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Publication of the European Crowdfunding Regulation: Key Dates and Overview

The European Regulation (EU) 2020/1503 of 7 October 2020 on European crowdfunding service providers for business, accompanied by the Directive (EU) 2020/1504 amending Directive 2014/65/EU on markets in financial instruments, was published in the Official Journal of the European Union on 20 October 2020.

Date of applicability and creation of a single European crowdfunding framework

The Regulation creates a single European authorisation for the provision of crowdfunding services, granted to providers upon approval by the competent authority. Once approved, a crowdfunding service provider may offer crowdfunding services in the form of crowdequity and/or crowdlending, depending on the scope of its authorisation.

The Regulation is due to become applicable on 10 November 2021. As from that date, existing platforms wishing to continue to provide crowdfunding services will have 12 months, i.e. until 10 November 2022, to obtain the authorisation of European crowdfunding service provider. This transitional period can be extended by the European Commission for a further 12 months, i.e. until 10 November 2023. At the end of this transitional period (as extended, if applicable), only crowdfunding service providers authorised in accordance with the Regulation will be able to offer crowdequity or crowdlending services in Europe.

In France, this scheme will replace the existing *Conseillers en investissements participatifs* (CIP) and *Intermédiaires en financement participatif* (IFP) regimes.

New obligations

Crowdfunding service providers will be subject to various organisational and transparency requirements as regards prevention of conflicts of interest, due diligence and complaints handling. In addition, two new categories of investors are created and defined by the Regulation: sophisticated and non-sophisticated investors. Non-sophisticated investors benefit from additional and appropriate investor protection safeguards before they can invest, including: a knowledge test, a simulation of the ability to bear losses and a specific warning for any investment exceeding a certain amount. In addition, a pre-contractual reflection period of 4 days allows non-sophisticated investors to cancel their offer to invest or expression of interest in a crowdfunding offer.

Key points to remember:

- Crowdfunding projects offered on the platform must concern business activities.
- The maximum amount that can be raised by a project owner is set at 5,000,000 euros over twelve months throughout the European Union.
- Each crowdfunding offer is subject to a six-page key investment information sheet whose content is standardised. This document is not approved by a competent authority.
- The Regulation does not prohibit the exercise by crowdfunding service providers of other regulated activities under other regulated statuses (such as the investment firm status), provided that the rules applicable to those other statuses allow it and that the provider has obtained the relevant authorisations.

Finally, crowdfunding service providers may operate a bulletin board enabling their clients to express interest in buying or selling loans or securities that were originally offered on their crowdfunding platforms.

Useful links:

- European Regulation (EU) 2020/1503 of 7 October 2020
- Directive (EU) 2020/1504 of 7 October 2020

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