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IOSCO publishes 2015 Survey Responses Report on Crowdfunding

The International Organization of Securities Commissions (IOSCO) published today the [*Crowdfunding 2015 Survey Responses Report*](#) (Crowdfunding Report).

The Crowdfunding Report presents a summary of responses to a fact-finding survey of twenty-three IOSCO members. The Study had two goals – first, to enhance IOSCO’s understanding of developments in members’ current or proposed regulatory regimes for investment-based crowdfunding and second, to highlight emerging trends and issues in this area.

The jurisdictions surveyed reported a variety of approaches to regulate crowdfunding. Some jurisdictions apply their general securities regulatory framework, which may be sufficiently broad and flexible to address crowdfunding. Other jurisdictions have either introduced (or have proposed to introduce) specific regulatory crowdfunding regimes. The report highlights that most regulatory regimes for crowdfunding are in their early days.

The Crowdfunding Report also provides an overview of factors that regulators may find useful to the development of regulatory measures for addressing the inherent risks unique to crowdfunding activities. The goal is to achieve a balance between promoting crowdfunding and ensuring investor protection and market integrity. Some of the regulatory measures described in the Crowdfunding Report include:

- customizing entry, registration, or licensing requirements;
- setting disclosure requirements for issuers and funding portals;

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- limiting the services that may be provided by crowdfunding platforms;
- requiring the appointment of a third party custodian to hold investor assets;
- imposing measures to favour the channeling of resources into local businesses;
- addressing cross-border issues.

The report also seeks to raise investors' understanding of crowdfunding, *e.g.*, that crowdfunding may differ from investing in more traditional securities products. In addition to take note of risks common in traditional finance such as conflicts of risks, data protection and fraud, it suggests that investors pay attention to certain key aspects, including:

- *Information asymmetry*: Risk of default or high failures is often associated with start-up businesses. The risk of fraud may be high in case of internet offers. Investors should review disclosure and education materials to further their understanding of the essential features and main risks of the crowdfunding offer and see if third party custodians are being used.
- *Platform failure*: There is risk of platform failure for crowdfunding portals. Portals should be evaluated based on their credibility and soundness, including if it has the proper IT systems, back-up facilities and procedures to ensure continued service.
- *Investing limits*: Investors should consider if the investment amount is appropriate for their net worth.
- *Rescission, cancellation*: Investors should be informed of and understand the investment terms including cancellation or rescission rights.
- *Illiquidity*: As restrictions could be put on the resale of crowdfunding securities, investors should pay attention on warnings and information regarding liquidity and the availability of secondary market.
- *Suitability*: Investors should consider that a crowdfunding offer may not be suitable and consistent with their investment objectives and risk profile.

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NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO). The Board is made up of 34 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Kingdom and the United States.
3. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
 - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
 - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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