

Crowdfunding in the EU

Identification	
First name -open reply-(compulsory)	Carol
Family name -open reply-(compulsory)	Comley
What category describes you best? -single choice reply-(compulsory)	Other
Please specify -open reply-(optional)	Funding body
Organisation's name -open reply-(compulsory)	British Film Institute (BFI)
Gender -single choice reply-(compulsory)	female
Country (of residence or establishment) -single choice reply-(compulsory)	United Kingdom
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)	
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)	
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)	
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 SPECIFIC ADVANTAGES DO FINANCIAL FORMS OF CROWDFUNDING HAVE? (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)	
Identifying the role of the EU	
Raising awareness -multiple choices reply-(optional)	donations - rewards - pre-sales - profit sharing - lending - equity/debt (shares/bonds)
Combining public funding and crowdfunding -multiple choices reply-(optional)	donations - rewards - pre-sales - profit sharing - lending - equity/debt (shares/bonds)
Coordinating self-regulation -multiple choices reply-(optional)	donations - rewards - pre-sales - profit sharing - lending - equity/debt (shares/bonds)
Sharing national experiences & regulatory best-practices -multiple choices reply-(optional)	donations - rewards - pre-sales - profit sharing - lending - equity/debt (shares/bonds)
Providing easier market access to all EU countries -multiple choices reply-(optional)	donations - rewards - pre-sales - profit sharing - lending - equity/debt (shares/bonds)
Protecting contributors from risks -multiple choices reply-(optional)	donations - rewards - pre-sales - profit sharing - lending - equity/debt (shares/bonds)
What are the obstacles to market access for donation, reward or pre-sale campaigns/platforms? -open reply-(compulsory)	- Lack of awareness of crowdfunding as a financing method. - Uncertainty of the benefits of investing in this way. - The current legal and regulatory framework; particularly limiting the potential of the investment model. These barriers principally exist to protect consumers from unsuitably high risk or fraudulent investments, but can prevent platforms from offering simple ways for fans and enthusiasts to invest in the creation of projects and be rewarded for doing so.
Do you have in mind other areas of action for the EU that would help reap the benefits of crowdfunding? -open reply-(optional)	In other areas of action for the EU we could propose an appropriate intervention by Creative Europe programme (increasing awareness, training, mapping studios etc). Data availability, collection, analysis and dissemination.
Should all crowdfunding platforms be obliged to -multiple choices reply-(optional)	Inform project owners and contributors of applicable fees - Guarantee the processing of payments - Check the identity of the

	project owner - Check the legality of the projects proposed
What other measures would protect contributors appropriately, especially in the case of "direct crowdfunding campaigns" that do not use a platform? -open reply-(optional)	There is a possibility of 'scams' alongside genuine projects and genuine companies, so governments across the EU could help the market self regulate by requiring crowdfunders to report each year on projects supported and funds raised, and to verify that the projects actually occurred. The European Commission could encourage that by issuing a Recommendation to do so.
What do you think of EU law on financial services as applied to crowdfunding today? -single choice reply-(optional)	
Do you have any other comments? -open reply-(optional)	Additional comments in document attached.

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We regard crowdsourcing as an extremely important new and increasingly popular means of addressing the challenges related to access to finance by audiovisual businesses. In particular, we consider, equity crowd funding as the most interesting area for growth as it requires a return on investment if the business or idea does well. The EU is a huge potential growth area for crowd funding platforms. There is a need to facilitate the growth in Europe and so we welcome the Commission's initiative to promote crowdfunding across the EU.

The BFI supports the UKIE's recommendations made in its February 2012 report '*A Proposal to Facilitate Crowd Funding in the UK*':

- Crowd funding should be recognised and encouraged generally as a new way of accessing finance and financing for ventures and ideas of any size.
- The regulatory regime needed to be changed to become more 'light touch'.
- There should be no requirement to issue shares to investors in terms of the equity model.
- There should be no limit on what could be raised per project.
- There should be a limit per person per project to protect consumers.
- Consumer protection and best practice guidelines should be established – so that industry should self-regulate

<http://ukie.org.uk/sites/default/files/UKIE%20Crowd%20Funding%20Report%20-%20A%20Proposal%20to%20Facilitate%20Crowd%20Funding%20in%20the%20UK%20-%20February%202012.pdf>

Submitted response by BFI, UK