

ESMA response to the Commission Consultation Document on Capital Markets Union Mid-Term Review 2017

I. General remarks

1. ESMA welcomes the Commission's Consultation Document on the Mid-Term Review of the Capital Markets Union ("Consultation Document") and takes the opportunity of this consultation to share with the Commission its views on this important initiative.
2. Capital markets perform essential functions for our societies. They finance economic activities that result in jobs and growth and they allow citizens to save and invest. Looking back at the past decade, financial markets have performed relatively well in terms of stability. It has become clear that there are benefits in an improved balance between the banking system and financial markets: it provides other sources of funding, it allows a shift from debt-funding to equity-funding, and it can increase the overall competitiveness of the financial system.
3. An EU with open capital markets, with reduced fragmentation, will also attract investments and strengthen Europe as a global financial centre and boost competitiveness of EU firms.
4. ESMA fully supports the Commission's commitment to accelerate the integration of European capital markets and bring the much needed diversity of funding to enable European businesses to sustain the growth of the European economy. The future of the European capital markets is highly dependent on the CMU.
5. The fact that the UK has decided to leave the EU reinforces the urgency for the EU to progress with CMU. It will be important for the EU27 to further strengthen their capital markets in light of the uncertainty and the changed relationship that the UK leaving the EU is likely to mean. This is particularly the case for the provision of capital markets services that is currently conducted in the UK. In addition, it will be key that national regulators across the EU27 do not compete on supervisory practices. ESMA's work on supervisory convergence to mitigate risks of divergent practices will be of great importance to facilitate the achievement of this goal.
6. Finally, although not directly within ESMA's remit, ESMA would encourage further work in harmonising national frameworks regarding diverging insolvency law, tax regimes and securities law. This would lead to more legal certainty, which will enhance cross-border capital markets business and investment.

II. ESMA's input in relation to the Consultation Document

7. ESMA is pleased to share with the Commission its recent experience and suggest further steps that could positively contribute to the CMU in four specific areas: a) supervisory convergence; b) financial data; c) SMEs; d) crowdfunding.
 - a. ***Supervisory convergence***
8. One of ESMA's core objectives is to bring more convergent approaches to supervision exercised by NCAs and thus ensure that investors receive the same level of protection across the EU, independently of the location of the firm providing the services. Ensuring a level playing field across different supervisory systems and approaches is a key pillar of building a genuine CMU.
9. ESMA takes this chance to highlight the limits of the current regulatory framework in effectively reaching tangible results in terms of more harmonised supervisory outcomes and to suggest how these limits could be addressed.
10. In order to ensure that the powers already available to ESMA can be better used to improve outcomes in practice, it would be helpful to clarify and adapt certain aspects of the existing ESMA Regulation. In the following some key issues are raised which were also identified in our response to the 2015 CMU consultation. A more elaborate reflection on the issue of supervisory convergence will be provided to the Commission in the context of the current consultation on the operations of the ESAs.
11. In the first place, it would be useful to clarify NCAs' obligations to respond to requests for information made by ESMA pursuant to Article 35 of the ESMA Regulation in order to carry out its supervisory convergence mandate and align them further with Article 17 of the same regulation. To ensure a timely response to emerging supervisory convergence issues, the right of initiative to collect information on an emerging supervisory convergence issue could be delegated to a panel of the Board of Supervisors or the Chair.
12. In certain cases, ESMA may use its powers under Article 17 of the ESMA Regulation to determine whether an NCA has breached Union law. Should a breach be established, it would be important to ensure that the problem is rectified effectively. If the NCA concerned does not take the necessary action, there are powers in Article 17(6) for ESMA to address market participants directly where the relevant requirements of the acts referred to in Article 1(2) are directly applicable to capital market participants. As substantial parts of the financial market legislation concern Directives, and not directly applicable Regulations, it would be useful to clarify that these powers also relate to those provisions of Directives that establish unconditional obligations that are sufficiently clear and precise to be directly effective.

13. Moreover, the ESAs and NCAs could benefit from having the possibility to suspend temporarily the application of a particular rule if its application could lead to unintended consequences or requires guidance or technical specifications that are not yet available. For example, the clearing obligations laid out in EMIR or the trading obligations laid out in MiFID II could have detrimental effects in case of a sudden drop in the liquidity of a product.
14. Finally, at this point, ESMA wishes to provide a short update on its supervisory convergence activities. The second Supervisory Convergence Work Program was published at the beginning of the year and it set the priorities for 2017. These put emphasis on continued efforts in the implementation of MiFID II/MiFIR and MAR, including the underlying IT projects, on improving the quality of data collected by NCAs, on ensuring investor protection in the context of cross-border provision of services and on further enhancing convergence in the supervision of European Union CCPs.
15. To ensure investor protection in the context of cross-border provision of services, ESMA is facilitating supervisory cooperation of authorities in their home-host relationship, including on issues related to the passporting of services. At the same time, ESMA continues fostering exchanges of supervisory experiences amongst NCAs to develop a common understanding around key issues concerning the supervision of speculative products.
16. On the asset management side, ESMA is building common approaches for delegation functions under the UCITS Directive and AIFMD and, in the context of investment services, work on the application of outsourcing requirements under MiFID II will be undertaken. ESMA is also about to start work to increase knowledge-sharing in relation to enforcement models and approaches. This contributes to the objective that similar breaches of EU legislation should lead to similar sanctions across the EU.

b. *Financial data*

17. Transparency and data availability are essential elements of the CMU as they help reducing the fragmentation of capital markets and facilitate cross-border supervision. Since the global financial crisis, EU and national regulators have reduced the information gaps in order to achieve greater transparency for market participants and consumers, promoting market integrity as well as better financial stability assessments through the collection of granular market data. Those efforts have led to the creation of valuable datasets housed by European and national authorities.
18. ESMA underlines the importance of developing an overarching EU financial data strategy, based on a standing dialogue with the authorities involved, and to create efficient and effective data collection, management and use of common standards in the reporting requirements specified by different financial authorities. A common strategy and close interaction among the relevant EU authorities should guide all processes to design regulations that are establishing reporting obligations for supervised entities. This approach should reduce compliance costs on reporting

entities and simultaneously enhance the capacity of financial authorities to use the data to fulfil their objectives.

19. ESMA is in a unique position to contribute to the design of a common EU financial data strategy given its regulatory experience in multiple areas and regarding multiple types of information. This experience ranges from the regulation on reference data (e.g. MiFIR), detailed information on accounts of financial actors (e.g. AIFMD), information on contractual data (e.g. EMIR) and information on activities of entities for which ESMA is the direct supervisor (e.g. Credit Rating Agencies). To ensure consistency among these different data collections, ESMA has been actively promoting standardisation of information such as the use of the ISO20022 standard and its key elements. Under the new Prospectus Regulation, ESMA will furthermore expand its current database in relation to approved and passported prospectuses.
20. In addition, financial technology innovation poses new questions to public authorities handling market data (e.g. DLT). In the medium to long term, data collecting authorities should develop a joint outlook on how to accommodate the resulting changes in data collection mechanics and objectives.

c. SMEs

21. As regards SMEs, ESMA is aware of the importance to ensure sufficient capital for such companies for the benefit and competitiveness of the economy at large. ESMA fully appreciates the benefit of the recent and ongoing work at Level 1 to ensure proportionate regulatory regimes for SMEs. In light of this and within the limits of its remit, ESMA has been involved in different actions across the single rule book that could facilitate SMEs' access to capital markets while preserving investor protection.
22. With reference to the new Prospectus Regulation, ESMA very much welcomes the conclusion of the dialogues, and specifically agreement on the new EU Growth prospectus. ESMA considers that this will be a valuable tool for small and medium sized issuers to raise capital in a more cost efficient manner. Over the coming 12 months, ESMA will develop proposals for the detailed content of this document, bearing in mind the need for proportionality compared to issuers seeking to raise larger sums on regulated markets. ESMA will endeavour to create a truly bespoke disclosure regime by avoiding the inclusion of elements that would be considered excessively onerous for smaller companies and by speaking to investors in companies of this type to establish the type of information that they seek when investing.
23. While some of the key disclosure alleviations and structural choices have arguably been made at Level 1, ESMA is of the view that there is still significant scope to lessen the disclosure burden at Level 2. ESMA's proposals will be devised using a bottom up approach to ensure that, on an item by item basis, requirements focus on what is absolutely necessary for the investment decision. ESMA will also make some structural proposals in order to ensure that the EU Growth prospectus is a more readable document, giving a clear vision as to issuers' strategy and objectives, thereby making

it more accessible to retail investors. In proposing content, ESMA will be mindful of the ability of issuers to reuse prospectus disclosures, such as in management presentations and roadshows, to ensure both uniformity of disclosure but also to reduce costs and maximise the net proceeds when accessing the capital markets.

24. In respect of changes in the EMIR framework that would benefit SMEs, ESMA already suggested in the EMIR Review Report No. 4¹ initiatives to alleviate the burdens of reporting requirements for SME. In particular, it was suggested to move towards a single sided reporting system for SME, as envisaged in the SFTR. ESMA also amended its RTS on the clearing obligation to take into account the specificities of small financial counterparties and solicited a change in EMIR in this respect. Finally, ESMA amended the RTS on indirect clearing to further facilitate access to clearing by smaller counterparties.
25. With reference to the CSDR framework, specific provisions addressed to SME have been included in the settlement discipline regime and have been considered in the draft technical standards submitted by ESMA. We therefore expect that these specificities are maintained during the endorsement process.

d. **Crowdfunding**

26. Finally, ESMA believes that the recommendations that we set out in our 2014 Crowdfunding Advice to the EU legislators remain valid and would contribute to the development of the CMU. In our view, it would be useful if EU legislators would investigate means to address the gaps and issues that exist in the current EU-framework and which may raise investor protection concerns and prevent crowdfunding from reaching its potential.
27. These gaps and issues include: the ease with which one can structure business models that fall outside of EU regulation (e.g. through the use of instruments which are not regarded as financial instruments and hence fall outside the scope of MiFID), the different thresholds that apply to the obligation to produce a prospectus across Member States, the capital requirements likely to be imposed on crowdfunding platforms and the use of the MiFID optional exemption. Further details about those gaps and issues and possible ways to address them are provided in the crowdfunding Advice that ESMA published on 18 December 2014².
28. Since the publication of our Advice and in the absence of an EU-wide regime, ESMA has observed an increase in the number of bespoke national crowdfunding regimes. We are aware of at least eleven countries that have implemented a national regime already and more can be anticipated. Some of these regimes are structured outside of MiFID regulations or are exempted. In November 2016, ESMA launched a survey to National Competent Authorities ('NCAs') on regulated crowdfunding platforms in the

¹ See ESMA website [\[link\]](#).

² See ESMA website [\[link\]](#).

EU, including the rules under which they are regulated, the type of services that they offer, the capital requirements that are imposed on them and the investment instruments, structures and remuneration models that they are using.

29. The survey, whose findings are presented in the Annex, follows on a first survey carried out in 2014. It confirms the continued disparity in the extent to which platforms are currently regulated in different Member States and the challenges it poses for a level playing field and regulatory/supervisory convergence. Furthermore, for those crowdfunding regimes structured outside of MIFID regulations or exempted, passporting is not possible and this slows down their ability to raise capital throughout the EU. Therefore, while these national regimes may address some of the gaps and issues in the current EU-framework, ESMA believes that particular consideration should be given to the possible development of a specific crowdfunding EU-level regime, which would enable the platforms to operate cross-border based on a common regulatory framework.

Annex

Investment-based crowdfunding: Insights from regulators in the EU

Background

1. In November 2016, ESMA launched a survey to National Competent Authorities (NCAs) to collect up-to-date information on regulated investment-based crowdfunding platforms in the European Economic Area (EEA). The survey follows on a first survey launched in December 2014.³
2. This report presents the key findings of the 2016 survey. It first looks at the regulatory status of the investment-based crowdfunding platforms in the EEA, including the rules under which they are regulated, the type of services that they offer and the capital requirements that they need to meet, and how this compares with the situation in 2014. It then analyses the investment instruments, structures and remuneration models that those platforms are using.

Scope of analysis

3. We have received responses from 28 NCAs.⁴ However, some NCAs have not been able to provide responses to all questions for all platforms. Therefore, representativeness of results may vary depending on the questions considered. Furthermore, there may be a number of platforms that are operating outside the scope of regulation or outside the supervisory remit of some of the NCAs, which would not be captured by the survey.
4. By 'regulated platforms' we mean platforms that are directly authorised/registered under EU or national law, or are tied agents of authorised/registered firms.

Overview of results

5. Ten NCAs, to be compared with seven in 2014, have reported that regulated investment-based crowdfunding platforms are operating in their territory (although not necessarily based there). These are France, Germany, Italy, the Netherlands, Spain and the UK, which had reported platforms in 2014 already, and the Czech Republic, Finland, Norway and Sweden, which are new to the list. Noteworthy, the single regulated platform active in Austria put back its license and restricted its business to non-licensed activities, meaning that Austria had no longer regulated platforms to report this time. In addition, Greece have indicated that they were reviewing their first application for authorisation, which would bring

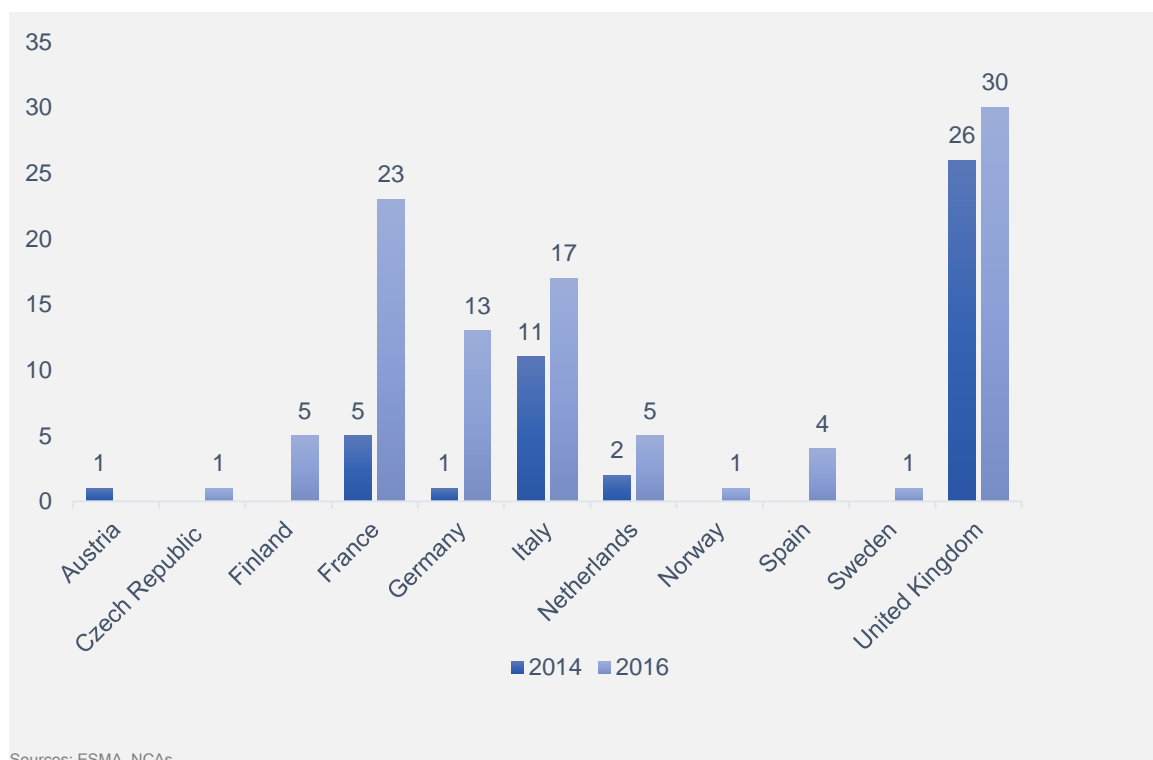
³ See https://www.esma.europa.eu/sites/default/files/library/2015/11/esma-2015-856_ann_1_esma_response_to_ec_green_paper_on_cmu_-_crowdfunding_survey.pdf

⁴FMA-AT, FSMA-BE, FSC-BG, HANFA-HR, CNB-CZ, FSA-DK, FSA-EE, FINFSA-FI, AMF-FR, BaFIN-DE, HCMC-EL, MNB-HU, CBoI-IE, Consob-IT, FMA-LI, BoL-LT, CSSF-LU, MFSA-MT, AFM-NL, Finanstilsynet-NO, KNF-PO, CMVM-PT, ASF-RO, NBoS-SK, SMA-SL, CNMV-ES, FI-SE, FSA-UK. We have not received responses from Cyprus, Iceland and Latvia

the number of NCAs with regulated platforms to eleven provided the application is successful.

6. NCAs reported a total number of 99 regulated platforms, up from 46 in 2014, i.e. a 115% increase over two years (see list in Appendix).⁵ This figure may be an underestimate though, considering that those crowdfunding activities performed, for instance, by firms operating under a general MiFID licence may not be separately defined or identified.
7. An overview of the regulated platforms by country is provided in chart 1 below.⁶

Chart 1: Regulated platforms by country in 2016 versus 2014



8. The UK still has the highest number of regulated platforms in the EEA but it is now more closely followed by France, Italy and Germany. The number of regulated platforms has boomed in France (+360%) over the last two years, although starting from a low base. In Germany, the Retail Investors' Protection Act (Kleinanlegerschutzgesetz) passed in 2015 has altered the regulatory requirements for platforms. As certain aspects now fall under BaFin-supervision, many platforms are now considered as "regulated", hence the marked increase in the number of regulated platforms since 2014.⁷

⁵ The figure does not include those platforms that have applied for authorisation but are not authorised yet. We are aware of at least five platforms in that situation in Finland, Greece and the Netherlands

⁶ Note: the sum of the platforms reported by each NCA exceeds the total number of regulated platforms as some platforms may be operating in more than one country.

⁷ In Germany, crowdfunding platforms are authorised and supervised by local trade authorities. Since 2015, because they are required to file a Key Investor Document at BaFIN for each crowdinvesting-instrument, they have been classified as regulated, which was not previously the case.

9. Only a handful of platforms reported in 2014 have formally ceased operations, including one in Italy. However, it seems that a number of platforms have limited activities, including some of those recently set up.

Regulatory status

10. Charts 2 and 3 below provide an overview of the regulatory framework under which regulated platforms operate and how this maps to the different countries.

Chart 2: Regulatory status

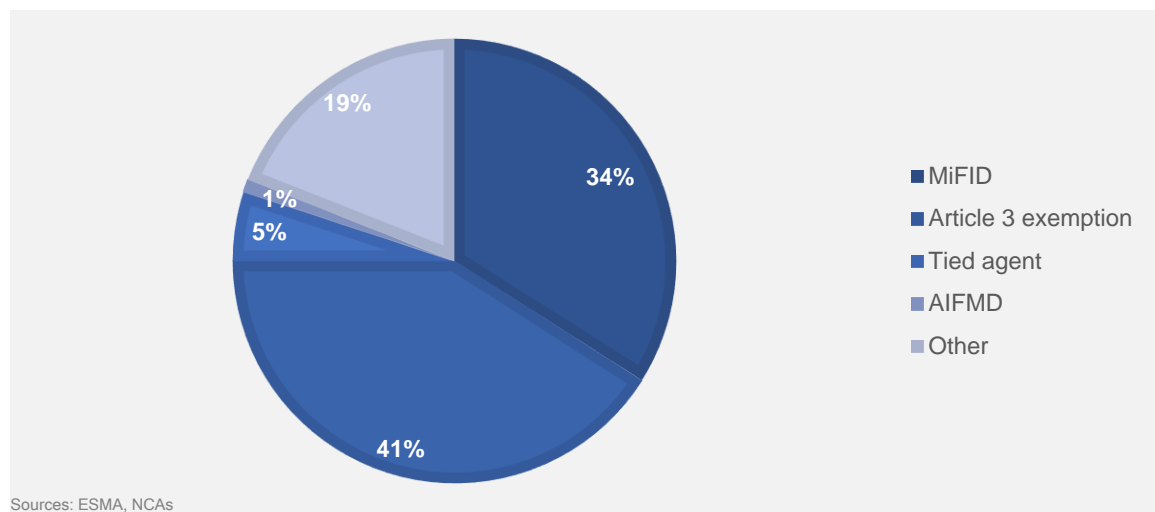
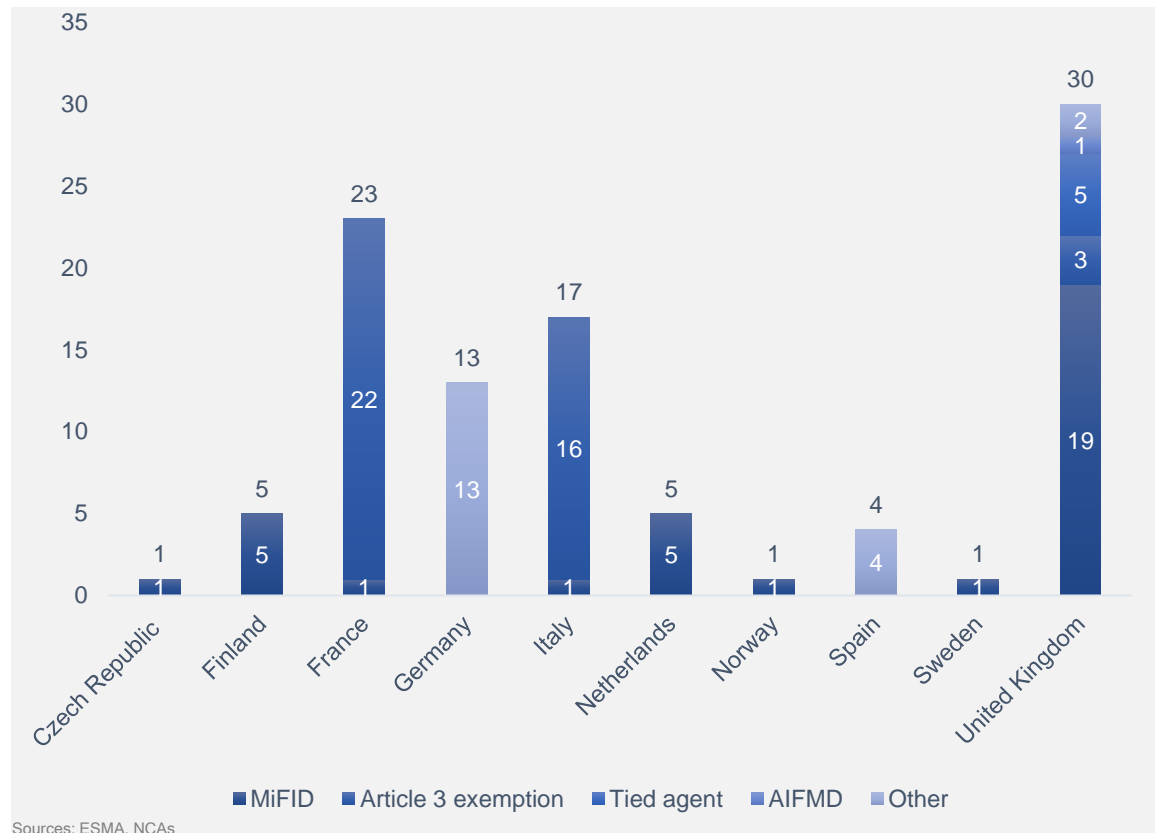


Chart 3: Regulatory status by country



11. Out of the 99 regulated platforms that were reported, 41 platforms operate under the Article 3 exemption of MiFID. Most are in France (22) and Italy (16) and the rest in the UK (3).
12. 33 platforms have a MiFID license. These platforms are concentrated in the UK (19), followed by the Netherlands (5) and Finland (5). The Czech Republic, France, Italy, Norway and Sweden each reported one MiFID regulated platform operating in their territory.⁸ Two of these platforms have been reported as authorised under AIFMD as well, both in the UK. One was reported as having assets under management below the threshold above which such joint authorisation is not permitted. The second was reported as being authorised to carry on the regulated activity of managing an unauthorised AIF.
13. Five platforms, all in the UK, act as tied agents of a MiFID investment firm. These platforms are not directly authorized but operate under the responsibility of a MiFID authorised firm. Two of them are tied agents of the same MiFID firm.
14. One platform operates under AIFMD in the UK.
15. Finally, 19 platforms were reported as authorised under national law. These include 13 platforms in Germany that do not use MiFID instruments, four platforms in Spain that

⁸ The same MiFID platform was reported both by Norway and Sweden and only counted once in the total.

operate under the national bespoke crowdfunding regime and two platforms in the UK that were reported as excluded from MiFID scope by virtue of Article 2.

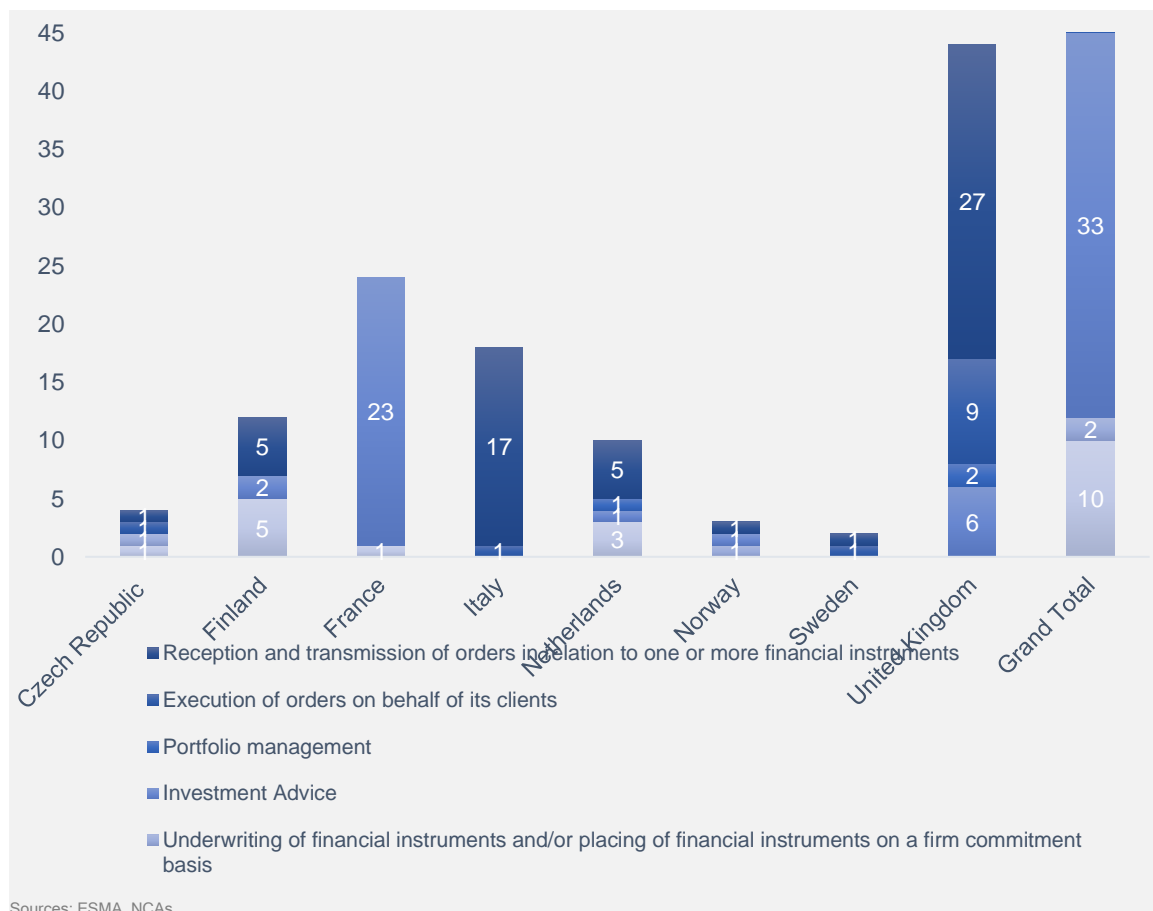
Cross-border activities

16. Two NCAs, namely Finland and the UK, have reported that platforms have notified them of the use of the MiFID passport, for a total of 12 platforms. These platforms have typically notified use of the MiFID passport for most if not all EEA countries.
17. Noteworthy, based on the information reported, one NCA only was aware of a platform authorised in another country being active in its territory by virtue of a MiFID passport, suggesting that cross-border activities are not easily identified.

Services/activities provided

18. The MiFID services/activities carried out by regulated platforms and how this maps by country are as follow:

Chart 4: MiFID activities/services by country



19. 'Reception and transmission of orders' (RTO) continues to be the most common service/activity offered by around 70% of the MiFID regulated platforms. 'Investment Advice' comes second but mostly because of France.
20. 12 platforms in the Czech Republic, Italy, Sweden and the UK offer 'Execution of orders on behalf of clients', all in addition to RTO. Ten platforms are reported to carry out 'Placing of financial instruments without a firm commitment basis'. All but one in France carry out this service in addition to RTO. In France, the platform carries out investment advice in addition to 'Placing of financial instruments without a firm commitment basis'. Three platforms, two in the UK and one in the Netherlands, provide 'Portfolio management', again all in addition to RTO. Two platforms, in the Czech Republic and Norway, offer 'Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis', in addition to several other activities, including RTO. No platforms are reported to provide the services of 'Dealing on own account' nor 'Operation of multilateral trading facility'. The five tied agent of MiFID firms only offer 'Reception and transmission of orders', despite being also authorised to provide 'Placing of financial instruments' and 'Investment advice'.
21. Noteworthy, the vast majority of platforms in France and Italy carry out only one type of MiFID services/activities, whereas platforms in other countries tend to have a broader range of activities. This is consistent with the national exemption regimes developed under Article 3 of MiFID in those countries. Indeed, in France the national exemption regimes requires platforms to carry out the service of investment advice, while in Italy the regime requires platforms to carry out RTO.
22. Only 17 platforms were reported as holding client money. The majority of these platforms are located in the UK (9), the rest in Czech Republic, Finland, and Sweden, and they are operated by MiFID investment firms, except in one case where the platform is authorised under AIFMD. Consistent with the restrictions imposed by MiFID, none of the entities operating within the Article 3 exemption of MiFID were reported as holding client money.

Initial capital requirements

23. Those platforms regulated under the Article 3 exemption of MiFID regime (41 platforms) have no initial capital requirements, with the exception of the UK where those platforms (two entities) have an initial capital requirement of €50,000.
24. The initial capital requirements of the MiFID platforms (33 entities) vary as follows:
 - 17 were subject to base capital requirements of €50,000, reflecting the limited activities they carry out.
 - 13 were subject to base capital requirements of €125,000, reflecting the fact that they have permission under MiFID to hold client money. Two of them, located in UK, are authorised both under MiFID and AIFMD.
 - Three were subject to base capital requirements of €730,000 or more, reflecting the fact that they are carrying out a wider range of activities (including underwriting/placing on a firm commitment basis).

25. Initial capital requirements for platforms regulated under national law (19 platforms) are the following: in Spain, the initial capital requirements for crowdfunding platforms are set at €60,000, while in Germany as a minimum the requirements set by corporate law apply, e.g., €25,000 for limited companies and €50,000 for stock corporations. One of the UK platforms excluded from MiFID scope by virtue of Article 2 had a capital requirement of €5,000 when the other had a capital requirement of €125,000. None of these platforms is allowed to hold client's money.
26. Those that are tied agents (five entities, all in the UK) do not themselves have any initial capital requirements. While the firm of which they are a tied agent would probably have some initial capital requirements, those requirements may not be specific to the crowdfunding activity.

Investment instruments and structures used

27. Direct investment in equities is still the most popular offering among regulated platforms. More than half of the platforms (53) offer that form of investment. Around a fifth of these platforms provide direct investment in bonds as well. Noteworthy, in Italy all the platforms provide direct investment in equity, as was already the case in 2014.
28. 11 platforms offer direct investment in bonds or other types of debt instruments exclusively, to be compared with eight in 2014. Several of them focus on investment in sustainable development projects, particularly in relation to solar or wind energy. Presumably, debt is a more attractive proposition than equity in such cases, because of the long term nature of the project and the income stream that it can generate.
29. The share of platforms using an indirect investment model has increased relative to 2014, mainly because of France where this model is fairly widespread. Nine platforms in France offer indirect investment through a 'holding company', one holding company being typically established for each project. This enables project owners to deal with only one counterparty and investors to act as a single block. Seven platforms in the UK and one in Sweden use a similar set-up but based around a special purpose vehicle in the case of the UK. A handful of platforms are also offering investment funds, as sole investment vehicle or alongside equity or debt.
30. In Germany, the platforms use instruments that are not deemed financial instruments under MiFID but fall under the scope of national law, such as 'profit participation rights'. The latter provide investors with a share of the profits but no ownership rights. In Spain, the platforms offer direct investment in non-transferable stakes of limited liability companies, which are generally not freely transferable.
31. Noteworthy, there has been an increase in the number of platforms offering real estate related projects (20 platforms) in France, Germany, the Netherlands, Spain and the UK. These platforms may focus on real estate projects exclusively or not and use direct or indirect investment frameworks.

Remuneration models and fee levels

32. The remuneration model where the project owner only remunerates the platform still dominates by far. Both investors and project owners remunerate the platform in around a third of cases. Remuneration by the investor only remains the exception, with only two platforms using this model in the UK.
33. When compared to 2014, it seems that fees charged by platforms have rather trended upward, even if it is difficult to draw firm conclusions from relatively small samples in several countries. We have also observed few cases of platforms changing their remuneration model. As an example, in the UK a handful of platforms are now charging variable fees to both project owners and investors, instead of fixed fees charged to project owners only. In Italy, one platform now applies different levels of fees to project owners, depending on the type of investor, reflecting the fact that handling a large number of small investments by retail investors is more cumbersome.
34. Another observable trend is that platforms offering real estate projects tend to charge higher fees and often includes a fixed fee in their remuneration. This situation may be explained by the fact that many offer bond instruments where there is no profit made at exit.

Platforms remunerated by project owners only

35. As discussed above, this remuneration model, whereby the platforms receive a percentage of the amount raised when the fundraising campaign is successful is the most popular. This model is dominant in Italy (where it is effectively the only model in place) but also in Germany, Spain and the UK. The percentage charged varies between 5-8% on average, slightly above the figures observed in 2014. Some platforms charge a significantly higher fee, up to 20%. Noteworthy, for real-estate projects, fees are generally higher (7-10%) and a fixed fee, which typically ranges from €2000 to €4500, often comes on top.
36. In the case where fixed administrative or listing fees come on top (less than half of the platforms that use this remuneration model), those fees range from €1000 to €6500 but may go up to more than €8000. None of the regulated platforms following this remuneration scheme seems to be remunerated by taking a share in profits from the project owner.

Platforms remunerated by both project owners and investors

37. This remuneration model represents almost one third of the platforms. It is particularly widespread in France.
38. The part of the fees charged to project owners typically takes the form of a percentage of the amount raised, as is usually the case when the platform is remunerated by the project owner only, as we discussed above. These fees typically range between 5-6% of the amount raised, but can go up to 10%. Some platforms charge other administrative fees in addition, which vary between €1000-€8000 but may be as high as €30,000 as we observed in one case. We have identified only two platforms that charge variable fees on the amount of profit made by project owners, 5% and 10% respectively.

39. Looking at the part of the fees charged to investors, some platforms charge a percentage of the amount invested, where the campaign was successful, ranging between 2%-6%. Other platforms take a share in profits, around 15% on average with variations between 5 and 20% and sometimes even 50%. Few platforms charge both.
40. It appears that charging fees to investors as well as project owners does not reduce the fees paid by project owners, or at least not to the extent that might be expected. Overall, the income received by those platforms that use this remuneration tend to be higher than in the other remuneration systems. This could be regarded as justified, if effectively these platforms are providing distinct services for the two parties paying fees (project owners and investors).

Platforms remunerated by investors only

41. This remuneration model continues to be the exception. Only the UK reported two platforms using this remuneration model: the first deals with real estate projects only and charges investors a one-off fee equal to 2% of the amount invested; the second, which provides investments in equities, charges 7.3% of the amount invested.

Implications for platforms

42. Because of the predominance of 'success' fees linked to successful achievement of a fundraising campaign, coupled with administrative or other charges collected at the same stage, much of the platforms' revenue is linked to the initial raising of funds, rather than the ongoing performance of the investment. This means that platforms may have an incentive to market projects aggressively and be less selective on the projects that they advertise, at least up to a point where they may face reputational risk. Because most of the fees are charged up-front once and for all, platforms also need to maintain a pipeline of new projects on an ongoing basis. This also means that they have little visibility on their future profitability and could face viability issues over time.

Implications for clients

43. From a project owner perspective, the payment of fees on successful completion of fundraising seems to be aligned with the initial objectives of the project owner. In terms of the cost of using platforms relative to other forms of finance it is hard to draw firm conclusions as the comparison is not straightforward. There may be financial and operational disadvantages for a project owner to use platforms relative to other funding means, e.g., because of the challenges involved in dealing with a high number of small investors.
44. From an investor perspective, only where the platform benefits from a share of the investor's profits is there an incentive for the platform to promote the success of the investment and therefore a strong alignment of interest. Where the platform co-invests there may also be an alignment of interests, but also the potential for conflicts of interests between groups of investors (i.e., the platform vs the investors) depending on how the co-investment is carried out.

45. Costs to investors remain difficult to assess at this stage. Investors could more cheaply have access either to listed equities or to funds of such equities, but depending on investor objectives this may not be the right comparator as few such companies would raise finance through crowdfunding platforms. It is not uncommon in private equity to see asset managers retain a substantial portion of the profit made on investments through performance fees. However, asset managers provide selection and monitoring services that crowdfunding platforms tend not to offer, not to mention the diversification benefits attached to investments in funds.

Appendix

Regulated entities

Number	Entity Name	Country	Website
1	Fundlift	Czech Republic	www.fundlift.cz
2	Invesdor	Finland	www.invesdor.com/finland/en
3	Innovestor	Finland	www.innovestor.fi/en/
4	Kansalaisrahoitus	Finland	www.kansalaisrahoitus.fi/
5	Nordea Crowdfunding	Finland	https://crowdfunding.nordea.fi/
6	Around	Finland	www.around.fi
7	1001PACT	France	www.1001pact.com
8	AB FUNDING	France	www.ab-funding.com
9	Anaxago	France	https://www.anaxago.com
10	Bulb in Town	France	www.bulbintown.com
11	CANBERRA IMMO	France	www.canberra-immo.fr
12	ClubFunding	France	www.ClubFunding.fr
13	CROWDFUNDING IMMO	France	www.crowdfundingimmo.fr
14	ENERFIP	France	www.enerfip.fr
15	EOS Venture	France	www.letitseed.com
16	FEDELIOS	France	http://www.feedelios.com/fr/home
17	FUNDIMMO	France	WWW.FUNDIMMO.COM
18	HAPPY CAPITAL	France	www.happy-capital.com
19	INVESTBOOK	France	https://www.investbook.fr/
20	Kaalisi	France	www.kaalisi.fr
21	LUMO	France	https://www.lumo-france.com
22	LYMO	France	www.lymo.fr
23	MY NEW STARTUP	France	https://www.mynewstartup.com
24	PROXIMEA	France	www.proximea.net
25	RAIZERS	France	www.raizers.com
26	SmartAngels	France	www.smartangels.fr
27	SORA EQUITY	France	https://sora-equity.com/
28	Sowefund SAS	France	https://www.sowefund.com
29	WiSEED	France	www.wiseed.com
30	BERGFÜRST AG	Germany	www.bergfuerst.com
31	Bettervest GmbH	Germany	www.bettervest.com
32	Companisto GmbH	Germany	www.companisto.com
33	CONDA Deutschland Crowdinvesting GmbH	Germany	www.conda.de
34	Exporo AG	Germany	www.exporo.de
35	Kapilendo AG	Germany	www.kapilendo.de
36	Civum GmbH	Germany	zinsland.de
37	DMI Deutsche Mikroinvest GmbH	Germany	www.deutsche-mikroinvest.de/
38	Aquarius Schwarmfinanz GmbH & Co. KG	Germany	www.aquarius-schwarmfinanz.de
39	Bürgerzins GmbH	Germany	www.buergerzins.de
40	GESEKA GmbH	Germany	www.geseka-kapitalanlagen.de
41	wiwin GmbH	Germany	www.wiwin.de
42	Seedmatch GmbH	Germany	www.seedmatch.de
43	StarsUp	Italy	www.starsup.it
44	Assiteca Crowd	Italy	www.assitecacrowd.com
45	Wearestarting	Italy	www.wearestarting.it
46	Tip equity	Italy	www.equity.tip.ventures

47	Nextequity	Italy	www.nextequity.it
48	CrowdFundMe	Italy	www.crowdfundme.it
49	Muumlab	Italy	www.muumlab.com
50	Mamacrowd	Italy	www.mamacrowd.com
51	Fundera	Italy	www.fundera.it
52	Ecomill	Italy	www.ecomill.it
53	Unicaseed	Italy	www.unicaseed.it
54	Equinvest	Italy	www.equinvest.it
55	Investi-re	Italy	www.investi-re.it
56	Equity Startup	Italy	www.equitystartup.it
57	Crowd4Capital	Italy	www.crowd4capital.it
58	Opstart	Italy	www.opstart.it
59	Cofyp	Italy	www.cofyp.com
60	Crowdabout now B.V.	Netherlands	https://www.crowdaboutnow.nl/voorpagina/
61	Duurzaaminvesteren	Netherlands	https://www.duurzaaminvesteren.nl/
62	Monefy B.V.	Netherlands	www.monefy.nl
63	Anders Financiereren	Netherlands	https://www.andersfinanciereren.nl/
64	Lendahand	Netherlands	https://www.lendahand.com/en-nl/
65	Invesdor OY	Norway	invesdor.com
66	LA BOLSA SOCIAL	Spain	https://www.bolsasocial.com/
67	SOCIOSINVERSORES	Spain	https://www.sociosinversores.com/
68	LIGNUM CAPITAL	Spain	http://www.lignumcap.com/
69	Adventure Network	Spain	http://www.adventurenetwork.org/
70	Pepins	Sweden	http://www.pepins.com/
71	Abundance	UK	www.abundanceinvestment.com
72	Crowdcube Capital Limited	UK	www.crowdcube.com
73	Seedrs Limited	UK	www.seedrs.com
74	Code Investing Ltd	UK	www.codeinvesting.com
75	Growthdeck	UK	www.growthdeck.com
76	InvestingZone Limited	UK	www.investingzone.com
77	Angels Den Funding Ltd	UK	www.angelsden.com
78	Social Stock Exchange Ltd	UK	www.socialstockexchange.com
79	Share-In Limited	UK	https://platform.sharein.com/
80	Ice Dragons Ltd	UK	www.icedragons.co.uk
81	Syndicate Room Limited	UK	www.syndicateroom.com
82	Volpit Limited	UK	www.volpit.com
83	Funding Tree (UK) Limited	UK	www.fundingtree.co.uk
84	Crowd for Angels (UK) Limited	UK	www.crowdforangels.com
85	Crowd2Fund Limited	UK	www.crowd2fund.com
86	London House Exchange Limited/ Property Partner	UK	www.propertypartner.co
87	VentureFounders Limited	UK	www.venturefounders.co.uk
88	Quintessentially Ventures Limited	UK	http://www.qventures.co/
89	AngelList Limited	UK	https://angel.co
90	Gamcrowd Ltd	UK	www.gamcrowd.com
91	Eureeca Ltd	UK	www.eureeca.com
92	Investden	UK	www.investden.com
93	Propnology Limited	UK	www.propnology.co.uk
94	Equity Spark Limited	UK	http://www.equityspark.com/index.php
95	Vestd Limited	UK	www.vestd.com
96	Envestors Limited	UK	www.envestors.envestry.com
97	Cogress Limited	UK	www.cogressltd.co.uk
98	iBondis Ltd	UK	www.ibondis.com



99	British Pearl Ltd	UK	www.britishpearl.com
100	Property Crowd Limited	UK	https://www.propertycrowd.com/

* Country of operation as reported by NCAs. Please note that this list includes both platforms that are directly authorised/registered and those which are tied agents of authorised investment firms.