

Crowdfunding in the EU

Identification	
First name -open reply-(compulsory)	Martin
Family name -open reply-(compulsory)	Hassel
What category describes you best? -single choice reply-(compulsory)	Association / interest representative
Organisation's name -open reply-(compulsory)	Nordic Financial Unions (NFU)
Transparency register ID number (If you do not indicate your ID, your response will count as an individual contribution) -open reply-(optional)	412992936247
Country (of residence or establishment) -single choice reply-(compulsory)	Sweden
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)	during a specified time period - for a specific project - in the form of small contributions
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)	lending - debt (bonds) - equity (shares)
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)	yes
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 DO FINANCIAL FORMS OF CROWDFUNDING HAVE?</u> (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)	
PROJECT FAILURE - project owner tries his best, but the project fails and does not deliver what was promised to crowdfunders -single choice reply-(optional)	
MISLEADING ADVERTISING - project is presented as all rosy, and people contribute without knowing 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)	
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)	
Investors overvalue the project (pay more for the shares than what they are worth) -single choice reply-(optional)	
Project fails and investors lose the capital they invested -single choice reply-(optional)	
Investors are not able to exercise shareholder rights -single choice reply-(optional)	
The company issues new equity and dilutes the investment value of first round investors -single choice reply-(optional)	
Lack of exit options (investors are not able to sell-on the equity) -single choice reply-(optional)	
Investment not being profitable (even if the	

project does not fail, it may not be able to pay dividends) -single choice reply-(optional)	
Complexity -single choice reply-(optional)	
Lenders do not know the credit-risk of the borrower -single choice reply-(optional)	
Project fails and lenders do not get back the money they lent -single choice reply-(optional)	
Lenders do not receive the promised interests -single choice reply-(optional)	
Complexity -single choice reply-(optional)	
DO YOU SEE OTHER RISKS IN FINANCIAL FORMS OF CROWDFUNDING (profit-sharing, lending, securities)? -open reply-(optional)	<p>When it comes to bank like activities, such as lending and investments into securities, diversity could of course have advantages when it comes to increasing competition. However, a level playing field must be ensured. Therefore, crowdfunding should act within the confines of the regulated financial markets. It must be ensured that promotion of crowdfunding will not be part of, and increase, a shadow banking sector. NFU is therefore positive that the European Commission has turned its attention also to these activities, and we hope that the Commission will ensure that financial models of crowdfunding will not put pressure on the established financial system through unfair competition. Banks are, under new regulations from the EU, expected to be safe and sustainable. With this background, NFU would like to emphasise that banks should continue to be the key actor for the financing of the real economy, and crowdfunding and other alternatives should only be promoted as a complementary investment opportunity, as it is stated in the consultation. We do welcome initiatives that will promote and encourage innovation, but it has to be underlined that crowdfunding needs to follow the same framework of regulation as other European financial institutions in order to create a level playing field. The goal must be to work towards a more sustainable financial sector.</p>
Identifying the role of the EU	
Raising awareness -multiple choices reply-(optional)	
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)	profit sharing - equity/debt (shares/bonds)
Providing easier market access to all EU countries -multiple choices reply-(optional)	
Protecting contributors from risks -multiple choices reply-(optional)	profit sharing - 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)	<p>All financial market companies should be subject to the same duties and controls. To ensure a level playing field, crowdfunding should be under the same scope of regulation as other financial models such as banks. However, EU regulation should of course notice the size of the investments in order to not put a too heavy regulatory burden on small actors. We see the need for regulation of crowdfunding to make it a secure way of founding smaller and medium sized</p>

	<p>projects and increase the degree of innovation in Europe. EU has a vital role in reassuring that innovation in the single market is financed through a regulated market of crowd founding. EU must also work to avoid pitfalls in the unregulated or less regulated financial system. There is a need to move away from a short term perspective to a long term perspective for the whole of the European financial sector.</p>
<p>What do you think of EU law on financial services as applied to crowdfunding today? -single choice reply-(optional)</p>	<p>It is adequate and does not need to be changed</p>
<p>What framework would suit crowdfunding with social goals? How to verify social objectives or impact? What level of investor protection is needed? -open reply-(optional)</p>	
<p>Do you have any other comments? -open reply-(optional)</p>	<p>NFU welcome the initiative coming from the European Commission on the public consultation on crowdfunding. We see the need for regulation of crowdfunding to make it a secure way of founding smaller and medium sized projects and increase the degree of innovation in Europe. There is a need to secure transparency in crowdfunding to avoid it becoming an extension of the shadow banking industry. In Norway, shadow banking is thoroughly regulated a broad legal framework that covers all financial activities, securities and insurance sector. As shadow banking operates outside of the normal financial banking industry we welcome the initiative from Commissioner Michel Barnier to regulate shadow banking in the European financial markets. A natural extension of this political initiative would be to extend this approach to crowd founding. NFU is however disappointed with the limited design of this questionnaire. The normal opportunity to answering consultation questions with unlimited characters is a better way since it opens for the opportunity to give more comprehensive answers.</p>