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Additional Information

Level 1 Regulation

Regulation 2020/1503 - European crowdfunding service providers for business

Topic

Information to clients on topics other than costs and charges

Additional Legal Reference

Article 20 ECSPR

Subject Matter

Default rate disclosure

Question

Article 20 of the ECSPR requires CSPs who facilitate the granting of loans to annually disclose the information on the default rate of the crowdfunding projects over at least the

preceding 36 months as well as the outcome statement on the expected and actual default rates along with the actual return achieved (for individual portfolio management of loans) of each financial year.

Should the reference period for the default rate disclosure include crowdfunding projects which started in the preceding 36 months, but which were offered on a crowdfunding platform of a CSP that, at the time of such offers, was providing crowdfunding services in accordance with the applicable national law before the expiration date of the transitional period established in Article 48 of the ECSPR?

ESMA Answer

27-05-2024

Original language

Article 20 of the ECSPR on default rate disclosure, similar to Article 19 and Article 26 of the ECSPR, intends to promote transparency, reduce information asymmetry and empower investors with the necessary information on crowdfunding which also cover the nature and the risks of the crowdfunding offers.

Article 20 of the ECSPR aims in particular at facilitating the assessment of risk arising from loans offered on crowdfunding platforms by providing information which are not limited to the interest rate of the loan that might not be a sufficient indicator for investors to understand the risk of the loan. Thus, Article 20 of the ECSPR requires CSPs which provide crowdfunding services consisting of the facilitation of granting of loans to provide investors, on an annual basis, with the default rate related to all crowdfunding projects offered by CSPs on their crowdfunding platform over at least the preceding 36 months and the actual and expected default rate of all loans by risk category of the previous financial years (such disclosure includes the assumptions on which estimates are based).

ESMA believes that the default rate disclosure that CSPs that facilitate the granting of loans have to provide in accordance with Article 20 of the ECSPR should be done considering all

loans offered on a crowdfunding platform over at least the preceding 36 months¹ (for the disclosure under point (i) of Article 20(1)(a) of the ECSPR) and in the previous financial year² (for the disclosure under point (ii) of Article 20(1)(b) of the ECSPR) irrespectively of the date in which the CSP was authorised in accordance with Article 12 of the ECSPR and Article 48(2) of the ECSPR, thus including in the disclosure the default rate of loans offered by CSPs which provided crowdfunding offers in accordance with the national law during the transitional period, as allowed in Article 48 of the ECSPR. Furthermore, it is worth noting that the use of the longest possible period for the calculation of the default rate should provide a more robust and solid base for the assessment of the project owner's risk.