
23/09/2016

[News](#)

On 22 September, the Financial Supervision Authority (FSA) sent to the Ministry of Finance a proposal to consider a law regulating the activity of companies offering crowdfunding services.

In the FSA's opinion the crowdfunding area needs a bigger legal certainty. The risks need to be managed on a law level in order to protect the savings of persons who have invested into crowdfunding companies as well as to give clarity in the activity environment of companies.

“Rapidly developing crowdfunding offers new and alternative opportunities next to the regulated banking, fund and investment services market. With financial services, the opportunities and risks go hand in hand. We believe that by addressing the activity requirements and risks more directly through laws helps to create a more transparent, stable and effective financial services market”, explained **Andre Nõmm**, a Member of the Management Board of the FSA.

Crowdfunding companies are currently not subjects of financial supervision and according to this proposal by the FSA, for the time being, they should not be put under national financial supervision either. In addition, crowdfunding companies do not need an authorisation from the FSA. This initiative is primarily targeted for protecting the clients of crowdfunding companies. The proposals by the FSA are mostly connected with the disclosure and transparency of information, protection of personal data, management of conflicts of interests and assuring the separation of assets. In addition, crowdfunding companies should lower the risks threatening the financial sector, e.g. prevent money laundering.

This initiative by the FSA does not concern crowdfunding based on donations and prizes.

“Because crowdfunding has yet not been harmonised on the EU level, several member states have begun to regulate this area on their own as crowdfunding is developing rapidly. We believe that our initial draft law helps to frame the coming discussions on regulating crowdfunding where we can reach a balanced result in an open and inclusive way”, added Nõmm. “We think that crowdfunding market in the EU should be opened, because we see this as a good opportunity to open the potential of the single market for our entrepreneurs.”

According to the initiative the requirements stipulated in the special financial sector laws mentioned in the second paragraph of the Financial Supervision Authority Act, e.g. the Credit Institutions Act, the Securities Market Act, the Creditors and Credit Intermediaries Act, the Investment Funds Act etc., will not be changed. This means that by the conditions and on the basis of these special laws and in case relevant circumstances emerge, crowdfunding companies have to apply for an authorisation or register its activity or a public offering of securities, in order to comply with the law. The crowdfunding

company or the person planning to engage in such activities has to assess themselves whether their activity qualifies as such that would need an authorisation or to be registered.

The FSA points out that contrary to market participants who have an authorisation to offer financial services, crowdfunding companies are not subjects of national financial supervision, they do not have to apply for an authorisation and they are not applicable to guarantees stipulated in the Guarantee Fund Act.

It cannot be ruled out that in the future the crowdfunding area may need to be regulated more firmly in case the risks become higher or the EU legislature changes.

The initiative proposed by the FSA is available on their [website \(in Estonian\)](#).

[Inform me if the content changes](#)