Crowdfunding

French regulatory framework

German Embassy, July, 3rd, 2014

Nos valeurs : l'ouverture, la loyauté, l'engagement, l'esprit d'équipe
Crowdfunding aims to raise funds for financing projects of private companies or natural persons. It may be gift, loans or investments.


Large consultations in the drafting process.

“Ordonnance” n° 2014-559 of May, 30th, 2014 fixed the regulatory framework. Implementing decree to be finalized by the end of the month.
Development of crowdfunding first needs trust into safe products commercialized by well known intermediaries

I- Crowdfunding means that a large number of funders ensure the financing of a funded.

- **1. Principles of crowdfunding**: several funders for one person financed.
- **2. Products commercialized through crowdfunding should be simple and easily understandable.**

II- Trust in the intermediaries is crucial to ensure a good relation between funders and funded.

- **1. Intermediary is known, his role is to facilitate the transaction between the funders and the funded.**
- **2. Regulatory authorities are in charge of controlling commercial practices and activities of the intermediaries.**
I - 1. Principles of crowdfundings: several funders for one person financed

Why?

- Community of interests or values
- Faster than a traditional bank funding

Non exclusive of other fundings (e.g. bank loans)

Scheme: a large number of funders ensure the financing of a funded through an intermediary.
I - 1. Principles of crowdfundings : several funders for one person financed (cont)

Scheme: a large number of funders ensure the financing of a funded through an intermediary.

Diagram:
- Project owner
- Intermediary
- Funders
- Presents
- Standardizes
- Contract
I – 2. Products commercialized through crowdfunding should be simple and easily understandable

**Crowdinvesting**
- **Platforms may be either « CIP » or investment service provider.**
- **Public offering of securities are adapted : New derogation for Prospectus is created for offers below EUR 1 M, certain kind of companies could offers securities**

**Crowdlending**
- **Loans are standardized to simplify and protect consumers.**
- **Thresholds : EUR 1M per project, EUR 1 000 per creditor per project, EUR 4 000 for lends without interest.**
- **Credits are with installements, at fixed rate, for a limited period of time, under usury rate**

<table>
<thead>
<tr>
<th>Type of lends</th>
<th>Creditor</th>
<th>Borrower</th>
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<tbody>
<tr>
<td>Credits, loans without interest, gifts</td>
<td>Creditors are outside their professional ends (crowd)</td>
<td>Natural or legal person for professionnal ends</td>
</tr>
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<td>Credits, loans without interest, gifts</td>
<td>Creditors are outside their professional ends (crowd)</td>
<td>Natural person for initial or professional education</td>
</tr>
<tr>
<td>Loans without interest, gifts</td>
<td>Creditors are outside their professional ends (crowd)</td>
<td>Natural person who do not act for professional ends</td>
</tr>
</tbody>
</table>
II - 1. Intermediary is known, is role is to facilitate the transaction between the funders and the funded

Intermediary is identified to ensure trust
- Registration in a national register;
- Control of access: Honourability and skills (diploma, experience or specific training of 80 hours);
- IFP and CIP status are cumulative if IFP is not a payment institution;
- Mandatory insurance.

Intermediary’s role is to standardize the relationship between funders and funded
- Specific information on the company are given to the intermediary (what does she do, description of the project etc.). Kind of information is different for investors or creditors;
- Information is then given by the intermediary to the founders, either investors or creditors.

Intermediary helps the funder to analyse the project but it is the founder who is responsible for his funding

Intermediary has to comply with rules of good practices
II - 2 Regulatory authorities are in charge of controlling commercial practices and activities of the intermediaries.

- Controls of the right to carry on (ex-ante) and of the business conduct
  - *Penalties may go up to EUR 100 M and forbid of the exercise of activity (AMF, ACPR).*
  - *Judge may pronounce criminal penalties in case of illegal practice of the activity.*
  - *In case of crowdinvesting, professional associations can also control.*

- Controls of the commercial practices
  - *Penalties are softer and only contraventional to incite to comply with the law (DGCCRF)*