Markets in financial instruments: crowdfunding service providers

2018/0047(COD) - 08/03/2018 - Legislative proposal

PURPOSE: to amend Directive 2014/65/EU on markets in financial instruments with the aim of extending access to finance to innovative companies, start-ups and other non-listed companies.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure on an equal footing with the Council.

BACKGROUND: **crowdfunding** is a financing model normally involves the project owners that propose the project to be funded, investors that support the proposed project through funding and a moderating platform that brings the parties together to finance and launch the project in question. Crowdfunding platforms are increasingly used as a tool to finance various activities for small and nascent firms.

Some Member States have already introduced domestic bespoke regimes on crowdfunding. However, Member States tailor their regulatory frameworks to the characteristics and needs of local markets and investors, which results in **differences of how the rules are designed and implemented** with respect to the conditions of operation of crowdfunding platforms, scope of permitted activities and licencing requirements. **Due to the lack of an appropriate EU framework** for crowdfunding activity, crowdfunding services providers are facing difficulties in scaling their operations and cross-border flows remain limited.

The proposal for a regulation on European crowdfunding service providers aims to **facilitate their provision on a cross-border basis,** while managing operational risks and ensuring a high degree of transparency and investor protection.

In the interest of legal certainty and in order to avoid the application of requirements stemming from Directive 2014/65/EU to the provision of crowdfunding services, it is necessary to explicitly specify that Directive 2014/65/EU does not apply to persons authorised as crowdfunding service providers as defined in the proposed regulation on European crowdfunding service providers.

This initiative is related to part of the Commission's priority of establishing a Capital Market Union (CMU), which aims to broaden access to finance for innovative companies, start-ups and other unlisted firms.

IMPACT ASSESSMENT: the main economic and social impacts have been thoroughly examined in the impact assessment accompanying the proposal for a regulation of the European Parliament and of the Council on European crowdfunding service providers.

CONTENT: this proposal amends the scope of Directive 2014/65/EU in order to **exempt crowdfunding service providers** from the obligations arising from Directive 2014/65/EU on markets in financial instruments.