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France to develop crowdfunding to spur innovation

Hogan Lovells

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France

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Pierre Moscovici, French Minister of Economy and Finance has presented a bill on 4 September 2013, called “Simplifying life for business” (“**Bill**”). This provides for a specific status for crowd funding platforms, with the aim of supporting crowd funding platforms, developing this way of raising funds and ensuring the security of the donors, giving them the guarantee that the money is going to the project they wanted to participate in.



Author page »

On 30 September 2013, Fleur Pellerin, French Minister of Innovation and digital economy, announced the first version of the new legal framework for crowd funding. A 6 week consultation on this framework, until 15th November, now follows.

In France, while crowd funding is generally considered to fall within the scope of banking laws and regulations, there is no legal definition and generally no specific laws and regulations on crowd funding. The French *Autorité des Marchés Financiers* (the “**AMF**”) and the French *Autorité de Contrôle Prudentiel et de Résolution* (the “**ACPR**”) issued guidelines on crowd funding on 15 May 2013 (the “**Guidelines**”) which considered 3 different crowd funding platforms: (i) platforms to raise funds, people giving money being reimbursed by an advantage in nature, as such for example their name in the films’ credits, (ii) platforms to finance projects through loans, and (iii) platforms to finance a business project through a subscription of certificates.

Under the Guidelines, the offering of crowd funding services requires crowd funding platforms to be authorised as either a payment service provider, an investment service provider or a credit institution, which according to the banking monopoly rule is the only institution authorised to make funds available in return for payment.

Due to the strict legal framework, the use of crowd funding in France has not grown as

expected. France has 28 active crowd funding platforms which have raised 40 million euros over the last six years and financed 15 000 projects. This compares with 3 billion euros having been raised worldwide. The Bill, if adopted, offers a second chance for crowd funding to take off in France in a well-defined regulatory environment with, for example, the creation of a specific status as “crowd funding investment service provider” (*Conseiller en investissement participatif*).

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