

Regulatory News Alert

European CMU: Preliminary deal reached on new rules for crowdfunding platforms

20 December 2019

On 19 December 2019, Finland's presidency of the Council and the European Parliament reached a **political agreement on a new framework** facilitating the provision of services across the EU for **crowdfunding platforms**.

The initiative is part of the European **Capital Markets Union (CMU)**, which aims to deepen and further integrate the capital markets of the EU Member states. More specifically, the objectives of the CMU are to:

- Provide **new sources of funding** for businesses, especially for small and medium-sized enterprises
- Reduce the cost of raising capital
- Increase the options for savers across the EU
- Facilitate cross-border investing and attract more foreign investment into the EU
- Support long-term projects
- Make the EU financial system more stable, resilient, and competitive.

The now agreed crowdfunding framework addresses in particular the first objective, i.e. providing **easier access to new financing sources**.

Crowdfunding framework

The new rules for crowdfunding platforms are part of the implementation of the [European Commission's Action Plan on Building a Capital Markets Union](#), published in 2015, which sets out the Commission's priorities for strengthening EU investment for the long term.

In particular, the rules will **remove barriers for crowdfunding platforms to operate cross-border** by harmonising the minimum requirements when operating in their home market and other EU countries.

Furthermore, the agreed rules will increase **legal certainty** through common investor protection rules. The text sets out common prudential, information, and transparency requirements. It also includes **specific requirements for non-sophisticated investors**. At the same time, the rules for EU crowdfunding businesses differentiate between the provision of funding in the form of a loan or an investment (through shares and bonds issued by the company that raises funds).

Lastly, the framework defines **common authorisation and supervision rules** for national competent authorities. The **European Securities and Markets Authority (ESMA) will play a major role** in facilitating coordination and cooperation, having tools such as a binding dispute mediation mechanism and the development of technical standards at its disposal.

Scope of the agreed deal

The new rules as agreed by the Presidency and the Parliament will **cover crowdfunding campaigns of up to EUR 5 million over a 12-month period**.

Larger operations will fall into the scope of the Markets in Financial Instruments Directive (MiFID) and the Prospectus Regulation, while **reward- and donation-based crowdfunding** are explicitly excluded from the scope of the proposed framework.

Next steps

The text will be finalised from a technical perspective and, in a next step, **submitted to EU ambassadors for endorsement** with a view to reaching an agreement in the form of a (pre-negotiated) Council position at first reading. After a legal linguistic revision, Parliament and Council will then be invited to adopt the proposed regulation as an '**early second-reading agreement**'.

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