

# Current State of Crowdfunding in Europe

July 2021



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# Foreword



When we published our first report on the Current State of Crowdfunding in Europe 5 years ago, we already predicted that this industry would not develop at the same speed in different parts of Europe. Based on our “Maturity Index”, we identified the different preconditions which are needed to develop a more mature industry.

The crowdfunding ecosystem in our identified frontrunner countries, such as the UK, Germany, the Netherlands and France, indeed grew very rapidly, financing at least 500 million to 1 billion euros a year in funding.


With the aim of re-identifying the current situation in Europe, we reached out to our international partners in the Altfinator Policy Network and worked together with our academic partners at the Cambridge Centre for Alternative Finance and the European Centre for Alternative Finance to provide in-depth insights on the Current State of Crowdfunding in Europe in 2020.

In this edition, we focused specifically on the Covid-19 impacts on the crowdfunding industry. We found out that the crowdfunding industry was very agile - it has swiftly implemented new business models and provided additional support and flexibility for the projects and companies that it supported.

It is now a special moment in history for the European crowdfunding industry. In 2020, the new European Crowdfunding regulation (ECSP) was adopted and the new pan-European regulation will be enforced on November 10<sup>th</sup>, 2021. From that moment, crowdfunding will be enabled in all European member states. This marks the beginning of the next wave of improvements in the European crowdfunding ecosystem.

In the next 5 years, the ECSP regulation will not only foster the development of crowdfunding in more countries in Europe, but also ensure that crowdfunding is integrated as a key component in the European Capital Market Union. This will boost the collaboration between public authorities and crowdfunding platforms for match-funding models. It will also enable private and public funds, including European Structural Funds to be distributed through crowdfunding platforms.

I am really looking forward to the growth of the crowdfunding industry in the next 5 years and I am excited to see what the industry will have accomplished when we publish our report in 2025.



Ronald Kleverlaan  
Chairman of CrowdfundingHub

# Executive Summary

According to the 2020 *Cambridge Centre for Alternative Finance (CCAF) Alternative Finance Benchmarking Report*, the total alternative finance market in Europe reached €15,3 billion in 2018. The European online alternative finance market has tripled between 2015 and 2018. In 2018, about 632 crowdfunding platforms were operating in Europe and contributed to a total volume of €6,5 billion in the Crowdfunding market.

Despite the negative impacts caused by the global pandemic in 2020, many European countries have seen an increase in crowdfunding market volume. Two leaders of the Europe crowdfunding market - Germany and France - have collected approximately €1,26 billion and €1,02 billion respectively. Other countries, including Italy and Norway, have also seen great crowdfunding market performance. It is worth noting that reward and donation-based crowdfunding experienced a huge increase during the COVID-19 crisis. Most of the donations were made to support those who were impacted by the pandemic. Thus, reward and donation-based crowdfunding is expected to continue its growth in the upcoming years.

In 2020, many European countries also experienced an increase in the real estate crowdfunding market. It is understandable and natural that investors choose to seek low-risk investment opportunities such as real estate investments. By 2020, the real estate crowdfunding volume in France has increased by 35%, whereas in Italy, the increase reached 185%.

In this report, we also address several special focuses that concentrate on the implementation of the Regulation on European Crowdfunding Service Providers (ECSP) and the impacts of COVID-19 on European crowdfunding markets.

## Partners

This report is possible thanks to our collaborative work with our partners.

**ikosom GmbH** - ikosom is a Digital Technology Think-tank based in Berlin. The team of ikosom has supported several thousand crowdfunding campaigns with social media advice and campaign planning. Ikosom is also a Project Partner in several European projects, such as CROWD-FUND-Port and CE-RESPONSIBLE.

#Tech\_Education.  
#Tech\_Regulation.  
#Tech\_Communication.

**TechInnovation.**

The **European Centre for Alternative Finance (ECAF)** is a research centre within Utrecht University. It has a central role in guiding the international research agenda on alternative finance, supporting financial inclusion and access to finance. ECAF is a joint initiative of Utrecht University School of Economics (U.S.E.), CrowdfundingHub and Sustainable Finance Lab.



The **Cambridge Centre for Alternative Finance (CCAF)** at the Judge Business School is an international and interdisciplinary research institute based at the University of Cambridge Judge Business School. Since its founding in 2015, CCAF has conducted research across four main streams, including alternatives online finance channels and instruments, alternative payment systems, and regulation and policy in alternative finance.



The **AltFinator Policy Network** is an informal network of Crowdfunding platforms, Alternative Finance Researchers and Crowdfunding/Fintech Associations in Europe. With more than 700 members, it is the largest Alternative Finance Network in Europe.



# Introduction

What is the current state of crowdfunding in Europe? The purpose of this report is to analyse and regroup information of six representative European countries (France, Italy, Netherlands, Norway, Germany, UK) and to share insights of experts from six other European countries (Spain, Finland, Malta, Portugal, Hungary and Denmark). Our research is based on the crowdfunding market performance in 2020<sup>1</sup>. Regarding the European crowdfunding market, in this report, we will discuss five main segments:

- **Donation-based:** Donors provide funding to individuals, projects or companies based on philanthropic or civic motivations with no expectation of monetary or material.
- **Reward-based:** Backers provide funding to individuals, projects or companies in exchange for non-monetary rewards or products.
- **Lending-based / digital lending:** Investors lend money to a project or venture during a determined period of time. After this period, investors get their investment back with a fixed interest rate. The digital nature of most P2P lending platforms offers opportunities for decreased overhead for lenders and lower interest rates for borrowers.
- **Equity-based / digital capital raising:** Individuals or institutional funders purchase equity issued by a company.
- **Real Estate Crowdfunding:** crowdfunding that focuses on property investments, either with loans or with equity.

We have selected six representative countries in Europe for the data report. These countries have a relatively high market volume as compared to other European countries and a much more mature ecosystem<sup>2</sup>. They also have more abundant and up-to-date data available. In each section, we will introduce the current market performance within the country, the detailed figures of each crowdfunding segment and the impacts of COVID-19 on the country's crowdfunding market.

Thanks to the close link between CrowdfundingHub and Cambridge Centre for Alternative Finance (CCAF), we also include data recently collected by a survey that is conducted by CCAF among 321 European crowdfunding platforms<sup>3</sup>. This data will provide in-depth insight on market performance, governmental interventions, platforms' new products and product changes of the crowdfunding platforms due to the impacts of COVID-19.

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<sup>1</sup> The research is based on the most up-to-date data that is available in 2021. For some countries, such as Germany and the UK, the data and resources are still quite limited by the closing date of the report.

<sup>2</sup> Karsten Wenzlaff and Ronald Kleverlaan will be publishing a framework to conceptualize Alternative Finance & Crowdfunding Maturity in an upcoming book on Public Collaborations of Crowdfunding Platforms (Springer Science, forthcoming)

<sup>3</sup> CCAF Global COVID-19 FinTech Market Rapid Assessment Study:

<https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/2020-global-covid-19-fintech-market-rapid-assessment-study>

# Authors

## Ronald Kleverlaan

*Ronald Kleverlaan is a thought leader on Community and Alternative Finance in Europe. He is the founder and senior partner at CrowdfundingHub. He is appointed as Director of the European Centre for Alternative Finance, an academic research centre of Utrecht University with a multi-disciplinary approach (finance, entrepreneurship, law, sociology) to research the potential of Alternative Finance. His speciality and academic interest is in community finance and community ownership. He is involved in a number of European consulting projects, was co-founder of the European Crowdfunding Network and member of the advisory board of several industry associations in Europe, China, Africa and USA.*

## Karsten Wenzlaff

*Karsten Wenzlaff is Secretary-General of the German Crowdfunding Association and co-founded the AltFinator Policy Network together with Ronald Kleverlaan. He was a member of the European Crowdfunding Stakeholder Forum of the European Commission and has collaborated closely with Crowdfunding Associations all over Europe to shape the new European Crowdfunding Regulation. He is Researcher at the University of Hamburg, Research Affiliate at the European Alternative Finance Center at the University of Utrecht and Research Affiliate at the Centre for Alternative Finance at the Judge Business School of the University of Cambridge. He has been asked several times to comment on Crowdfunding and Fintech Legislation in the Finance and Digital Affairs committee of the German Parliament. He owns the Crowdfunding Consultant Firm ikosom.*

## Yunuo Zhao

*Yunuo Zhao is a research and communication specialist at CrowdfundingHub. She has a unique perspective in international finance, financial services and alternative finance and works closely with European AltFin experts. She is also in charge of CrowdfundingHub's website and social media network and actively participates in communicational activities of numerous European Commission projects such as HUB-IN, ENTRANCE, Altfinator and DivAirCity.*

## Pieter van de Glind

*Pieter van de Glind is a senior advisor at CrowdfundingHub and co-founder of the Sharing Cities Alliance. He has a decade of professional experience in the sharing economy and urban development. Pieter authored several publications and gave more than 250 keynotes in more than 25 countries. His deep knowledge on sharing, digital platforms and new financial models empowers communities, business and governments to move forward on their goals. Currently he is applying community finance models to a dozen cities from around the world to boost sustainable and inclusive urban regeneration and to Europe's transportation and mobility sector, to accelerate the uptake of sustainable solutions.*

## Elorie Roux

*Elorie Roux is a junior consultant and provided the desk research for the report.*



# Special Focus: European Crowdfunding regulation

*Karsten Wenzlaff*



Crowdfunding in Europe is a success story. Despite the impact of COVID-19, the markets have grown and large platforms have established themselves. However, one of the big challenges is cross-border equity-based and lending-based Crowdfunding. In donation- or reward-based Crowdfunding, the “Directive on electronic commerce” (2000/31/EC) and its subsequent regulations were able to create a stable framework for selling- and purchasing goods on digital platforms, which is essentially what reward-based crowdfunding is from a legal point of view.

The equivalency of the eCommerce-Directive for Equity- and Lending-based Crowdfunding could have been the “Markets in Financial Instrument Directive II” (2014/65/EU), but as early as 2014 it was clear that the MiFID framework would not create a harmonized framework across Europe for crowdfunding platforms. Member states were eager to “gold-plate” the requirements for platforms, therefore making it very difficult to operate across borders.

Seven years later, the ECSP-Regime is in place. The “Regulation on European crowdfunding service providers for business” (2020/1503/EU) will create a harmonized regime for most financial-return crowdfunding platforms providing access to finance for businesses. For the first time, companies have the possibility to reach out to potential investors in all member states of the European Union. They can use transferable securities, loans or instruments comparable to shares of limited companies to attract investors, and raise up to €5 million per year through Crowdfunding.

The success of the regime can already be felt by the fact that the US crowdfunding rules, which previously allowed offerings up to \$1,07 million, were recently adapted to allow crowdfunding financing rounds of up to \$5 million, which seems to be the threshold for offerings without a traditional prospectus. So even though the ECSP will only become in force in November 2021, it already shapes the global alternative finance and crowdfunding industry.

For Equity-based Crowdfunding, securities will be the main instruments of choice through the ECSP. Because these financial instruments are well-standardized across Europe, it will most likely boost the confidence of investors. Even though the ECSP does not allow Initial Coin Offerings (ICOs), it is still open for tokenized securities, which are traded on a blockchain. Therefore the ECSP will also be a boost to blockchain-based finance.



For Lending-based Crowdfunding, for the first time in most member states loans can be intermediated without a banking license. The platforms are even allowed to manage a portfolio of loans on behalf of the investors, essentially providing them with an auto-bidding and auto-investing feature, whereby the investor only specifies his or her risk tolerance, and then the platform matches the risk tolerance to adequate lenders.

The regulation focuses on the platforms. Platforms have to register in their national jurisdictions and are supervised by the national agencies, such as the Central Banks or the Securities Markets Offices. In line with the transparency of crowdfunding, platforms will have to provide detailed information about their business procedures, ownership structures, marketing activities and fraud prevention strategies.

The burden on the issuers, ie the companies seeking funds, is comparatively low. Issuers have to provide a six-page key investment information sheet, which is a summary of the planned business activities and investment opportunities presented to the investors.

The investors do not face any particular restriction. They can invest unlimited amounts if they qualify as a sophisticated investor, and if they do not qualify as such, the platform has to ensure that the retail investors are aware of the risks of crowdfunding.

The regulation is well-balanced between enabling market growth and consumer protection. However, the verdict on the practicability of the regime will depend on how the ECSP is being implemented across the European member states. Even though it is a regulation and therefore directly applicable to law, member states have to provide some clarity on some of the provisions. The consultation of the clarification articles of ESMA and EBA have shown that sometimes the devil is in the details. The threat is that some of the provisions can only be managed by large platforms.

The ECSP will boost market volumes all over Europe. The number of platforms will rise, but also necessitate platform collaborations across the member states of the European Union.

# Special Focus: COVID-19 Impact

Yunuo Zhao



Despite the lockdowns during COVID-19, the global aggregate FinTech industry experienced an average growth of 11% in transaction volumes and 13% in number of transactions, according to a survey<sup>4</sup> conducted by CCAF from July to August 2020, with the participation of 9,431 Fintech companies and insiders. The number of corporate customers, new customers and new borrowers have also experienced increases.

COVID-19 negatively impacted the global FinTech industry, reflected by increases of indicators such as arrears or late-repayments (14%), time-to-value (the time between client introduction and onboarding time, 11%), default on outstanding loans (9%), non-payments (9%), number of claims (9%), and others.

Changes in politics, products and services of platforms also occurred as a response to COVID-19. Platforms have implemented changes to their existing terms, products and service agreements. For instance, more than one third of the firms implemented changes or started to process changes to qualification or onboarding criteria, fee reduction or commission reduction, payment easements and fee/commission waiver. Adjustments in new products and services occurred in value-added non-financial services, enhanced fraud and/or cybersecurity features, disbursement of COVID-19 relief funds or assistance funds, etc.

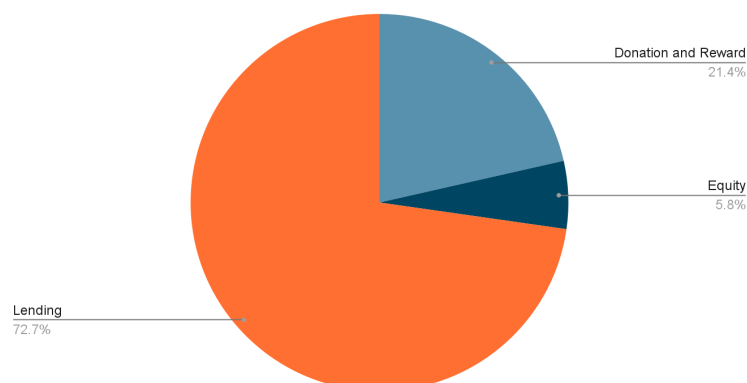
Governments have also responded to the pandemic with political measures and interventions. Implementations in COVID-related relief measures concentrated in government job retention measures, government tax relief schemes, industry-led relief measures and so on. What's more, imposed lockdown measures also caused impacts on daily operations of alternative financial institutions, resulting in operational and financial challenges for FinTech companies.

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<sup>4</sup> CCAF Global COVID-19 FinTech Market Rapid Assessment Study:  
<https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/2020-global-covid-19-fintech-market-rapid-assessment-study/>

## France

The French crowdfunding market reached an unprecedented record of €1,02 billion collected by 37 platforms, resulting in a sharp increase of 62,2% as compared to 2019. Lending-based crowdfunding, as the market leader, takes up 72,7% of the market.



### An overview on French crowdfunding market performance in 2020:

	Donation and reward-based Crowdfunding	Equity-based Crowdfunding	Lending-based Crowdfunding
Amount collected	€218,5 million	€59,2 million	€741,9 million
Market share	21,4%	5,8%	72,7%
Success rate*	75,8%	93,6%	99,6%

\*Success rate is the weighted average of subordinate categories' success rates, if there are any.

## Donation and reward-based Crowdfunding

The donation-based crowdfunding market experienced the greatest increase in 2020. It has increased by 174%, reaching a total collected amount of €218,5 million, whereas this number in 2019 was merely €79,6 million. The majority of the volume was collected by donations without rewards, reaching €146 million, as compared to €72,5 million collected by donations with rewards. The selection rates were 61,86% for donations with rewards and 40,64% for donations without rewards. 108.873 projects were successfully financed by 1,6 million funders.

The average amount collected per project of donations without reward was €1.479, much less than €7.144, the average amount collected per project of donations with rewards. The average contribution per funder is also quite different: €247 for donations without a reward and €73 for donations with rewards. Therefore, projects funded by donations with rewards need an average of 98 funders, as compared to 6 for projects funded by donations without reward.

Donation-based projects have relatively high success rates: 75,88% for donations without reward and 75,54% for donations with rewards. These two success rates were really similar because projects that were eventually put online had already been pre-selected by platforms. Moreover, the money collected went to multiple sectors: €65,1 million went to the economic sector, €71,2 million went to the cultural sector and €82,3 million went to the social sector.

	Donation with Rewards	Donation without Rewards
Amount Collected	€72,5 million	€146 million
Number of Projects	10.149	98.725
Amount Collected Per Project	€7.144	€1.479
Number of Funders	98	6
Success Rate	75,54%	75,88%

### Platforms

KissKissBankBank, Tugio, Ulule

## Equity-based Crowdfunding

As the smallest French crowdfunding market branch, equity-based crowdfunding raised €59,2 million in 2020. This market consists of two main categories:

- Capital: the classic concept of equity-based crowdfunding. Investors become shareholders of the company and receive dividends as remuneration.
- Royalty: investors invest in a project and in return receive a percentage of the turnover (royalty) generated over a given period (between 3 and 5 years). The project owner and the crowdfunding platform manager agree together on the duration and the amount of royalties to be paid.

In 2020, capital crowdfunding collected €57,1 million, financing 522 projects with 16.737 investors. On average, each capital project collected €109.419 and had 32 investors. A high success rate of 94,44% was reached in capital crowdfunding, the selection rate and the average costs (in percentage of collected amount) were at 5,85% and 6,59% respectively.

There is a great difference when we look at the royalty crowdfunding. Collecting €2,1 million, royalty crowdfunding only financed 36 projects with 1.146 investors. The average amount

collected per project, €58.333, was almost half of that of capital crowdfunding. However, the average number of investors per project was similar to that of capital crowdfunding, reaching an average investment of €1.823 per investor. Royalty crowdfunding also had a lower success rate (72%), a higher selection rate (9%) and higher average costs (7%).

The positive outcome rates for capital and royalty crowdfunding are both 91%. Money was invested in multiple sectors unevenly. Most of the money, €57,2 million, went to the economic sector, followed by €1,2 million to the cultural sector and €0,8 million to the social sector.

	Royalty Equity-based Crowdfunding	Capital Equity-based Crowdfunding
Amount collected	€2,1 million	€57,1 million
Number of projects	36	522
Amount collected per project	€58.333	€109.419
Number of funders	32	32
Success rate	72%	94.44%

### Platforms

Anaxago, Tudigo, Mynewstartup, Sowefund, Wised

## Lending-based Crowdfunding

The French lending-based crowdfunding market consists of four types of loans:

- Non-interest-bearing: loans that do not require any interest.
- Interest-bearing: loans that require a specific interest rate.
- Bond-based: loans issued by companies in the form of bonds. Funders lend a portion of the capital and become the creditor of the company. Once the campaign is over, investors become bondholders and their loan will be fully repaid at the maturity date. In addition, investors will receive interest during the entire period.
- State-guaranteed: loans introduced by the French government to overcome COVID-19.

In 2020, French lending-based crowdfunding platforms have collected €741 million, resulting in a 46% increase as compared to 2019. Three fourth of the collected volume went to real estate and

renewable energy industries. Bond-based loans kept driving the loan market, representing 90,5% of the total volume. State-guaranteed loans represented a much smaller market share, collecting only €4,8 million.

Non-interest-bearing loans held the smallest volume, collecting only €1,8 million in 2020. With the participation of 2.010 funders, non-interest-bearing loans financed 3.149 projects with a 100% success rate. The average amount collected per project was €572, whereas the average costs went up to 5,65%, being the highest among all categories.

Interest-bearing loans represented a total volume of €56 million, standing as the second-highest collected volume. Interest-bearing loans financed 3.820 projects with the help of 76.631 funders. Each project collected on average €14.658, with an average contribution of €733 per funder and a selection rate of 4,89%. Interest-bearing campaigns had a 99,55% success rate and average costs of 4,41%. They also had the second-highest return rate (6,27%) and an average duration of 33 months.

Due to COVID-19, French government has introduced state-guaranteed loans, which only represented a small part in the crowdfunding market: €4,80 million collected, financing 94 projects. The average amount collected per project was €51.064, 5.694 funders invested an average of €837 per person. The selection rate, 2,47%, was the lowest among other categories. State-guaranteed loan projects, however, had the lowest success rate of 91,67% and the lowest average costs of only 0,83%. The return rate for these investments was 2% with a default rate of 3,25% and a loss rate of 2,33%. State-guaranteed loans were the only ones that had a default rate and a loss rate. Furthermore, they had the shortest average duration: only 12 months.

Once again, the collected funds were invested in multiple sectors. About €740,6 million was invested in the economic sector, followed by €1 million invested in the social sector. Only €0,1 million was invested in the cultural sector.

	Non-Interest-Bearing Loans	Interest-Bearing Loans	Bond-Based Loans	State-Guaranteed Loans
Amount collected	€1,8 million	€56 million	€660,8 million	€4,80 million
Number of projects	3.149	3.820	1.638	94
Amount collected per project	€572	€14.658	€403.466	€51.064
Success rate	100%	99,55%	99,59%	91,67%
Average loan duration	-	33 months	33 months	12 months

## Platforms

Anaxago, Bien prêter, ClubFunding, Credit.fr, Lendopolis, Les Entreprêteurs, Look&Fin, October, MyOptions, Pretup, Prexem, Tributile, WeShareBonds

## Real Estate Crowdfunding

French real estate crowdfunding has experienced a 35% increase since 2019, collecting €505 million in 2020.

589 projects were financed by 32 identified platforms, showing an 8% increase since 2019, which is possibly due to the maximum collecting amount per project that was increased this year. In October 2019, the allowed collecting amount was raised from €2,5 million to €8 million, granting financements for more important and bigger projects by companies or start-ups. In 2020, 15% of the projects collected between €5 and €8 million, confirming the previous statement.

## Platforms

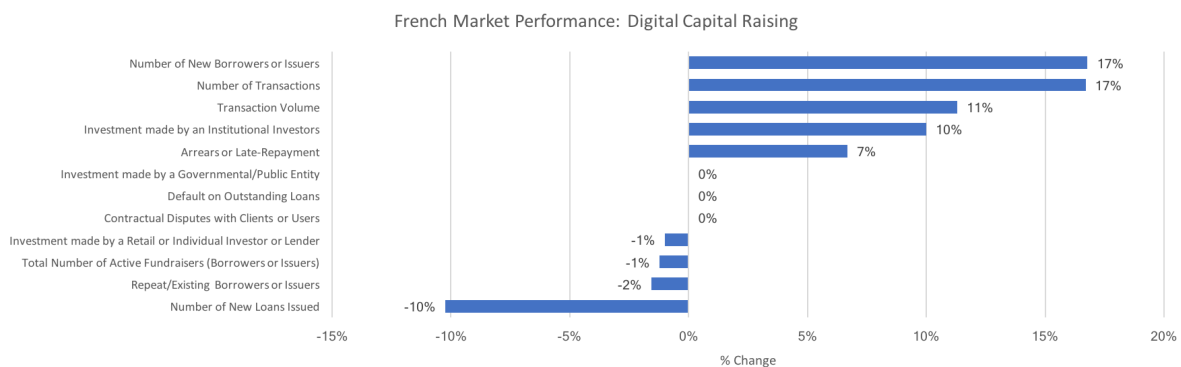
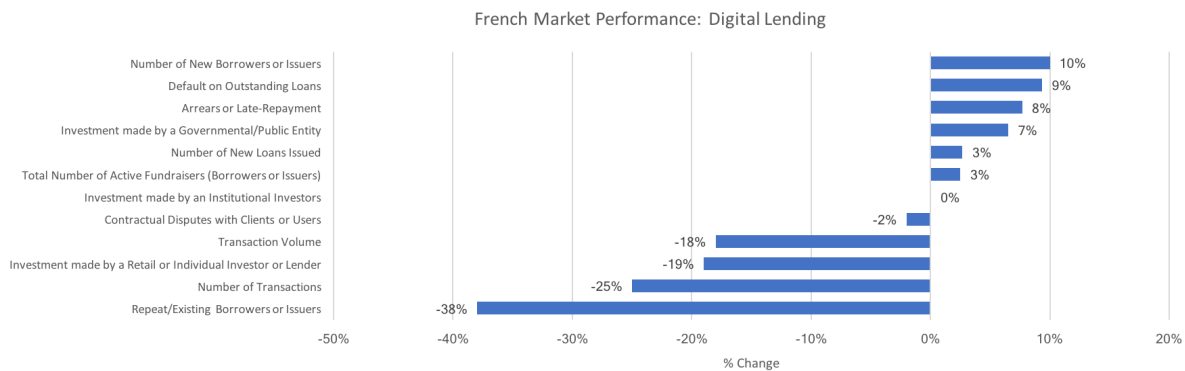
Anaxago, Beefordeal, Canberra Immo, ClubFunding, Crowdimmo, EuroRaiser, Find&Fund, Fundimmo, HEXAGONE, Homunity, Immocratie, Immoesting, Koregraf, Lymo, Monego, My Capitalimmo, StoneRaise, Upstone, weeXimmo, Wiseed

## Impact of COVID-19

Thanks to the data provided by Cambridge Centre for Alternative Finance (CCAF), in this section, we are able to provide insights indicating the market performance, government interventions, and product developments in lending (digital lending) and equity-based (digital capital raising) crowdfunding in the French crowdfunding market.

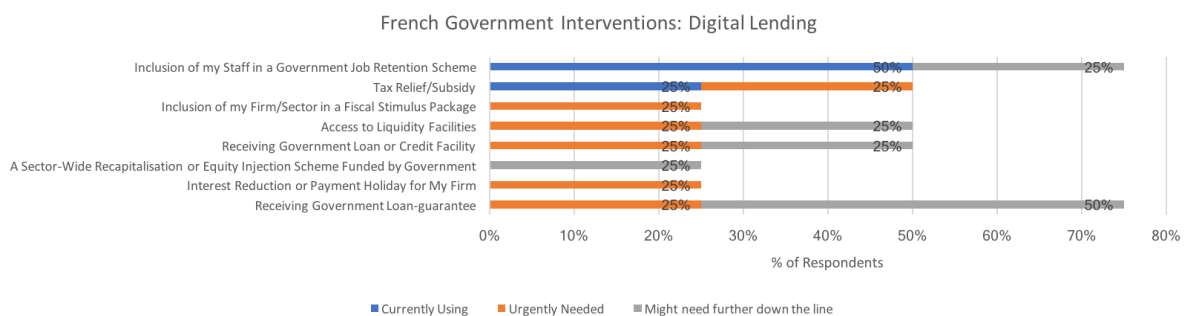


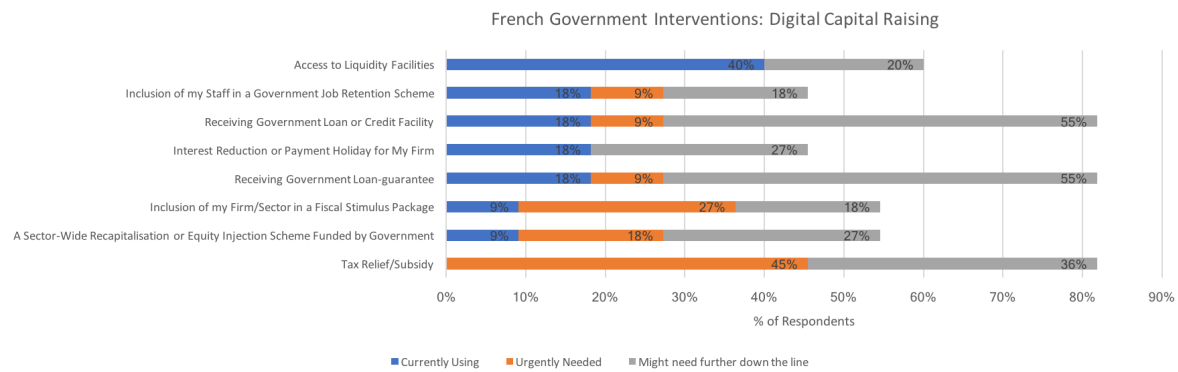
## Market performance



The market performance of digital lending in France suffered a subtle decrease whereas the digital capital raising segment showed a relatively rapid growth. One interesting fact to notice is that the number of new loans issued had a decrease of 10%, in spite of increases in the number of new borrowers / issuers, number of transactions and transaction volume.

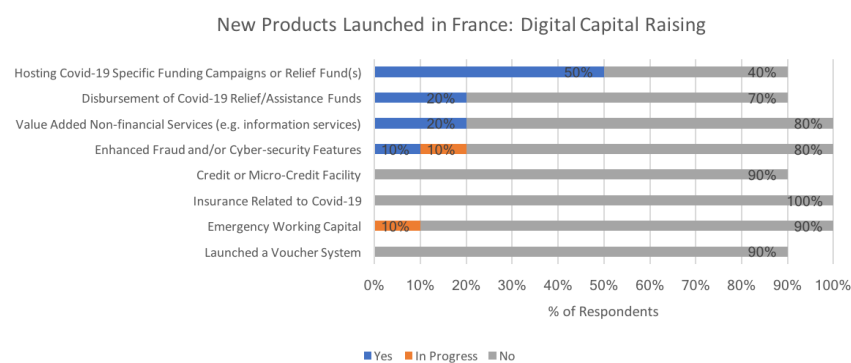
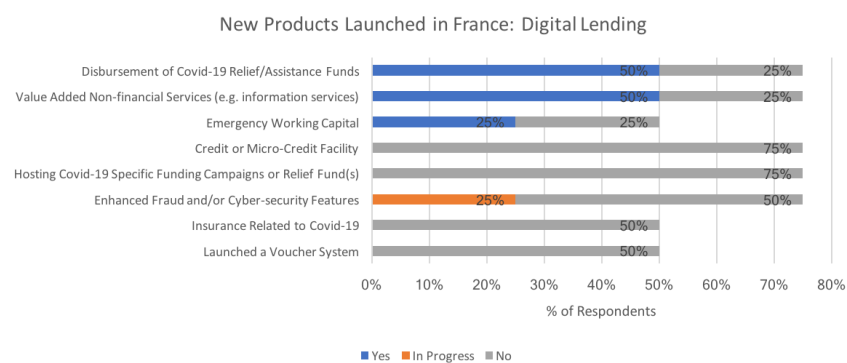
## Government interventions





The French government mainly intervenes in employment (staff government job retention), liquidity facilities and provides tax reliefs and subsidies for platforms and companies. However, we can see that practitioners still have a high demand for government interventions in most market segments.

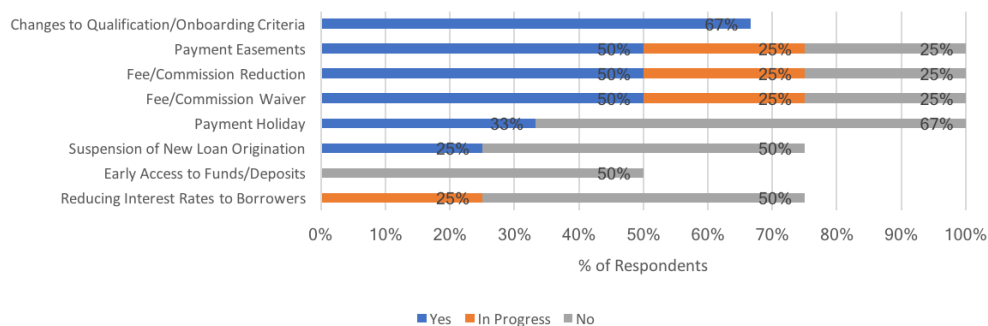
## New products launched



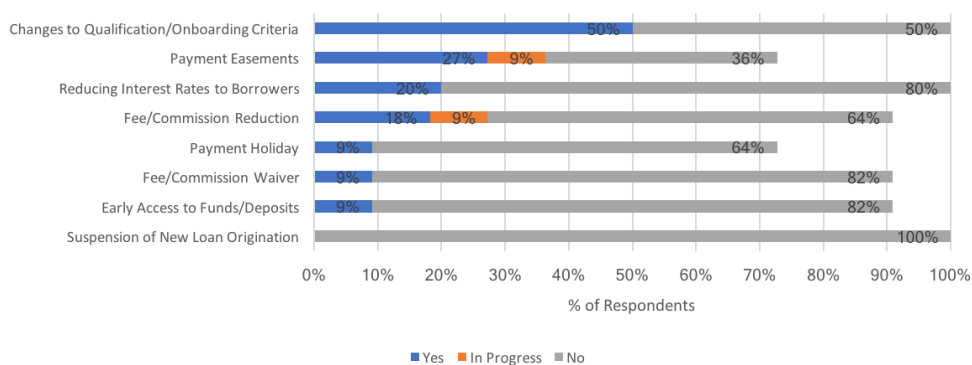
The newly launched products on the French crowdfunding market concentrate mainly in disbursement of Covid-19 relief, assistance funds, non-financial services and emergency working capital. New products in other sectors are relatively rare.

## Product changes

Products Changes in France: Digital Lending



Product Changes in France: Digital Capital Raising



Product changes mainly occurred in digital lending. The principal changes in digital capital raising are those in qualification, payment easements, reduction of interest rates, and in other sections.

# Germany

German crowdfunding market's overall performance is not assessed for 2020. Based on data from the Global Benchmarking Report of the Cambridge Centre for Alternative Finance, we can extrapolate some of the developments for 2020<sup>5</sup>. The trends observed in 2020 show that donation-based and reward-based crowdfunding have grown during the Covid-19 pandemic, whereas equity-based and lending-based crowdfunding grew slower than in previous years.

## Donation and Reward-based Crowdfunding

Donation and reward-based crowdfunding has more than 200 platforms which are active in Germany. We estimate that in 2020, donation and reward-based crowdfunding platforms collected about €50 million in total. A few platforms with relatively larger market shares are Kickstarter, Indiegogo, Startnext, Wemakeit and Ulule. Based and operating in Germany, Startnext is the largest German reward crowdfunding market.

In 2020, Startnext funded 2.795 projects with the help of 1,67 million users (in 2019, this number was 1,35 million). The total volume of Startnext was approximately €29 million. There are 38 "Partner Pages" operating as platforms within Startnext, which in 2019 and 2020 migrated the previously independent platforms into its own platform. On these partner pages, each project that was funded through the partner page also appears in the statistics of the platform.

Another active reward-based platform is Fairplaid, Germany's largest crowdfunding platform for sports. Since its inception, Fairplaid has mobilized €11million, successfully funding 1.850 projects with an average donation of €70 per supporter. Since 2019, Fairplaid also partners reward-based crowdfunding platforms with municipalities or companies owned by municipalities. In partnership with VKU, the association of German municipal companies, Fairplaid provides 35 regional civic reward-based crowdfunding platforms and consulting services for these reward-based platforms.

Regarding donation-based crowdfunding, Germany has more than 150 platforms. The main platforms of donation-based crowdfunding are Betterplace, GoFundMeLeetchi, the donation-based crowdfunding platforms of the Volksbanken, the donation-based crowdfunding platform of the Sparkassen and regional platforms such as Wir-Bewegen.sh.

Betterplace, as the largest German donation-based platform, reported a volume of €19 million euros in 2020. Until 2019 it had raised €19 million, which shows the impact COVID-19 had on donation-based crowdfunding. With an average donation of €72, Betterplace's projects concentrate in categories such as child & youth, COVID-related, health, education, culture, etc. It

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<https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/the-global-alternative-finance-market-benchmarking-report/>

is also interesting to note that great attention was paid to the global pandemic in donations: the second highest number of donations on Betterplace went to COVID-related projects.

The Volksbanken Raiffeisenbanken (VR) Network is a network providing crowdfunding platforms for banks based in Germany. Non-profit associations and institutions can post projects and attract supporters. The VR Network connects more than 100 regional cooperative banks and/or platforms that offer crowdfunding services.

### Platforms

Betterplace, Startnext, WeMakelt, Fairplaid, Kommunales-Crowdfunding, TableOfVisions, Viele Schaffen Mehr (VR Network), Wir-bewegen.sh, Steady

## Equity-based and Real Estate Crowdfunding

There are 78 equity-based crowdfunding platforms and 16 lending-based crowdfunding platforms that are based in Germany. These platforms operate not only in Germany but also in other countries. Moreover, another 15 equity-based crowdfunding platforms, which are based in Austria, also operate in Germany.

The following table shows Germany equity-based crowdfunding market segments and their collected volume:

	Equity-based crowdfunding for businesses	Equity-based crowdfunding for renewable energy projects	Real estate crowdfunding	Other
2018	€61,5 million	€11,1 million	€238,9 million	€0,3 million
2019	€92,2 million	€14,3 million	€381,8 million	€7,3 million
2020	€73,4 million	€20,4 million	€313,6 million	€5,0 million

The total collected amount in 2019 and in 2020 was €495,6 million and €412,4 million respectively, representing a decline of 16,8% in 2020. This decline can be explained by the cessation of the platform FundingCircle Germany, which stopped operating at the end of 2019. The decline in real estate crowdfunding can be ascribed to changes in the legislation for banks underwriting real estate loans in the first half of 2020, reducing the number of loans granted by banks to co-financed real estate crowdfunding projects.

More than 95% of all financed companies are SMEs. According to the estimation of German Crowdfunding Association (BVCF), more than 80% of the project issuers are companies from the SME sector.

Real estate crowdfunding is a subcategory of equity-based crowdfunding in Germany. Real estate crowdfunding has been the leading segment during the past three years, topping €381,8 million collected in 2019.

The market for renewable energy equity crowdfunding reached a new record of collected volume in 2020, resulting in €20,4 million collected and showing a notable increase of 42,7% as compared to 2019. Also, this collection has almost doubled since 2018, in which year energy / renewable equity crowdfunding only collected €11,4 million.

### Platforms

Aescuvest, Bergfürst, Bettervest, Companisto, Conda, Crowd4Climate, DagobertInvest, DKB-Crowd, Ecoligo, Ecozins, EstateGuru, Exporo, EV-Digital, GLS Crowd, Greenvesting, Fundernation, Geldwerk1, LeihDeinerUmweltGeld, Mezzany, Moneywell, Seedmatch, Wiwin, Ynto, Zinsbaustein

## Lending-based Crowdfunding

Unfortunately, the German Credit Platforms Association (VdK) hasn't published any data regarding lending-based crowdfunding in Germany. The available data is about the total digital-credit-based market, which includes peer-to-peer lending as well as other forms of digital lending (for example, loans to municipalities by traditional investors). This total has reached €11,7 billion in 2020, providing 2.360 loans. As mentioned before, however, this number is possibly too large. Based on platform statements, we estimate that the German P2P lending market has a size of approximately €800 million.

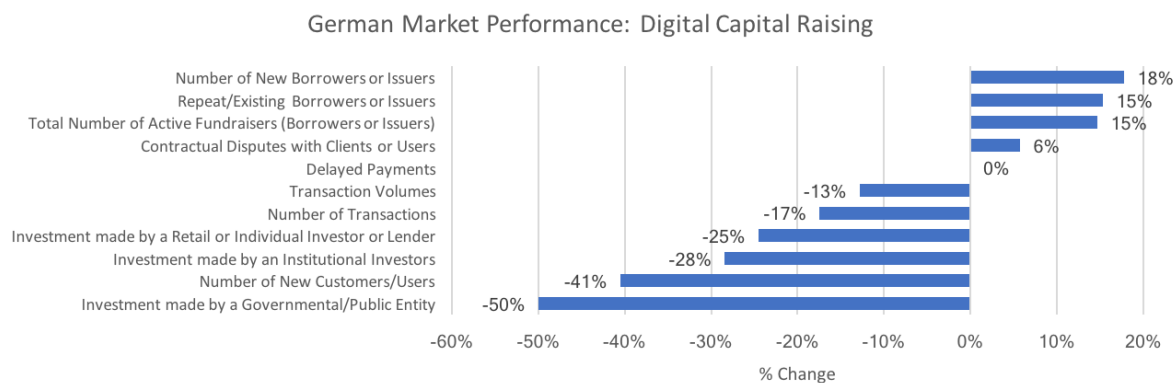
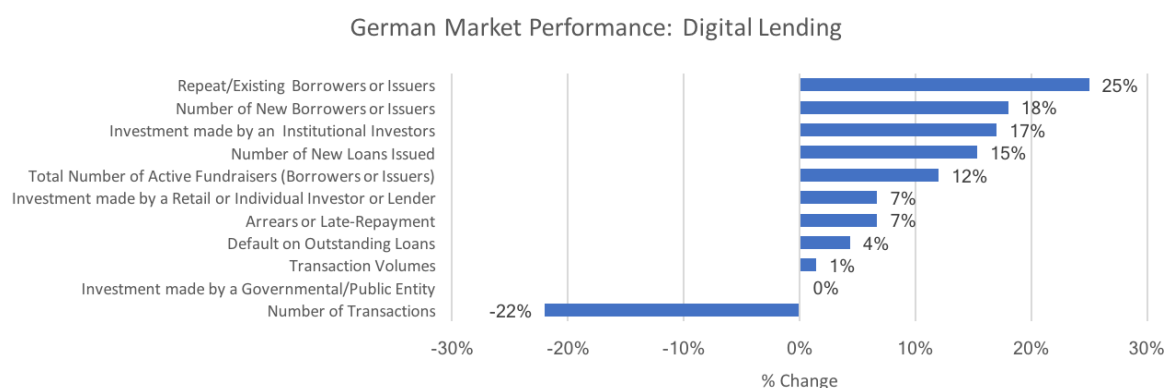
### Platforms

Auxmoney, Bitbond, Creditshef, Kapilendo, October

## Impact of COVID-19

Thanks to the data provided by Cambridge Centre for Alternative Finance (CCAF), in this section, we are able to provide insights indicating the market performance, government interventions, and product developments in lending (digital lending) and equity-based (digital capital raising) crowdfunding in the German crowdfunding market.

### Market performance

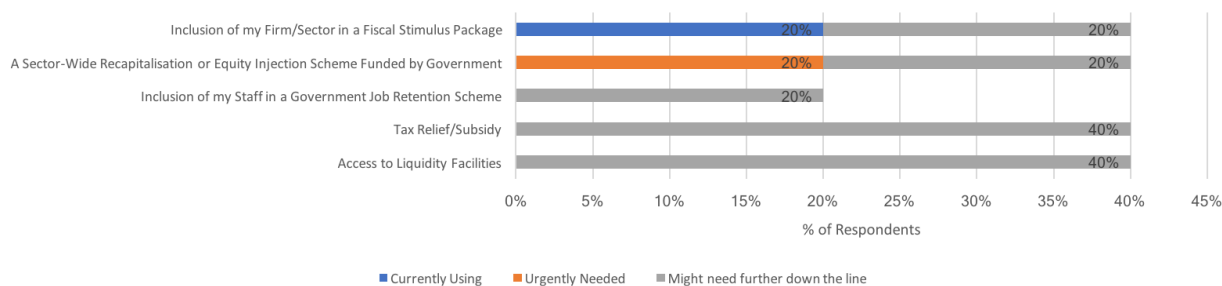


Though the German market of digital lending saw a decrease of 22% in the number of transactions, all the other segments of the market have had increases. The market of digital capital raising, however, suffered decreases in most segments, especially in investments made by governmental/public entities, investments made by institutional investors and number of new customers.

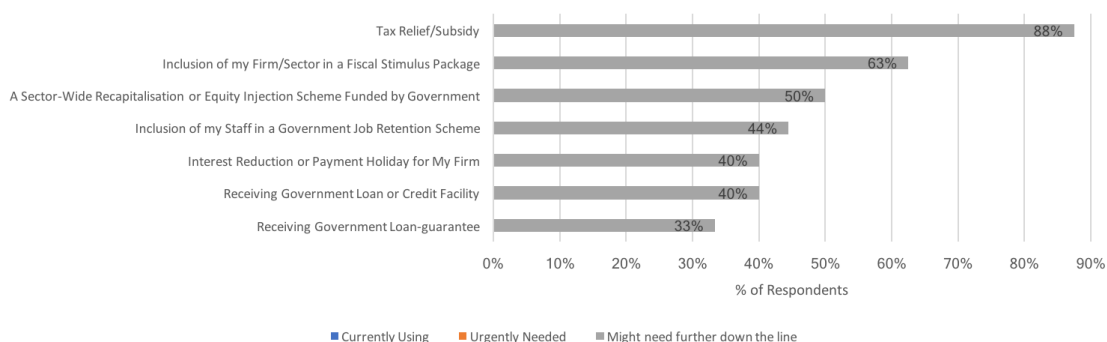


## Government interventions

German Government Interventions: Digital Lending



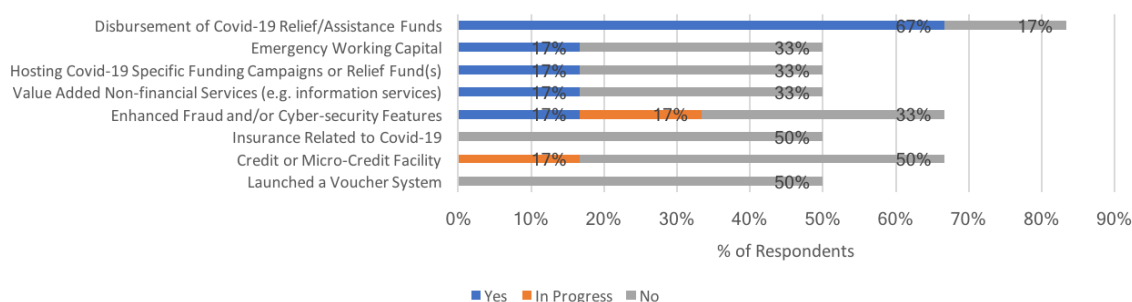
German Government Interventions: Digital Capital Raising



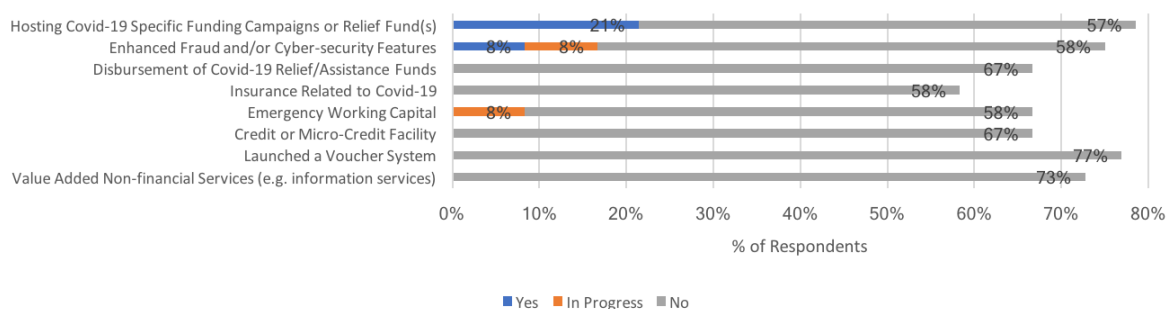
According to the participants, the German government didn't intervene actively enough in the development of the digital lending and the digital capital raising markets. However, most practitioners believe that government interventions might be needed in the near future.

## New products launched

New Products Launched in Germany: Digital Lending



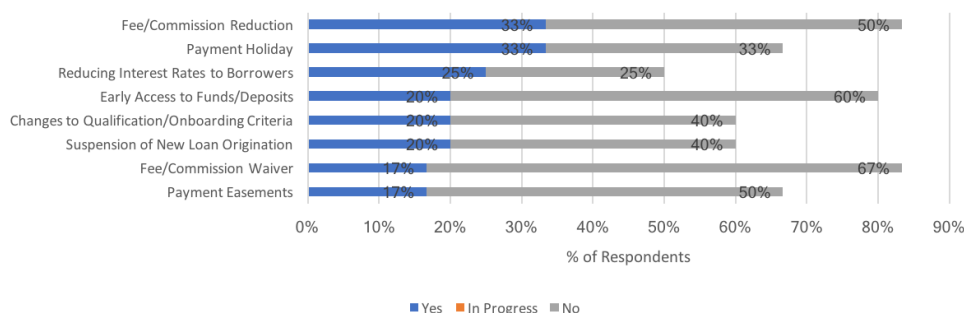
## New Products Launched in Germany: Digital Capital Raising



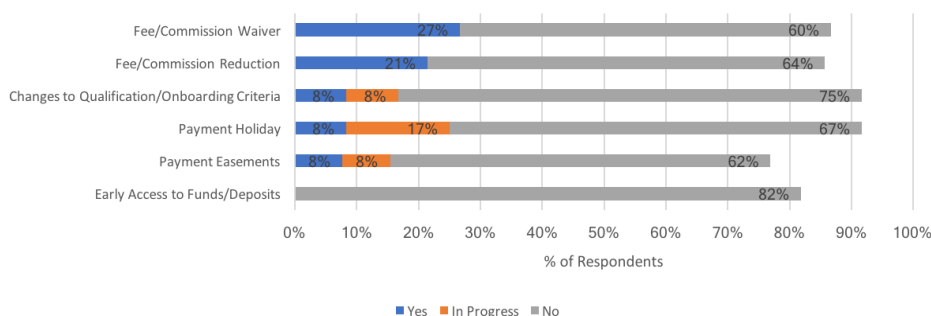
In terms of new products launched in the year of COVID-19, more new products appeared on the digital lending market, in segments such as COVID-19 relief funds, enhanced fraud / cybersecurity features, etc. The digital capital raising market stayed mostly unchanged as compared to the previous year, except in the section of COVID-19 funds, enhanced fraud / cybersecurity features and emergency working capital.

## Product changes

## Products Changes in Germany: Digital Lending



## Product Changes in Germany: Digital Capital Raising



Both markets didn't experience great product changes in 2020, with not more than one third of participants noticed changes in fee / commission reduction, payment holiday, reduction of interest rates, and in other segments. One thing about the digital capital raising market is that 27% of participants noticed fee / commission waiver, a rate slightly higher than that of the digital lending market.

# Italy

The Italian crowdfunding market has seen a massive increase, from €65,6 million in 2015 to €772,8 million in 2020. According to Starteed, a Turin-based crowd-company that develops crowdfunding market solutions, the increase in volume came from improvements in regulation and in operational professionalism.

## Donation-based and Reward-based Crowdfunding

In 2020, the donation and reward-based crowdfunding collected €101,8 million, as compared to €73,7 million in 2019.

### Platforms

Forfunding, Rete del Dono, Kendoo, Produzioni dal Basso, Eppela, IdeaStarter

## Equity-based Crowdfunding

Equity-based crowdfunding in Italy experienced a 95% increase since 2019, reaching €122,5 million in 2020. The collected volume was also impacted by the global pandemic. Nevertheless, the market still performed well enough, thanks to the supply increase of the real estate market and of investment vehicles. However, risks were migrated to start-ups.

595 campaigns were financed by 42 Italian platforms that are dedicated to equity-based crowdfunding. The campaigns gathered an average of €192.481, with a 72,7% success rate. In addition, 58% of the companies that chose to raise capital were innovative start-ups, followed by 13% of innovative SMEs, then by “classic” SMEs and investment vehicles. 49% of the collected amount was used by companies for marketing investment and 30% for product development. The median pre-money valuation was approximately €1,6 million for all projects.

### Platforms

Opstart, Crowdfundle, Walliance, Mamacrowd, Backtowork24

## Lending-based Crowdfunding

In 2020, the lending-based crowdfunding market experienced an increase of 75%. Lending-based crowdfunding dominated the market with a total volume of €179,5 million. Six platforms provided loans to customers, equaling in total 65.000 loans since the platforms’ inception and

totting up a total of €409,8 million in loans. From June 2019 to June 2020, 1.200 loans with an amount of €134,6 million were provided, showing a 52% increase as compared to the previous period.

## Platforms

Borse del credito, Lendimi, October, Prestiamoci, Rendimento Etico, Soisy

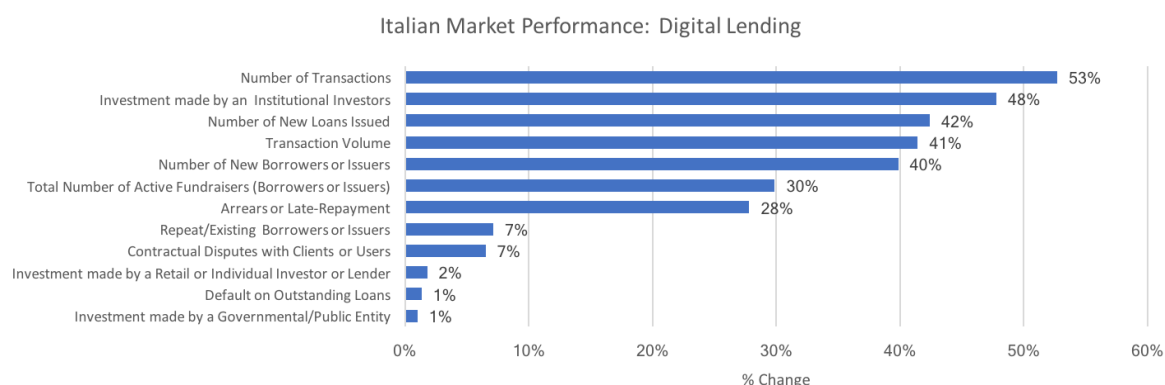
## Real Estate Crowdfunding

In Italy, real estate crowdfunding campaigns raised on average €804.914 per project. There are 10 dedicated platforms for equity and lending-based crowdfunding. These platforms helped to finance 154 projects since inception. From June 2019 to June 2020, Italian platforms raised €48,7 million, resulting in a 185% increase since the previous period. Of the €48,7 million, €29,2 million was collected through crowdlending platforms and the rest €19,5 million was collected through equity-based platforms.

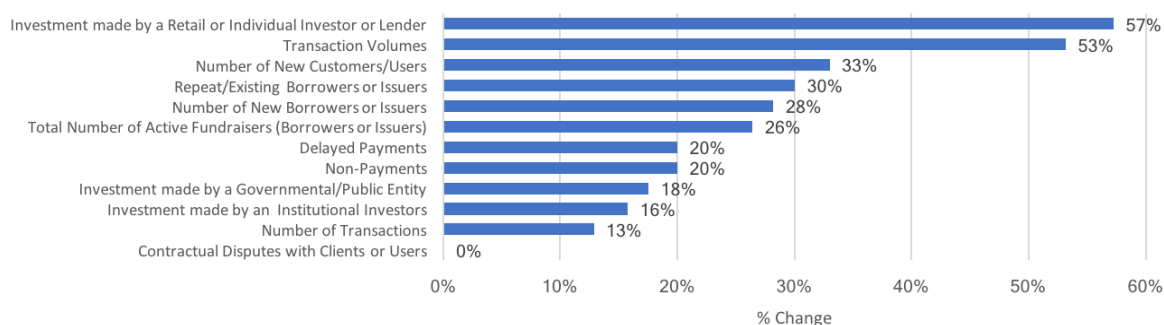
## Impact of Covid-19

Thanks to the data provided by Cambridge Centre for Alternative Finance (CCAF), in this section, we are able to provide insights indicating the market performance, government interventions, and product developments in lending (digital lending) and equity-based (digital capital raising) crowdfunding in the Italian crowdfunding market.

## Market performance



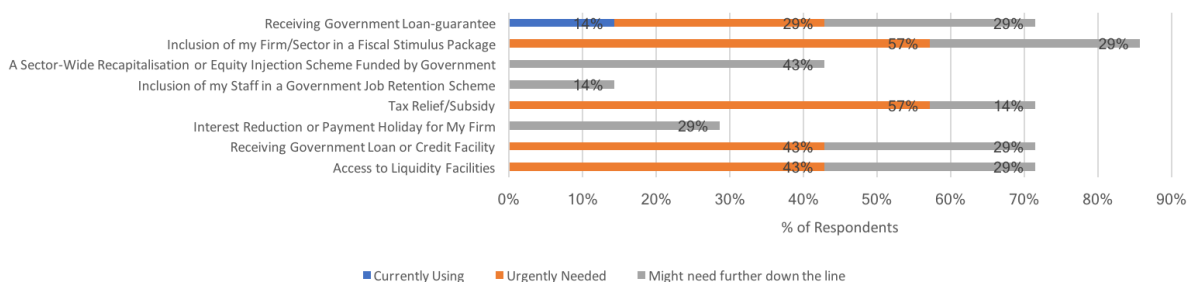
## Italian Market Performance: Digital Capital Raising



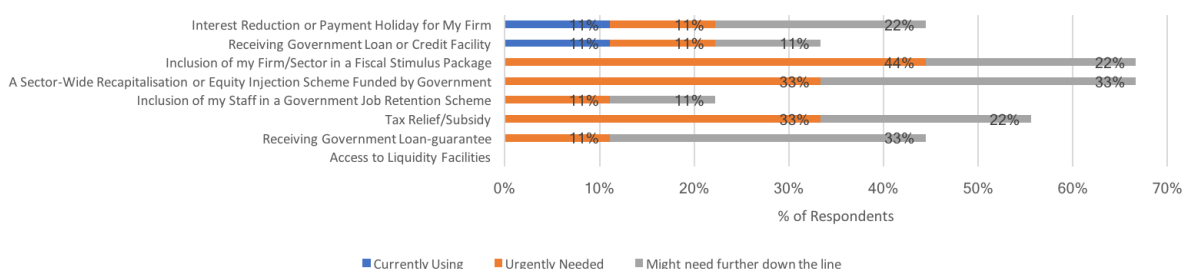
Both Italian markets had experienced a considerable increase in 2020. With no segment experiencing decrease, the number of transactions of the digital lending market has increased by 53%, with transaction volume increasing by 41%. The digital capital raising market's transaction volume has increased by 53%, with an increase of 57% in investments made by a retail / individual investor or lender.

## Government interventions

## Italian Government Interventions: Digital Lending



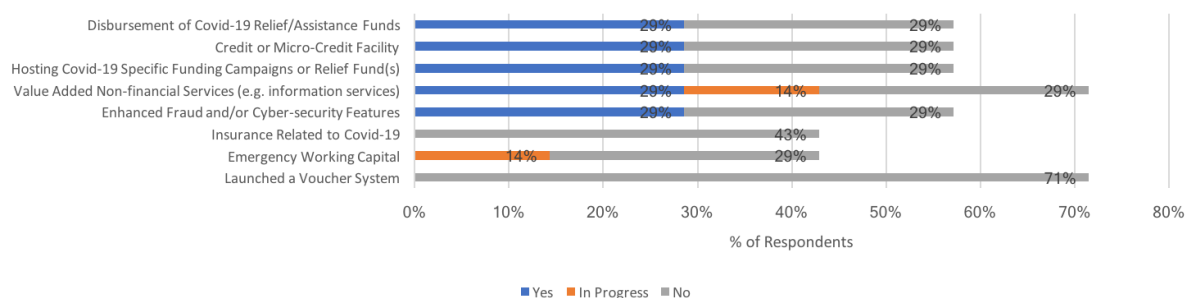
## Italian Government Interventions: Digital Capital Raising



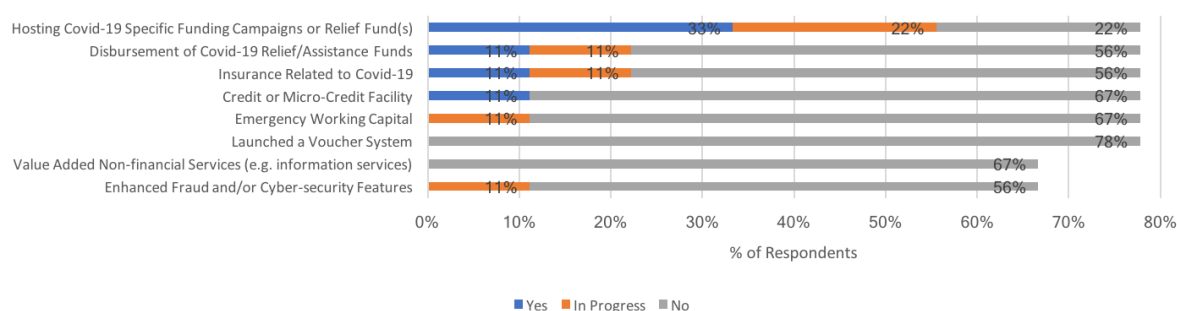
Government interventions are urgently needed by, on average, more than one third of the respondents. Segments such as inclusion of girls in fiscal stimulus packages, tax relief / subsidy, and sector-wide recapitalisation of equity injection schemes funded by the government require more governmental interventions.

## New products launched

New Products Launched in Italy: Digital Lending



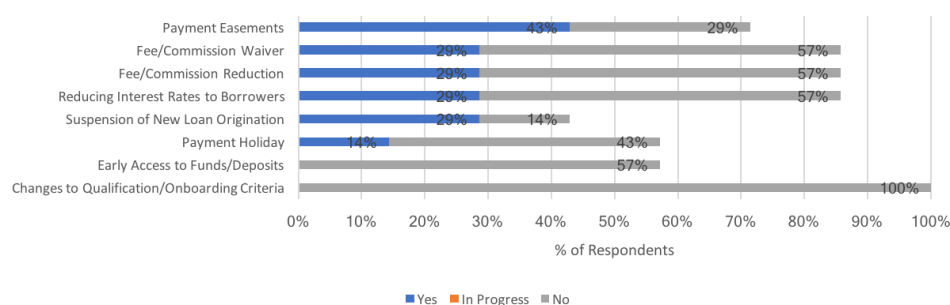
New Products Launched in Italy: Digital Capital Raising

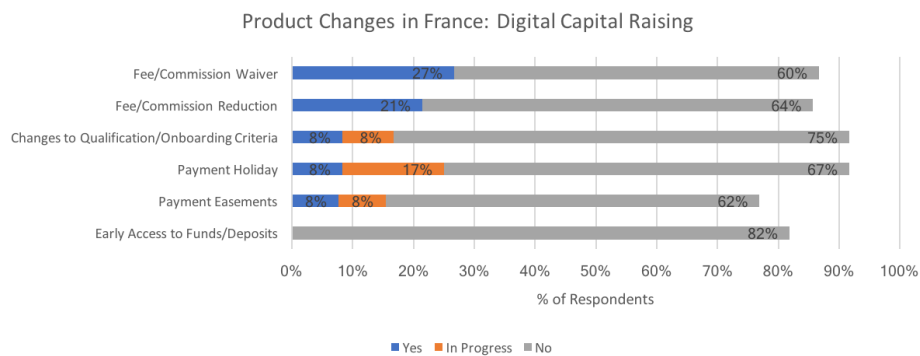


Most new products launched in 2020 are in the segments of COVID-19 funds or relief, disbursement of COVID-19 relief, value-added non-financial services, credit or micro-credit facility.

## Product changes

Products Changes in Italy: Digital Lending





Most of the product changes have been finalised in 2020, except several changes to qualification and onboarding criteria, payment holiday and payment easements of the DCR market.



# Netherlands

The Dutch crowdfunding market has experienced a decline of 2% as compared to 2019, raising €417 million in total. In 2020, 12.764 projects were financed with an average of €32.670 raised per project. 89.6% of the collected volume was lending-based. At the same time, 88,3% of the amount raised was intended for financing companies, whereas the number of projects for companies accounts for only 13,3%.

Because of COVID-19, the number of social projects has increased by 50% since 2019, raising €23,9 million in total. 8.338 social projects were financed with an average amount of €3.000 per project. This was followed by consumer loans, which raised up to €13,4 million, financing 1 774 projects of an average €7.500 per project.

In 2020, 960 creative projects were financed with an average of €3.000, raising a total of €11,5 million. Moreover, personal projects raised €13,4 million through crowdfunding, experiencing a 24% increase as compared to previous period. Despite the increases in other sectors, companies raised less money through crowdfunding in 2020. More funds were raised for creative projects, social projects and consumer loans.

	Donation-based crowdfunding	Reward-based crowdfunding	Lending-based crowdfunding	Equity-based crowdfunding
Amount collected	€22,7 million	€12,7 million	€373,8 million	€7,6 million

## Platforms

Donation and reward-based platforms: Voordekunst, Voorjebuurt, 1%CLUB, Doneeractie, geef.nl, WhyDonate

Other platforms: NLInvesteert, Collin Crowdfund, Geldvoorelkaar, DuurzaamInvesteren, NPEX, October (NL), SamenInGeld, Crowdrealestate, Kapitaal Op Maat, Zonnepannelendelen, Matching Capital, OnePlanetCrowd

<https://www.crowdfundingcijfers.nl/crowdfunding-platforms/>

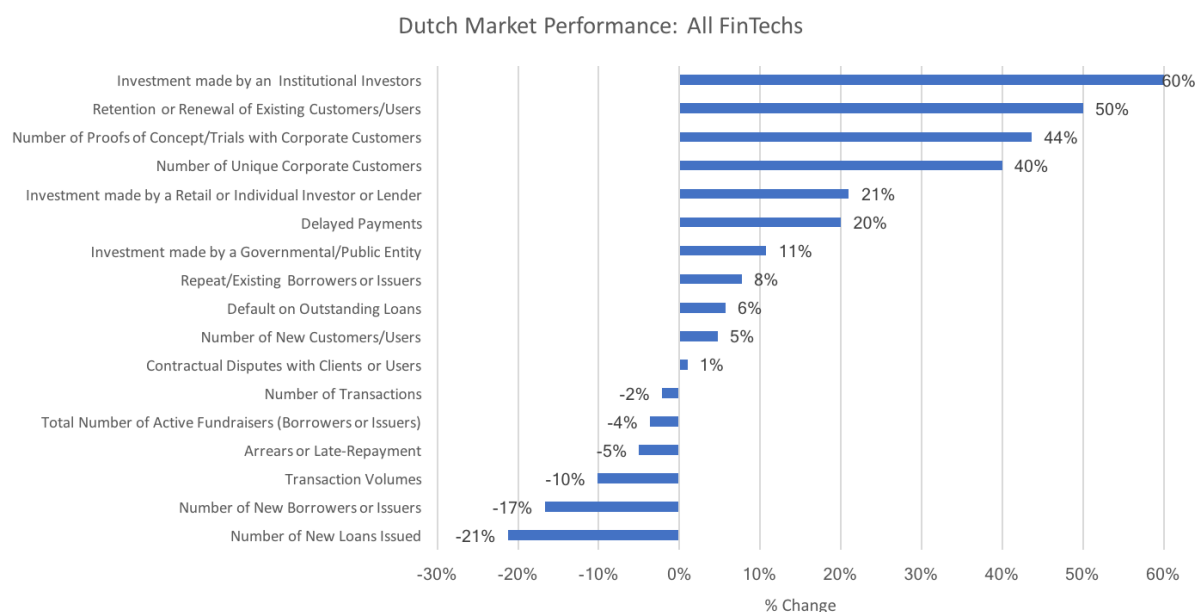
## Impact of COVID-19

As mentioned, the Dutch crowdfunding market suffered a decrease in the collected amount, due to the impact of COVID-19. Companies were impacted mostly during the first lockdown in spring and raised most of their funds in the fourth quarter of 2020. However, not all sectors experienced a decrease - social projects have had an increase in funds collected during 2020.

Less money was invested in the crowdfunding market, but much more was donated this year as compared to previous years.

Thanks to the data provided by Cambridge Centre for Alternative Finance (CCAF), in this section, we are able to provide insights indicating the market performance, government interventions, and product developments in lending (digital lending) and equity-based (digital capital raising) crowdfunding in the Dutch crowdfunding market.

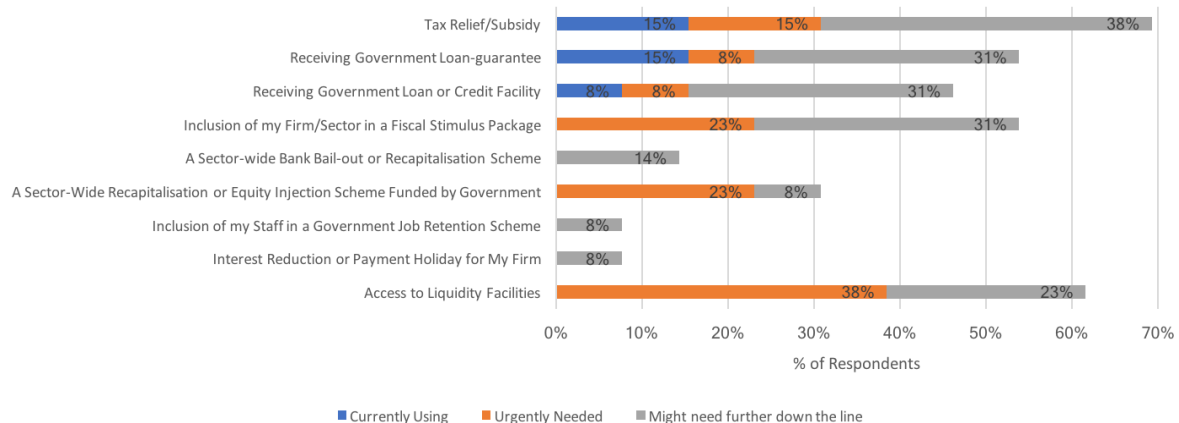
## Market performance



The Dutch market had more segments that experienced an increase than those that saw a decrease. The strongest increases (in percentage) are in investments by institutional investors, retention or renewal of existing customers / users and in number of proof of concept / trials with corporate customers. We also have to note that the number of new loans issued and new borrowers or issuers had decreased by 21% and 17% respectively.

## Government interventions

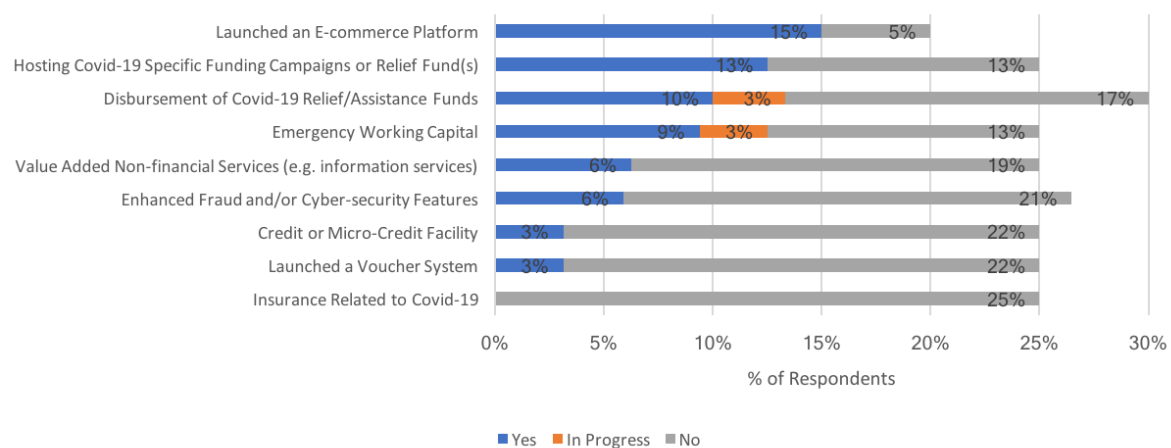
Dutch Government Interventions: All FinTechs



The Dutch government actively intervened in segments such as tax relief / subsidy, government loan-guarantees and government loan or credit facilities. In other segments, however, there were few governmental interventions despite the market's urgent demands. Help in access to liquidity facilities and sector-wide recapitalisation was most strongly needed.

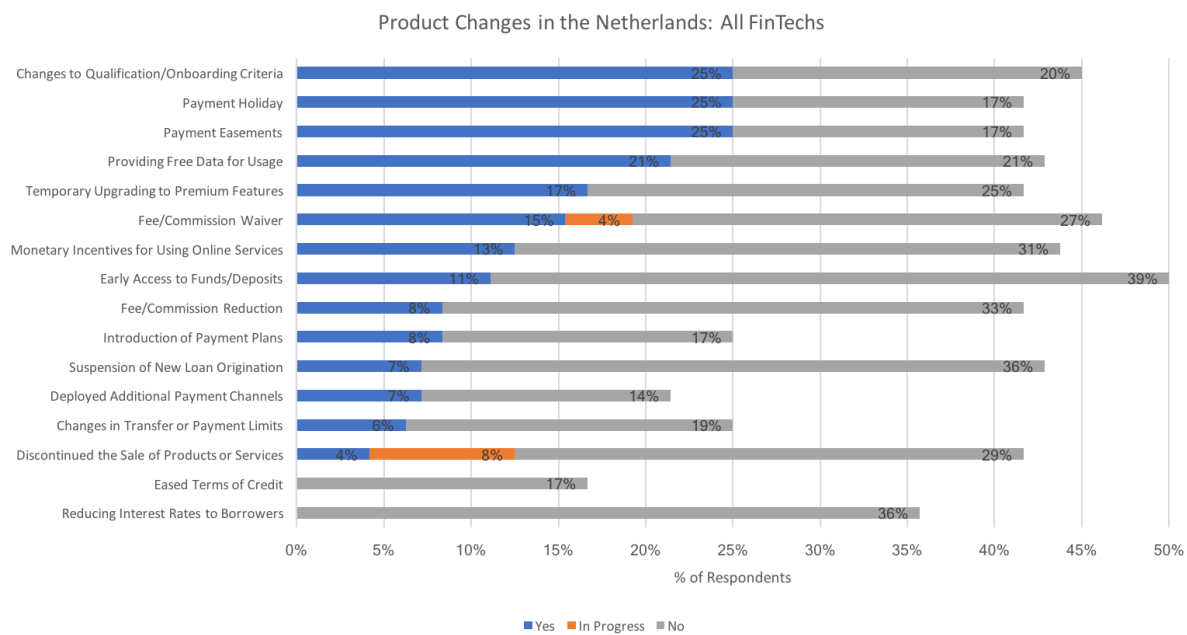
## New products launched

New Products Launched in the Netherlands: All FinTechs



New products launched in 2020 concentrate mostly in segments such as e-commerce platforms, COVID-19 funding campaigns / relief funds / disbursement funds / assistance funds and emergency working capital.

## Product changes



As for changes in traditional product segments, we noticed that onboarding criteria, payment holidays, payment easements are the three main segments which had experienced most changes (25% of participants replied that they experienced changes in these segments).

# Norway

The Norwegian crowdfunding market has seen a 102% increase since 2019, reaching €89,2 million this year. €38,6 million of the collected amount was assembled during the fourth quarter, in which the market experienced a 108% increase from the previous one. Real estate crowdfunding dominated the market, taking up 70% of the total volume. In 2020, 41.645 campaigns were carried out with a success rate of 42%, resulting in 17.637 projects that were successfully financed .

## Donation-based and Reward-based Crowdfunding

The donation-based and reward-based crowdfunding market represented 27% of the collected volume, reaching €24,1 million in 2020. This number showed a 142% increase from the €9,9 million collected in 2019.

In 2020, €2,7 million was raised in reward-based crowdfunding, financing 3.102 projects with a success rate of 58%. The reward-based crowdfunding market grew mostly during the fourth quarter, increasing by 218% since the previous year, collecting €11,4 million as compared to €3,4 million in 2019. The main increase occurred during the third quarter, resulting in an increment of €1,7 million and by 314% from the previous quarter.

The donation-based crowdfunding market raised €24,2 million, a 142% increase since 2019, during which only €9,9 million was collected. In 2020, 38.230 projects were financed, among which 15.520 were successful, resulting in a 41% success rate, which was the lowest among those of other crowdfunding markets.

	Reward-based Crowdfunding	Donation-based Crowdfunding
Amount collected	€2,669,587	€24,192,272
Number of campaigns	3.102	38.230
Success Rate	58%	41%

### Platforms

Birda, CulturaFlokk ,Spleis, Startskudd, Lokalverdi, Sponsor.me, Kickstarter, Indiegogo, Facebook, GlobalGiving, LaunchGood

## Equity-based Crowdfunding

19,5% of the collected volume was raised by the equity-based crowdfunding market. In 2020, the equity-based crowdfunding market reached €17,4 million, financing 58 projects with a success rate of 89%.

Just as in the case of other types of crowdfunding markets, most of the funds of the equity-based market were gathered from the fourth quarter, during which €9 million was collected. Whereas in 2019, only €0,9 million was collected during the fourth quarter. The fourth quarter of 2020 therefore showed an 880% increase as compared to that of 2019.

Another great increase also occurred between the third and the fourth quarters in 2020: only €2,6 million was collected during the third quarter, rendering an increase of 246% in the fourth quarter as compared to the third one.

	Equity-based
Amount collected	€17.4 million
Number of successful projects	58
Average amount collected per project	€300.000
Success Rate	89%

### Platforms

DealFlow, Folkeinvest, Invesdor, Around.no, SparkUp

## Lending-based Crowdfunding

The consumer lending-based crowdfunding market represented the lowest percentage of the collected volume: only 1% of the collected funds constituted this market segment. In 2020, the consumer lending-based crowdfunding financed 80 projects with a total collection of €860.000, with these projects having a 100% success rate.

On the other hand, property lending dominated the crowdfunding market in Norway, reaching €32,2 million during 2020. 118 projects were financed with a 100% success rate. The second biggest player of the market was business lending, in which 50 projects were financed, totalling €11,9 million.

	Business Lending	Property Lending	Consumer Lending
Total amount collected	€11,9 million	€32,2 million	€860,000
Number of campaigns	50	118	80
Success Rate	100%		

### Platforms

Monner.no, FundingPartner, Kameo, PERX, Kredd, Trine, Paypal

## Real estate Crowdfunding

During the past few years, Norway has observed a substantial increase in the property lending crowdfunding market. One possible explanation is that property investment is easier for investors to understand as compared to high-risk startup investments. Property lending is also believed to be less risky due to its concrete and specified investment rate as well as the scheduled repayment actions.

At the same time, the Norwegian real-estate market has been growing because of the increase in demand in all urban areas. It is important not to forget that in Norwegian culture, purchasing real estate properties is more valued than renting, since real-estate is seen as a more secured asset. This ideology boosts the Norwegian real estate market, including property lending.

## Impacts of COVID-19

The global pandemic didn't impact the crowdfunding market in a negative way, as we didn't see a decrease during 2020. However, COVID-19 has affected the usual channels of crowdfunding: the investment caution has risen. Furthermore, with the increase of time spent on social media and on the internet, people have been able to learn more about the crowdfunding market and its campaigns. Some who usually did not invest decided to try investing in new campaigns. Thus, COVID-19 has actually augmented the participation in the crowdfunding market.

Unfortunately, in the Global COVID-19 FinTech Market Rapid Assessment Study carried out by the Cambridge Centre for Alternative Finance (CCAF), little information was collected about the impacts of COVID-19 on Norwegian crowdfunding market.



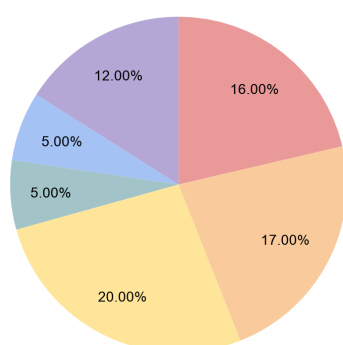
## UK

In the first semester of 2020, the British crowdfunding market has collected £103 million in total, resulting in a 25,4% decrease as compared to the second semester of 2019. Though the data of market volume of the second semester of 2020 is not yet accessible, the market raised £230,4 million in 2019.

Seedrs was the platform with the highest volume in the first semester of 2020, collecting £49,7 million and funding 95 deals, which included 27 preemptions<sup>6</sup>. Crowdcube closely followed Seedrs, raising £48,5 million for 97 deals, including 2 preemptions. Seedrs completed slightly fewer deals than Crowdcube, but at a higher average ticket price.

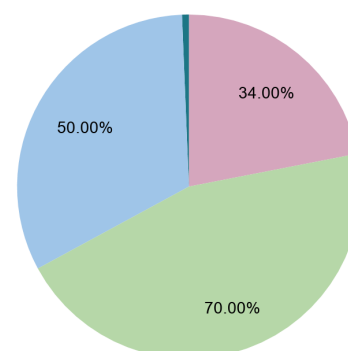
The collected amount was shared among different targeted companies. 70% of the collected money was for consumers, 35% for business, followed by 5% for the public sector and 1% for other smaller sectors.

● Mobile apps  
● Food and drink  
● Internet platform  
● Artificial Intelligence  
● Clothing  
● Fintech



Targeted Companies

● Business  
● Consumer  
● Public Sector  
● Other



The collected volume also went to platforms in different industries. 20% of the volume went to Internet platforms, 17% went to the food and drink industry, followed by 16% to mobile apps, then 12% to fintech, 5% to clothing and 5% to artificial intelligence.

### Platforms

Freetrade, B-North, Allplants, Bidvine, Innis & Gunn, Chip, The Cheeky Panda, TV.FIT, Cushion, ABM Comms

<sup>6</sup> A pre-emption round offers existing investors the chance to buy new shares from a business, before new investors. This allows existing investors to maintain their stake in the company and avoid dilution. Only existing investors can invest in these rounds.

## Equity-based Crowdfunding

The leading segment of the 2020 crowdfunding market in the UK was equity-based crowdfunding, which has reached a new record this year, funding 433 campaigns and raising £332 million, as compared to 403 campaigns in 2019.

Crowdcube conducted all the record-breaking campaigns. The company had the largest campaign by capital, which reached £11 million. The campaign with the most investors engaged 16.735 funders. The largest campaign in terms of pre-money valuation was valued at £150 million. The majority of the capital was raised via Crowdcube (50%) where 7 of the top 10 largest campaigns took place. Seedrs raised 44% and 6% through other platforms. But the two main platforms raised a similar number of campaigns - 48% on Seedrs, 47% on Crowdcube and 5% on other platforms.

In addition, 47 campaigns altogether raised £62 million in conjunction with the UK government's Future Funds. 85% of the Future Funds were listed on the Seedrs platform, raising 71% of the aggregate capital. In 2020, London has by far collected the most equity-based funds - 47% of the campaigns and 54% of the raised capital took place with the help of London-based companies. The two cities that followed closely behind are Edinburgh and Cambridge.

### Platform

Seedrs, CrowdCube, Shojin, Simple Crowdfunding, Property Moose, Coates Finance, Eureeca, BnkToTheFuture, SyndicateRoom, AngelsDen

## Lending-based Crowdfunding

A total funding volume of €5,1 billion was recorded in Peer-to-Peer lending-based market in 2020, this volume includes:

- €3,2 billion funded in the main tracked currency – Euros;
- £1,2 billion (approx. €1,3 billion) funded in Great Britain Pounds;
- €595 million worth of loans financed in other currencies.

The funding volume in 2020 decreased by 35,4% as in 2019. Across all currencies, the volumes were much lower than in 2019. However, funding in Great Britain Pounds and other currencies declined much more drastically, dropping below 2016 and 2018 levels, respectively. Total recorded funding remained on a decent level mainly thanks to a relatively better performance of the euro-market, accounting for more than half of the total funding volume.

As the first wave of COVID-19 hit and lockdowns were administered, the market saw the largest retreat from P2P lending assets in the sector's short history. In April, the funding volume was less

than a third of that recorded in January. The good news is that lenders and borrowers have been returning, albeit slowly, and even the subsequent COVID and lockdown waves did not alter funding volumes drastically. By the end of the year, monthly funding volume was already almost two-thirds of that at the beginning of the year.

Investors' sentiment has experienced considerable changes in 2020. They preferred low-risk, low-return investments: a retreat to safer assets is a natural move when uncertainty and crisis kick in. Also, investors chose national platforms over platforms that are based in other countries.

The year 2020 also brought about some significant shifts in the market structure: continental Europe strengthened its leading position, especially in contrast to the declining UK market. Many investors moved away from big international consumer lending sites to more specialised real estate and business financing platforms. Another shift to safer P2P assets was also profound.

## Platforms

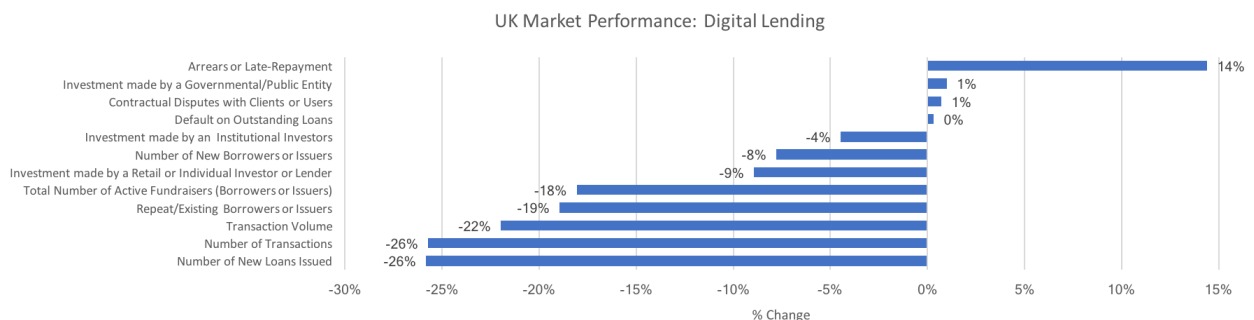
Mintos, Zopa, Ratesetter, CreditGate24, Peerberry, Sharestates, Twinno, Fellow Finance, October, EstateGuru

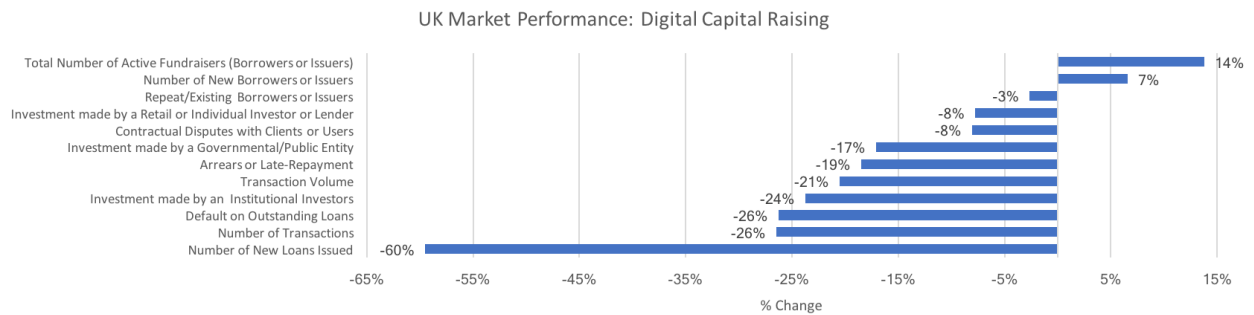
## Impact of COVID-19

COVID-19 has impacted the crowdfunding market in the UK. However, 17% of the impact was positive. This could be due to the decrease in severity impacted in the crowdfunding market. Nonetheless, The market did take some time to recover from the original negative impact of the pandemic to then see the positive impact of it.

Thanks to the data provided by Cambridge Centre for Alternative Finance (CCAF), in this section, we are able to provide insights indicating the market performance, government interventions, and product developments in lending (digital lending) and equity-based (digital capital raising) crowdfunding in the UK crowdfunding market.

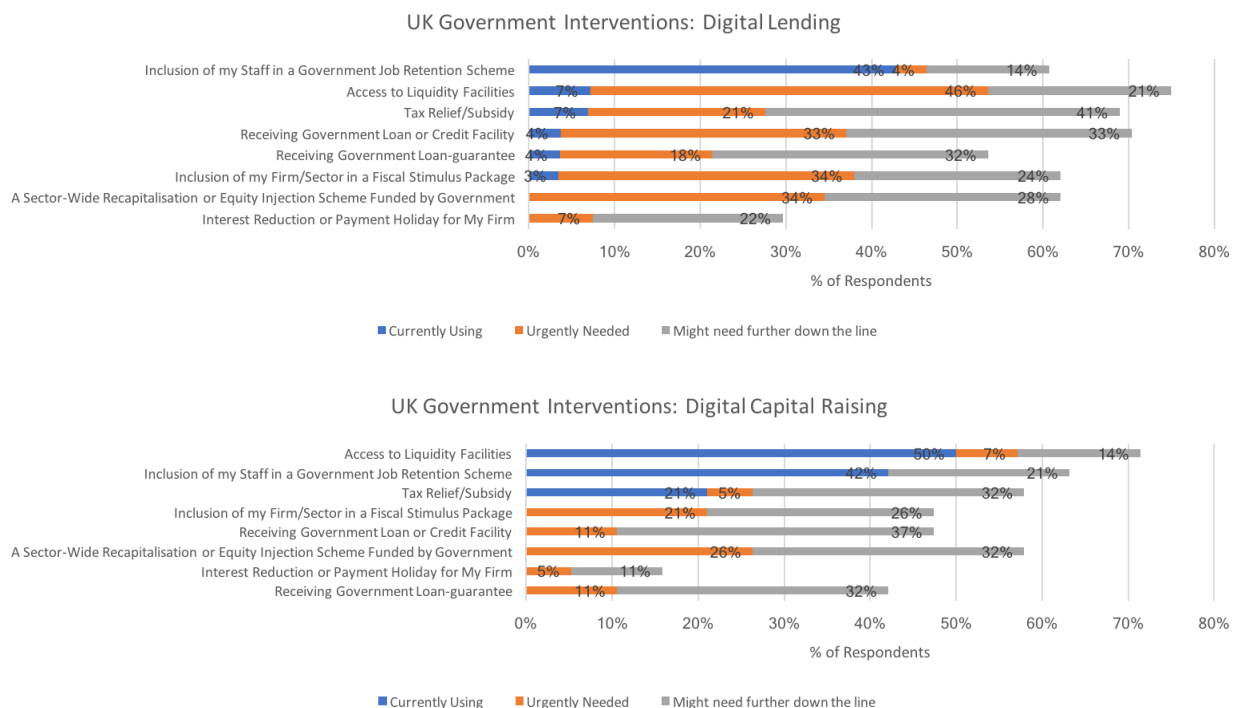
## Market performance





It is clear that the digital lending and digital capital raising markets in the UK have suffered more negative impacts than those of other European countries. The digital lending market experienced decreases in segments such as number of new loans issued (26%), number of transactions (26%), transaction volume (22%). The digital capital raising market, however, experienced greater decreases, especially in the number of new loans issued (60%), number of transactions and default on outstanding loans (26%).

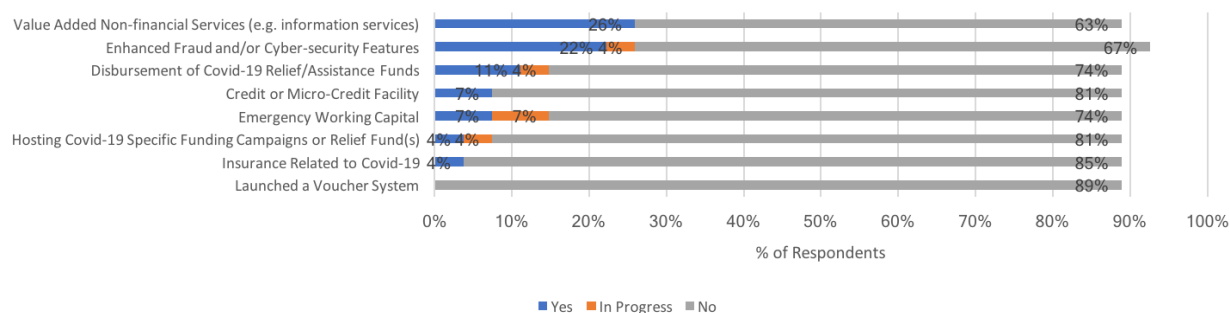
## Government interventions



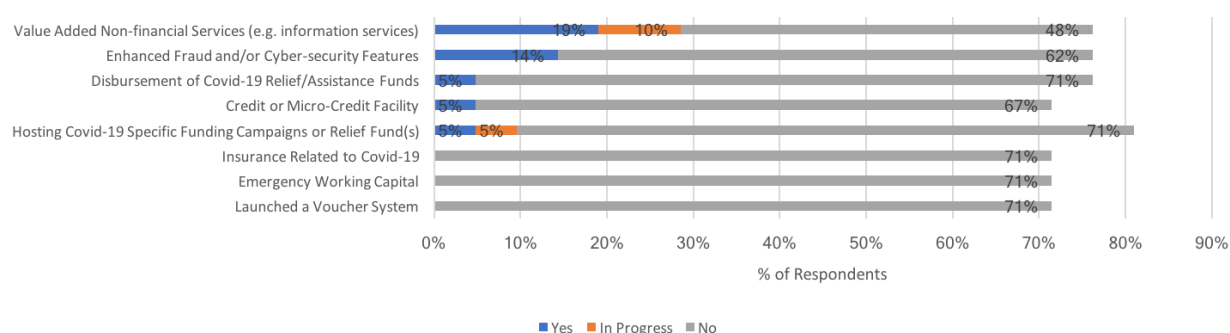
The government implemented more interventions in the digital capital raising market than in the digital lending market. The interventions mainly focused on segments of government job retention schemes, access to liquidity facilities and tax reliefs and subsidies. Nonetheless, a number of needs still exist in both markets, such as needs for government loan / credit facility, fiscal stimulus package and government-funded recapitalisation or equity injection scheme.

## New products launched

New Products Launched in UK: Digital Lending



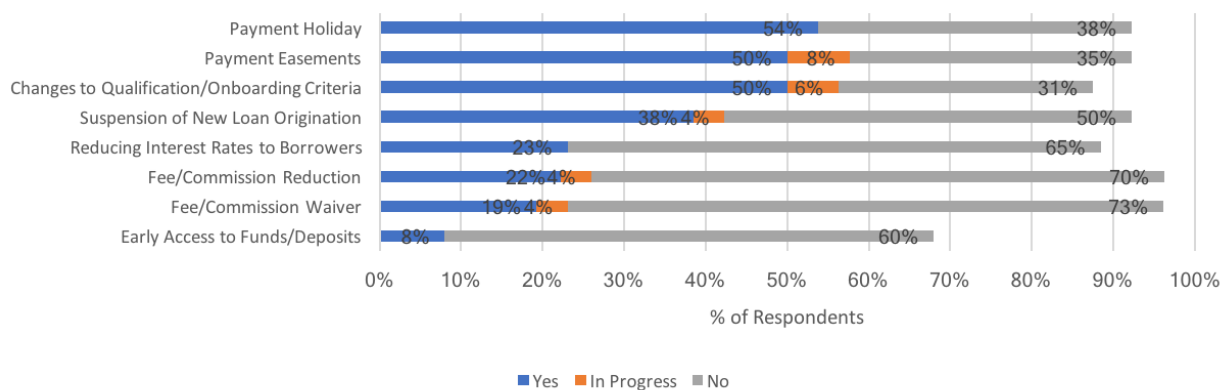
New Products Launched in UK: Digital Capital Raising



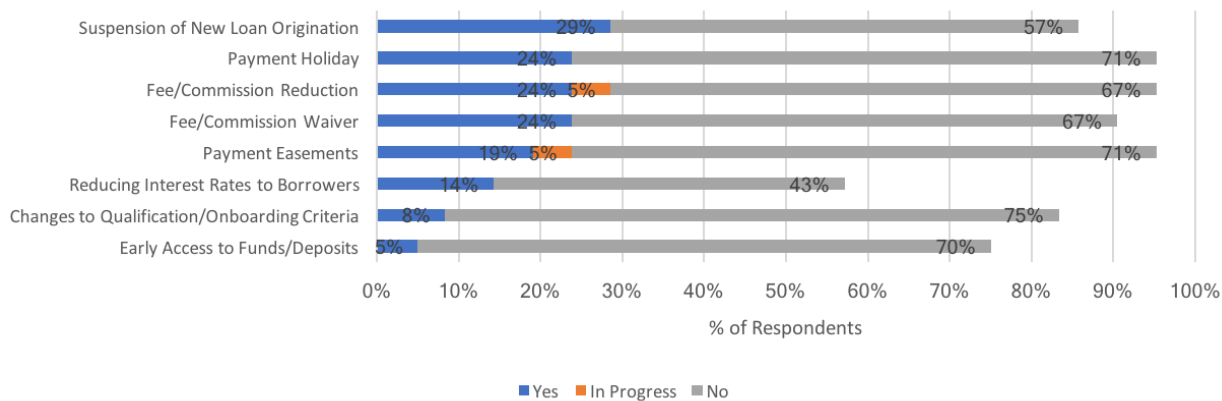
Newly launched products were still scarce in 2020: new products were only launched in segments such as value-added non-financial services, enhanced fraud and / or cyber-security features and disbursement of Covid-19 relief / assistance funds. Fewer new products appeared in the digital capital raising market than in the digital lending market, too.

## Products changes

Products Changes in UK: Digital Lending



Product Changes in UK: Digital Capital Raising



The digital lending market saw more product changes as compared to the digital capital raising market. In an overview of the two markets, changes mainly appeared in segments of payment holiday, payment easements, suspension of new loan origination and fee / commission reduction.

## Voices of Europe

We have reached out to several crowdfunding thought leaders in Europe, in this chapter, we will provide insightful information about the current crowdfunding trends in six European countries and about the expectation of crowdfunding experts regarding the impacts of the new European (ECSP) crowdfunding regulation<sup>7</sup>.

### Spain: Oriol Sans



Regulation, and more specifically good regulation, is good news for the crowdfunding industry in Spain. In the coming years we will see how the law will be applied and interpreted but the sector is already bullish on that new scenario.

In the nearer future, and partially thanks to this new regulation, the crowdfunding sector in Spain and as an asset class will become larger, stronger, more professional and more flexible due to some of the new measures regarding the access to information, the protection of investors rights and the regulation of conflict of interest, among others.

As an example, the new European crowdfunding service providers regulation would have a positive impact on the following matters in the Spanish crowdfunding market:

1. Current overfunding limitation per crowdfunding offer in Spain would disappear, meaning that companies will have more flexibility when designing the funding round and more money will be raised so companies will be better capitalized.
2. Increased attractiveness of crowdfunding as an asset class thanks to the implementation of the key investment information sheet. This standardization of information would make crowdfunding closer to other assets classes regarding quantity, quality and depth of information. On the other hand, however, it would increase the crowdfunding offer costs due to the fact of having to hire qualified professionals to write the "kiis".

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<sup>7</sup> On 10 November 2020, the Regulation on European Crowdfunding Service Providers (ECSP) for business entered into force. After a transition period of 12 months, the rules will enter into application on 10 November 2021, applying directly across the EU. The initiative was part of the European Commission's fintech action plan and the mid-term review of the capital markets union action plan. The ECSP regulation lays down uniform rules across the EU for the provision of investment-based and lending-based crowdfunding services related to business financing. It allows platforms to apply for an EU passport based on a single set of rules, which makes it easier for them to offer their services across the EU with a single authorisation.

[https://ec.europa.eu/info/business-economy-euro/growth-and-investment/financing-investment/crowdfunding\\_en](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/financing-investment/crowdfunding_en)

3. Positive impact on the capitalization tables and later funding rounds since special purpose vehicles are allowed. Nowadays in Spain, all crowdfunding investors must be shareholders of the company that has gone through a crowdfunding campaign, making cap tables complex and the governance of those companies slow.
4. Transferable securities would become a fact and secondary markets could be implemented allowing the investors to obtain liquidity when needed and possible.
5. Cross-border provision of crowdfunding services is also now a positive fact bearing in mind the growth and consolidation that the sector has experienced. Therefore, SMEs and startups could benefit from an increase of competition and larger pools of investors as well as EU-wide sector specialized crowdfunding platforms.

To sum up, the future of the crowdfunding sector in Spain looks brighter thanks to the new European crowdfunding service providers regulation. Unfortunately, some things will not change and it seems that non-Spaniard investors will still have to appear in person at a Spanish embassy or consulate to obtain an identity document called NIE, no matter the amount invested in the crowdfunding offer.

## Finland: Tero Weckroth



Crowdfunding has lived through stages of the usual cycle. Scepticism was followed by hype, followed by disappointments. The phenomenon will not disappear, in fact it is almost as old as human civilisation, but in return-focused crowdfunding (excluding rewards and donations) the focus will move towards the investors.

Digitalizing the fundraising processes is a necessary step in enabling collecting investments from a large number of people, angels or mortals. But while the digitalisation enables the start-ups to open their fundraising rounds to the general public, it does not force them to treat the investors well. More streamlined digital back-office tools make it possible to coordinate diversified portfolios of investments in unlisted shares, information flow from companies to investors and to return the capital back from the companies to investors. But sadly not always have these opportunities been utilised nor have the investors always been happy.

I have been an advocate of more professional lead investors in crowdfunding rounds. They would be more aloof than genuine business angels but more involved than individual crowd investors. Lead investors would add value primarily by selecting the best cases and improving the value of the cases, but also by pooling smaller investors' capital into bigger entities, increasing their negotiation power and enabling entry to possible pre-crowdfunding rounds, and guaranteeing enough firepower for the target companies in future rounds - assuming the



business develops as expected and pre-defined milestones are met. This approach has not taken hold either. In essence, the volumes and quality are too small and weak for these kinds of players to emerge and prosper.

I believe the sector needs more consolidation. With better market position the platforms will be able to increase their level of scrutiny without fearing losing target companies and borrowers to competitors. Also, this will improve the deal flow quality and attract more professional and institutional money to the platforms. Particularly in the equity side there are too many weak platforms to survive - I was the main architect in one of the first cross-border deals when Invesdor acquired Finnest. Seedrs and Crowdcube are in the process of merging. I believe many more will follow and this phenomenon is likely to move to the lending side as well as the strongest players consolidate their position by acquiring competitors or their client basis.

## Malta: Matthew Caruana



### The State of Crowdfunding in Malta

Donation and Reward based crowdfunding was introduced in Malta in 2016 by one small platform, ZAAR which was set up by the University of Malta and the Malta Business Bureau. This is, to date, still the only crowdfunding platform in Malta. The platform raised around €700k from around 130 projects. There is certainly room for further growth once the public is comfortable with the concept of crowdfunding and with more resources invested by the platform.

### Regulations

Malta has published requirements for investment-based crowdfunding platforms, but these are on the onerous side, including MiFID license and high capital requirements which have stopped platforms from starting off in Malta. These regulations also limit the issues up to €1million euros and they also have restrictions on the different classes of investors. Donation and Reward based crowdfunding are exempted from these requirements.

### Future and Potential

I think there is good potential for crowdfunding in Malta as the country is investing in its Startup ecosystem and there are several new technologies and industries that are moving to Malta. Moreover, the capital markets that had been set up for small and medium enterprises are now also too demanding and therefore SMEs need a new avenue to be able to raise finances. Furthermore, the country also has its Seed Investment Scheme which would be a key attractor if applied on the crowdfunding listings.

The challenge so far has been the regulations which would be overcome with the new ECSP regulations. Another obstacle that will need to be overcome is to raise awareness of this new type of financing amongst the investors who have so far snubbed the early stage investing route

as opposed to investing in property and more secure bonds. This however is also changing with a new generation of investors, the increased accessibility to fintech applications and after the property market has crowded out people due to increased capital requirements and its lack of environmental credentials.

Reward based crowdfunding also has room for growth as it offers a huge number of benefits apart from financing. Such as idea validation, marketing, outreach and attracting loyal customers apart from attracting other types of investment. Reward based crowdfunding can be applied to various types of projects, start-up, and new product development and these are the types of projects that are struggling to get financing from other sources.”

## Portugal: Yoann Nesme



“Although almost irrelevant for its operations, it was with great satisfaction that PPL, a founding member of the European Crowdfunding Network (ECN), saw the Regulation on European Crowdfunding Service Providers (ECSP) for business enforced in November 2020.

Since CrowdfundingHub’s publication of the Current State of Crowdfunding in Europe in 2016, the sector's landscape hasn't changed significantly in Portugal. PPL remains the leader in Reward and Donation based Crowdfunding with over 5 million euros raised, while peer-to-business lending platform Raize has pledged more than 43 million euros, followed by GoParity with 5 million euros. Real Estate Crowdfunding is mainly occupied by the Spanish platform Housers, while Equity Crowdfunding is mainly in charge of Seedrs, based in the United Kingdom.

The reasons for not having active Portuguese players in Real Estate and Equity Crowdfunding are unclear, but might be a combination of factors. It is well known that the vast majority of crowdfunding platforms are not yet profitable, and this might be the main impediment for many entrepreneurs, especially in a country with a relatively small perceived market size. While the difficulty in frequently recruiting a large number of high potential startups for the Equity Crowdfunding space is understandable in a country with a young entrepreneur mind, the reluctance in entering a growing Real Estate market is less so, having shown constant growth since 2015 (source). The regulator’s list of authorized crowdfunding platforms in Portugal shows only two Portuguese Real Estate Crowdfunding platforms with a very limited number of deals.

Another factor might be related to the rigorous existing national regulation. According to the University of Oxford’s Global Alternative Finance Market Benchmarking published in 2020, Portugal is one of Europe’s countries with the least share of platforms indicating adequate regulation in the country. Not only is it considered overly strict but might also create a sense of unfair competition with regards to other less restrictive countries.

The regulation on ECSP might change the perspective of the crowdfunding industry in Portugal. The

possibility to operate in different countries and attract international investors shortly after beginning operations might contribute to more optimistic business plans and a fairer European playing field. As a white label provider, PPL has been in discussions with several interested parties in Equity and particularly Real Estate Crowdfunding that might regard the enforcement of the European regulation as a convincing argument to start their businesses.

On the other hand, the Regulation on ECSP has little to no impact on Donation and Reward based crowdfunding as they are out of scope. But the sentiment regarding an overly strict regulation in this sector is also present. A full Know your Customer procedure is required for every donation or pledge made on these platforms. This creates obstacles to potential donors, increasingly conscious about data protection, and might favor foreign crowdfunding platforms with little to no regulation. Hopefully, the Regulation on ECSP will prove that a levelled playing field is beneficial for all crowdfunding platform operators, entrepreneurs and investors."

## Hungary: Nora Szeles



Today's crowdfunding landscape in Hungary is still underdeveloped. Equity crowdfunding has just been introduced, and it is picking up, but still there are no loan-based, real estate, reward-based platforms in the market. Competition for donation-based platforms is fortunately very limited. Alongside with Tokeportal.hu there are 7 donation-based platforms but none of them offer equity-based investment within their services. It is undeniable that donating has a long standing tradition in Hungary, thus these platforms are becoming more and more successful. The oldest donation-based platform was established in 2013.

Tokeportal launched its services precisely before the pandemic, a year ago. The first 2 campaigns failed, several more were postponed, but the first successful campaigns were launched in Q3 2020. As a response to pandemic, we launched donation based campaigns of a larger size than our competitors in this field. A few donation based campaigns have been successfully completed so far. The pandemic hit our business plan seriously, we needed to lengthen our runway by a further capital raise. Our business development plan includes the expansion in the CEE region and the launch of loan-based campaigns as well. Today we count a few thousand users and several thousands of followers. We experience a very positive outlook at least within the startup ecosystem.

From a legal point of view, there is no regime for crowdfunding, Hungarian NCA Ministry of Finance is not responsive regarding the implementation of ECSP. The Central Bank offers consultation within its Innovation Hub.

We put emphasis on our mission of education and market development. Tokeportal.hu's Kanape Pitch series of events play a central role in Tokeportal.hu's communication that is well received by the startup ecosystem. This is a hybrid pitch event where crowdfunders present themselves and where we invite the most respected experts of finance. Our primary purpose is to educate our audience, introduce crowdfunding to the Hungarian market as the leader in this industry. We focus on building trust, because at the end of the day, everyone in our audience is a potential investor and donator which means we need to deliver our vision clearly and help people see all the advantages of crowdfunding. Due to our constant presence on social media and in the business world, we are receiving more and more people interested in starting their own campaigns with us, also recording an increased number of registered users of our platform, but most importantly we are delivering more successful campaigns.

Being the sole platform that offers equity-based campaigns and investment opportunities in Hungary, we believe in our mission to create the Hungarian crowdfunding culture and an environment, where this alternative way of finance will not only be recognized but will conquer the world of finance completely. We are of course following our peer group including international platforms

Our plans for the foreseeable future is to establish two more platforms which will be solely based on real estate crowdfunding and peer-to-peer lending, and implement all we have learned internationally and locally in order to stay on top of the competition and create something long standing. We hope that ECSP regulation will promote a better and clearer legal background for the concept of crowdfunding in general and will help the market develop substantially.

## Denmark: Michael Eis



### The state of crowdfunding in Denmark

Since 2011 reward based crowdfunding has been a possibility in Denmark. The first platform - booomerang.dk - went live in april 2011, as the first. For many years this was the only option for Danish entrepreneurs, if they wanted to use a Danish platform. booomerang.dk is the biggest reward platform with more than 80.000 users, and over 200 projects per year. To this date many more have tried to enter the platform market, and a few are now active platforms in Denmark. Currently there's 2 reward platforms, 3-4 crowdlending platforms. Equity crowdfunding has been almost impossible due to regulations.

An equity platform has been trying to start twice over the last 6 years - but has been faced to close its business both times. The total crowdfunding market in Denmark was in 2020 approximately €50 million, about €15 million higher than 2019.

### Regulations

Regulations for all 4 types of crowdfunding have been in place for many years. For equity crowdfunding we still have a way to go. The Danish authorities - driven by the Danish government, corporate organisations and the Danish Crowdfunding Association - are now finally

starting to change the regulations that have made it difficult to run an equity platform in Denmark. New regulation is going to be in place by 01.01.2022 - and the market will be a reality. Hopefully not too late, many Danish companies have already used equity crowdfunding - but on other EU platforms. As for reward based crowdfunding we have a major regulatory change coming up - due to the work of the Danish Crowdfunding - effective from 01/01/2022 is now without any doubt the reward crowdfunding is not a public donation collection. Some have wrongly thought that all reward based crowdfunding is a donation project, and therefore should be regulated by the rules in other regulations that the correct regulations of trade (e-commerce).

## **Future**

At the end of 2020 the Danish government agreed to a 10.000.000 DKK grant to the crowdfunding industry. The money is going to be used in 2021 to make crowdfunding more known in all parts of the country. So 10 different crowdfunding initiatives have been granted money from the government. A lot of crowdfunding events are taking place in 2021 all over Denmark - and we are at the end of the year making a policy paper to the Danish government. Highlighting the result of the grant, and hopefully getting another grant for 2022 - simply because crowdfunding creates companies, jobs and local activity.

Also this year new platforms will be airing. One or two equity platforms, another lending platform for small businesses and a lending platform specifically to green entrepreneurship.

The crowdfunding report for 2020 did show a massive increase in the total crowdfunding market. A tendency that will continue in 2021.

We created the future - together.

# CrowdFunding Hub & ikosom Joint Projects: Crowdfunding and Public Institutions

The project “*Unlocking the crowdfunding potential for the European Structural and Investment Funds*” was a project by DG REGIO of the European Commission which was awarded to PWC Luxembourg. Karsten Wenzlaff (ikosom), Ronald Kleverlaan (CrowdfundingHub) and Ana Odorovic (University of Hamburg) supported PWC in the drafting and assembling of the report, as well as developing the research methodology, conducting the interviews and providing best practices.

## Crowdfunding for European Structural and Investment Funds (ESIF)

As crowdfunding entails benefits beyond financing, it has caught the interest of policy-makers and the finance industry, who see it as a way of supporting SME access to finance, foster socio-economic development, job creation and the inclusion of entrepreneurs often overlooked by traditional financing actors.



Hence, public policies supporting crowdfunding and partnerships between public actors and banks are central to the success of crowdfunding campaigns. In fact, Managing Authorities (MAs) in charge of European Structural and Investment Funds (ESIF) can play an important role in stabilising, growing, and taking advantage of the crowdfunding ecosystem.

In 2021, the report *Unlocking the crowdfunding potential for the European Structural and Investment Funds*, financed by the Directorate-General for Regional and Urban Policy (DG REGIO) of the European Commission, was published.

This report provides an assessment of the European crowdfunding ecosystem, and how it could effectively be leveraged by ESIF to support the implementation of Cohesion Policy. The market readiness assessment shows an overall favourable environment for European Union Member States to combine ESIF with crowdfunding for the 2021-2027 programming period.



# CrowdfundingHub Portfolio

CrowdfundingHub is a leading consulting firm in Europe for crowdfunding related consulting and research projects for national and European governments.

## AltFinator - Capacity building for the crowdfunding ecosystem in South and Eastern Europe

Alternative financing (AF) for businesses across Europe has increased considerably in recent years, becoming an important source of finance for entrepreneurs, startups and SMEs. However, access to AF varies considerably across Europe with Southern, Central and Eastern European regions lagging behind Northern and Western European regions in terms of AF volume (total and per capita).



To bridge this gap, the AltFinator project facilitated the transfer of best practices from more advanced to less advanced markets. The project implemented a capacity-building strategy for the financial ecosystem and its participants in South, Central and Eastern European countries to improve the provision and absorption of alternative finance.

The main objective of AltFinator was to design, develop and implement country-level plans to increase the capacity of the financial ecosystem and its participants in the different target countries. Multiple events and activities were carried out throughout the project to engage and broaden the AF community in Europe.

One of the results of the Altfinator project was the launch of the Altfinator Policy Network, a network of 700+ experts, industry associations, policy makers and researchers sharing insights and knowledge on building the crowdfunding ecosystem in different countries in Europe.

## CrowdThermal - Community finance for geothermal energy

The CrowdThermal project aims to empower the European public to directly participate in the development of geothermal projects with the help of alternative financing schemes (crowdfunding) and social engagement tools.



In order to reach this goal, the project will first increase the transparency of geothermal projects and technologies by creating one to one links between geothermal actors and the public so that a Social Licence to Operate (SLO) could be obtained. This will be done by assessing the nature of

public concerns for the different types of geothermal technologies, considering deep and shallow geothermal installations separately, as well as various hybrid and emerging technology solutions.

CrowdThermal will create a social acceptance model for geothermal energy that will be used as a baseline in subsequent actions for inspiring public support for geothermal energy. Parallel and synergetic with this, the project will work out details of alternative financing and risk mitigation options covering the different types of geothermal resources and various socio-geographical settings. The models will be developed and validated with the help of three Case Studies in Iceland, Hungary and Spain and with the help of a Trans-European survey conducted by EFG Third Parties.

## DivAirCity - Community Finance for projects to improve air quality in cities through Smart Contracts and Blockchain solutions

DivAirCity is a project that “recognizes, accepts and celebrates differences” in cities and turns them into a true value to address the emergency of air pollution and climate change. DivAirCity shifts the urban paradigm by valuing human diversity as a resource to define new services and models towards culturally-driven green cities. The project focuses on the nexus between people, places, peace, economic growth, and its impact on air quality and decarbonisation.

DivAirCity is a 4-year innovation project, funded by the European Commission under the H2020 program, within the scope of the Sustainable Development Goals, valuing diversity and social inclusion to achieve innovative, creative, culture- driven, green and carbon neutral urban society.

As one of the partner organizations of DivAirCity, CrowdfundingHub provides professional consulting services and its expertise in crowdfunding and alternative finance. CrowdfundingHub will develop Community Finance solutions to invest in projects to improve air quality in cities. This will be achieved by developing and testing Smart City Smart Contracts on Blockchain technology. Together with DivAirCity, CrowdfundingHub aims to involve more citizens and private investors in air quality improvements in Europe.

## ENTRANCE - Crowdfunding and alternative finance solutions for smart mobility and smart cities

The ENTRANCE project aims to offer a legitimate European matchmaking platform and complementary off-line services designed to mobilise financial resources to accelerate the market access and scale-up of sustainable and zero emission transport solutions.

ENTRANCE has created a unique EU online Matchmaking platform for the entire European transport and mobility landscape that will be sustainable beyond the project's duration. The platform:



- Connects a critical mass of relevant stakeholders from the “supply-demand-finance” triangle in the entire transport and mobility sector, including all transport means and modes;
- Creates an increased visibility of “first-of-a-kind” transport solutions, foreseen replacement plans and schedules of major buyers and public and private financing opportunities;
- Does an automatic matchmaking that will facilitate the scale up, market uptake, and access to finance as well as generate specific alerts.

ENTRANCE will evaluate online alternative financing mechanisms, including crowdfunding, invoice trading, impact bonds, mini-bonds, online SME exchanges and funding through tokenized assets such as Security Token Offerings to provide state-of-the-art innovative online financing solutions.

As a member of ENTRANCE consortium, CrowdfundingHub is strongly involved in the transport and mobility sector by providing investors and innovators with professional consultancy services in alternative finance and community ownership solutions. Innovation finance support services are the main response of ENTRANCE to lower the barriers for access to finance of innovators and uptake companies.

## Hub-IN - Alternative Finance and Entrepreneurship to preserve historic urban areas

The Hub-IN 2020 project (Hub of Innovation and Entrepreneurship for the Transformation of Historical Urban Areas) aims to foster innovation and entrepreneurship in Historic Urban Areas (HUA), while preserving the unique identity of the historic sites regarding their natural, cultural and social values. HUB-IN adopts innovation and entrepreneurship as the main drivers of urban regeneration in HUAs and it is fully aligned with the International agendas for Cultural Sustainable Development (UNESCO) and Cultural Heritage Strategy (Council Europe).

The project is led by the University of Lisbon. A total of eight European cities and eighteen partners will collaborate on this project over the next four years. The project has been co-funded by the European Commission with a grant of 8 million euros. The European Centre for Alternative Finance of the Utrecht University School of Economics (U.S.E.), CrowdfundingHub and the municipality of Utrecht together contribute substantially to HUB-IN from their expertise on entrepreneurship and alternative finance.

HUB-IN expects to contribute to reverse trends of abandonment and neglect of historic heritage in a systematic way through the creation of networks of Hubs where innovation will be the main driver. HUB-IN will also have a direct impact on the creation of new sustainable opportunities for local traditional businesses and for the development of new creative skills and jobs.

# ikosom Portfolio

## UNDP Crowdfunding Academy

Ikosom supported the UNDP Alternative Finance Lab in preparing and implementing an academy for UNDP Staff members from more than 30 offices around the globe.

Ikosom worked closely with the Social Innovation Agency Brodoto to build a curriculum which allows UNDP Staff members to educate local projects and campaigns about the use of Alternative Finance.



## Fintech Self-Regulation in Uganda - Creating a Code of Conduct on behalf of Financial Technology Service Provider Association (FITSPA) and Financial Sector Deepening Uganda

Ikosom supported the consultancy firm Microsave (India, Kenya) to establish a voluntary code of conduct for the Fintech Industry in Uganda. Ikosom analysed the Fintech legal framework, facilitated interviews with stakeholders, conducted workshops in Uganda and supported FitSPA in drafting the Code of Conduct.

## Crowd-Fund-Port - Supporting Crowdfunding Ecosystems in Central and Eastern Europe

Crowdfunding minimizes business risk-taking and increases entrepreneurship mind-set, which is why an unused Crowdfunding potential represents a huge challenge especially in the eastern parts of central European countries. CROWD-FUND-PORT aims to improve skills and competences of all relevant stakeholder groups to prepare them for taking advantage of the Crowdfunding phenomena. Change will be visible in improved financial conditions for Start-ups and SMEs fostering innovation, employment and social stability in the region.

As part of the project CROWD-FUND-PORT, the ikosom Team has created a guide of 250 pages to support companies preparing their Crowdfunding campaign. The Guide can be downloaded for free:

<https://www.crowdcreator.eu/crowdfunding-guide-book/>



## CE-RESPONSIBLE - Net4SocialImpact - Access to Finance for Social Entrepreneurs

A social network, a database of resources, a tool for receiving and giving support to social entrepreneurs: the Project “CE-RESPONSIBLE” connects Social Entrepreneurs and Altrupreneurs. Through the community “Net4SocialImpact.EU”, are a community for social entrepreneurs and a database of resources for social entrepreneurs is maintained, which also includes funding tools for social entrepreneurs, such as Crowdfunding and Impact Investing.

<https://net4socialimpact.eu>



## Equity- and Lending-based Crowdfunding in Morocco - Consultancy with Regulators

On behalf of GIZ Morocco, ikosom participated in a study visit by regulators from Morocco to initiate the Crowdfunding Regulation in Morocco.

## Equity- and Lending-based Crowdfunding in Tunisia - Consultancy with Regulators

On behalf of the Financial Service Volunteers Corps, ikosom supported the Central Bank in Tunisia, the Capital Market Authority in Tunisia and the Microfinance Agency in Tunisia in drafting the implementation laws for Equity- and Lending-based Crowdfunding.

