

# Capital markets union: Council adopts new rules for crowdfunding platforms



The Council today adopted new rules to improve the way crowdfunding platforms operate across the EU.

The new framework is part of the capital markets union's project which aims at providing an easier access to new financing sources. It will remove barriers for crowdfunding platforms to provide their services cross-border by harmonising the minimum requirements when operating in their home market and other EU countries. It will also increase legal certainty through common investor protection rules.

The new rules will cover crowdfunding campaigns of up to EUR 5 million over a 12 month period. Larger operations will be regulated by MiFID and the prospectus regulation. Reward- and donation-based crowdfunding fall outside the rules' scope since they cannot be regarded as financial services.

The adopted rules provide a high level of investor protection, whilst taking into account compliance cost for providers: they set out common prudential, information and transparency requirements and include specific requirements for non-sophisticated investors. The rules for EU crowdfunding businesses will be tailored depending on whether they provide their funding in the form of a loan or an investment (through shares and bonds issued by the company that raises funds).

The framework defines common authorisation and supervision rules for national competent authorities. The European Securities and Markets Authority (ESMA) will have an enhanced role to facilitate coordination and cooperation, through a binding dispute mediation mechanism and the development of technical standards.

## **Background and process**

Crowdfunding is an emerging alternative form of financing that connects, typically via the Internet, those who can give, lend or invest money directly with those who need financing for a specific project. For start-ups and other SMEs, bank lending is often expensive or difficult to access due to the lack of credit history or a lack of tangible collateral. Crowdfunding can be a useful substitute funding source, in particular in the early stages of business.

Formally, the Council today adopted its position at first reading. The regulation now needs to be adopted by the European Parliament at second reading before it can be published in the Official Journal and enter into force.

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