

European Commission: Public consultation on Crowdfunding in the EU

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On 3 October 2013, the European Commission launched a Consultation on crowdfunding in the European Union. The aim of the Consultation is to explore whether there is an added value of potential European level policy action to encourage the growth of crowdfunding.

Crowdfunding is an alternative form of financing a specific project or business, using open calls to the public usually through the Internet. Crowdfunding is generally facilitated by a web-based intermediary (so-called crowdfunding platform), which assist in publishing campaigns, reaching contributors and collecting funds. Crowdfunding can take a variety of different forms, such as: donations; rewards; pre-selling; lending and security-based investments.

Due to the economic crisis, financing became more difficult due to the reduction in the lending activity of banks. Therefore, the need to develop alternative sources of financing has grown. This growth is illustrated by the amount of money collected from crowdfunding. In 2012, a total amount of EUR 735 million was raised, an increase of 65 percentage points compared with the figures from 2011.

To maintain this increasing interest in crowdfunding, the Commission will explore whether the EU can contribute to the growth of this new, alternative form of financing and if there is a need for action. Action may consist of soft-law measures or legislative actions to stimulate growth, while ensuring an adequate level of protection for contributors. Safeguards are needed to ensure peoples trust and to prevent crowdfunding from becoming a monetary trend that fades away.

Crowdfunding has many benefits that suit the objectives of the European Commission. One of these advantages is encouraging entrepreneurship by bridging the financial gap for small firms and innovative projects. This is stipulated in the Entrepreneurship 2020 Action Plan, which aims to facilitate new and alternative forms of financing for start-up businesses and to increase the level of employment. Also, the European Council acknowledged the need to develop alternative sources of financing in cooperation with member states.

Nonetheless, crowdfunding can be risky. There is a risk of fraud, for example, where the money collected is not used for its stated purpose. However, it has been argued that the use of social media can reduce the possibilities of launching

fraudulent crowdfunding campaigns. As well as this, pursuant to the E-Commerce Directive, platforms and project owners must identify themselves and must also identify the purpose of their activity.

Due to the advantages of crowdfunding, the Commission has set up a Consultation to determine whether EU-action would add value for the different types of crowdfunding. It also aims to map out applicable national rules and views of stakeholders on what would be an optimal legal framework. The consultation runs from 3 October 2013 until 31 December 2013 and is available on the website of the Commission.

Consultation by the European Commission on Crowdfunding in the EU - Exploring the added value of potential EU action

http://ec.europa.eu/culture/news/20131011-crowdfunding_en.htm

