consultation that preceded the Communication indicate that there is still a long way for a functional internal market for financial-return platforms as only "38% of the platforms" that answered the consultation operate cross-border. The main concerns are "the lack of information" on the applicable rules and the "high costs of compliance with national regulations".

The main barriers to cross-border crowdfunding platforms are the wide variety of national legislation that may apply to crowdfunding across Member States and, in some cases, Member States discretion when transposing EU

Directives. Member States are also adopting very different regulatory solutions thus hampering the chances of a future harmonisation. For example, in some countries investment through crowdfunding is only allowed to fiscal residents.

A clear regulatory framework is essential for the development of crowdfunding. The Commission has given some steps, such as the mentioned Communication in 2014 and the set up of the European Crowdfunding Stakeholder Forum with the objective of supporting policy developments. These are clear signs that the Commission is following the crowdfunding market and assessing the way forward.

Moreover, in September 2015 the Commission published the Action Plan on Building a Capital Markets Union. Within the Action Plan, the Commission aims to "promote innovative forms of business financing such as crowdfunding". The European Commission position is that a "premature regulation could hamper, not foster, the growth of this fast-growing and innovative funding channel". The Commission strategy is to first assess national frameworks and identify best practices while monitoring the evolution of the sector. In the first quarter of 2016, an assessment report on crowdfunding will be published and the European Commission will decide what steps to take to regulate this market.

From the referred Commission's Communications we can already predict some important aspects. The Commission has shown concerns for consumer protection and there are discussions on the creation of a European quality label. The Commission's position is that a careful balance between investor protection and the growing of crowdfunding is needed. To continue growing, crowdfunding platforms will need a clear and sound regulatory framework that simultaneously reduce compliance costs to cross-border activities and enables a growing consumer trust in this new market. We expect to see more developments in 2016 and hope for a EU-wide harmonised market that creates more opportunities.