

*Finance Norway welcomes the initiative from the EU Commission regarding a possible legislative proposal for an EU framework on crowd and peer to peer finance. Experience seems to tell us that crowdfunding has developed better in jurisdictions with a relevant and transparent regulation than in jurisdiction without such a framework. The objectives that has been set by the Commission for the possible legal proposal are important and relevant objectives. We think that the creation of a level playing field is important to enable platforms to scale cross-border. A proportionate and effective risk management framework is necessary to secure the reliability of and the trust in the platforms. It is also important that such a framework secures a level playing field for more traditional banks and investment firms competing with the platforms.*

*It is Finance Norway's opinion that only one of the four policy options would be able to fully deliver on the two objectives. Policy option number one (Baseline scenario – no EU framework) would only prolong a status quo situation. Policy option number two (Building on reputational capital - a self-regulatory approach with minimum EU standards) would be a move in the right direction, but it would not secure the reliability of platforms as the choice to operate below “best practise”-standards would be an option. Policy option number four (The cross-border solution - a standalone opt-in EU framework) would move the situation in the right direction and represent a noticeable move forward. However, the fourth policy option does not secure a level playing field. National platforms could gain a regulatory advantage compared with cross-border platforms due to potential less demanding local regulations. Further, a lack of reliability in local platforms operating below “best practise”-standards could have negative contagion upon the trust in cross-border platforms. Thus, it is the opinion of Finance Norway that policy option number three (A comprehensive EU approach - treating crowdfunding platforms like regulated trading venues or payment institutions) represents the best solution. This is the only option that both secures a level playing field, enabling platforms to scale cross-border, and at the same time securing reliability and trust through a proportionate and effective risk management framework.*

*However, under policy option four one must not only assess the regulations of regulated markets and payment institutions as the relevant alternatives. Existing regulations of credit institutions, credit intermediators and investment firms should be taken into account in order to reflect the nature of the platforms different services and nature. The Financial Supervisory Authority of Norway performed such a thorough assessment earlier this year, identifying different authorisations as relevant for different kinds of platforms.*

*Finance Norway would like to highlight some core principles that such a legal framework needs to address:*

- *The principle of “same risk – same activity – same regulation” must be the basis for the choice of regulatory approach, to secure a level playing field (a) between different platforms and (b) between platforms and more traditional banks / investment firms.*
- *The regulatory framework must duly address the ICT risks and other operational risks, including AML risks, that such platforms represents.*
- *The regulatory framework must duly address the need to secure the interests of investors and consumers, including the need to secure consumers against such platforms creating a too easy way of obtaining non-sustainable credit.*
- *The regulations must also clearly make the platforms and the owners and operators of such platforms responsible for funds invested through their platform.*