

# CROWDFUNDING INDUSTRY REPORT

MAJOR REGULATORY, MARKETING  
AND TECH CHALLENGES

# 2022



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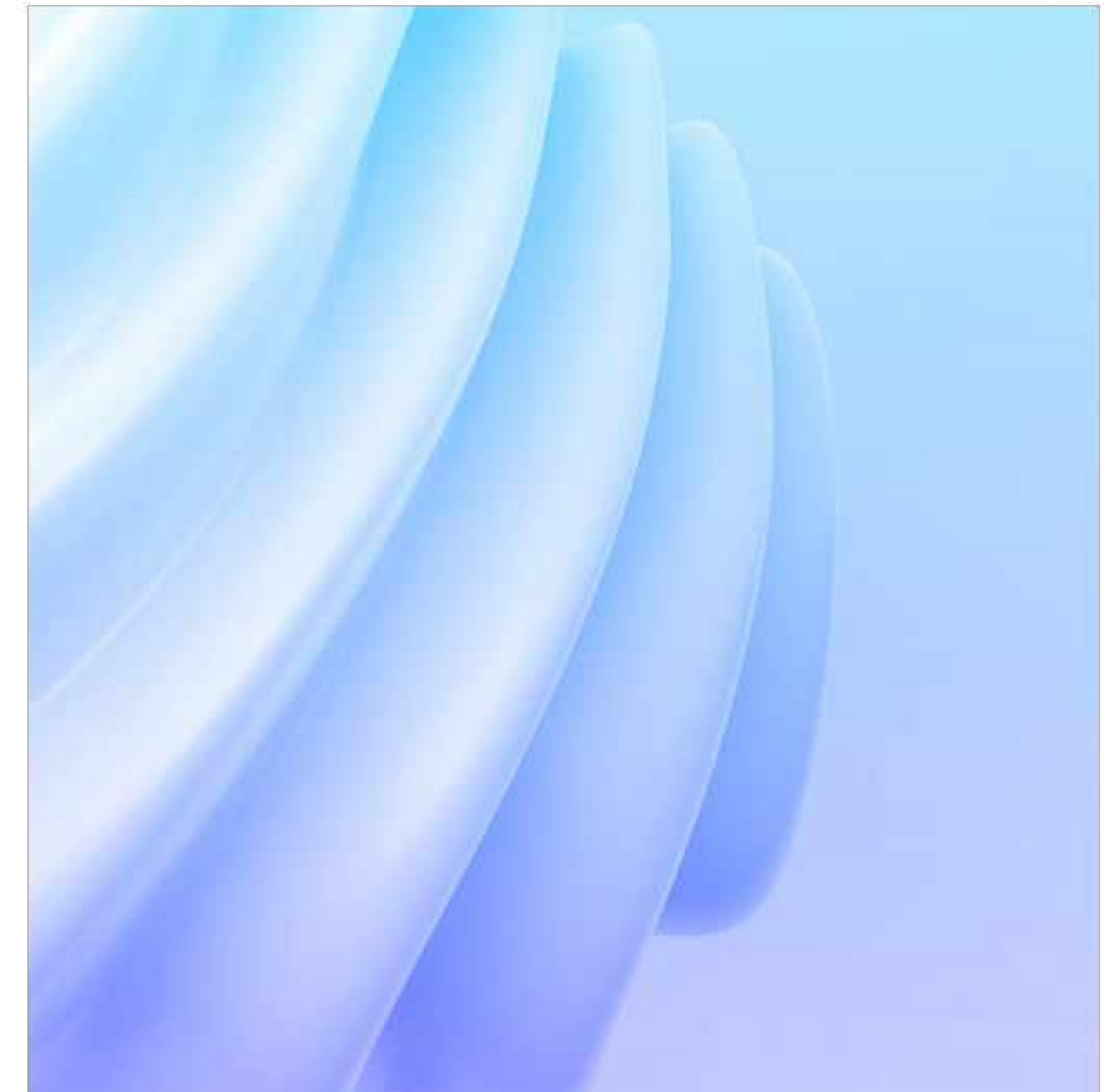
# FOREWORD

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The crowdfunding industry in Europe is going into a new chapter: ECSP regulations are not only adopted by authorities but have already been successfully implemented by a number of platforms across the EU.

New regulations bring new challenges to crowdfunding platforms, making them adjust multiple aspects of running a crowdfunding business: technology, operations, marketing strategy and sometimes even the business model.

The present report is the result of research among the crowdfunding platforms we have been carrying out every year since 2020. This time, we surveyed owners, CEOs and marketing directors of several crowdfunding platforms across the EU and the UK to determine how they are dealing with ECSPR, what they say about new challenges in client acquisition, what their platforms look like from the technology perspective and where they are with implementing blockchain and ESG principles.



# METHODOLOGY

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We surveyed crowdfunding platforms in the EU and the UK in the summer of 2022.

The present report is based on the answers we received from platforms registered in Estonia, Latvia, the United Kingdom, France, Sweden, Cyprus, Romania, Italy, Austria, Lithuania, Germany, Ireland, Czech Republic, Belgium, Finland, Poland, and the Netherlands.

Among the respondents were CEOs, Co-founders, COOs, Heads of Investor Relations, Heads of Product, Project Coordinators, CMOs and Key Account Managers.

We contacted platform representatives via email and asked them to complete a questionnaire consisting of 21 questions — multiple choice and open-ended.



# ACKNOWLEDGEMENTS

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We would like to thank the owners of the following crowdfunding platforms for participating in our survey and consenting to be mentioned in the report.





































# PLATFORM OVERVIEW

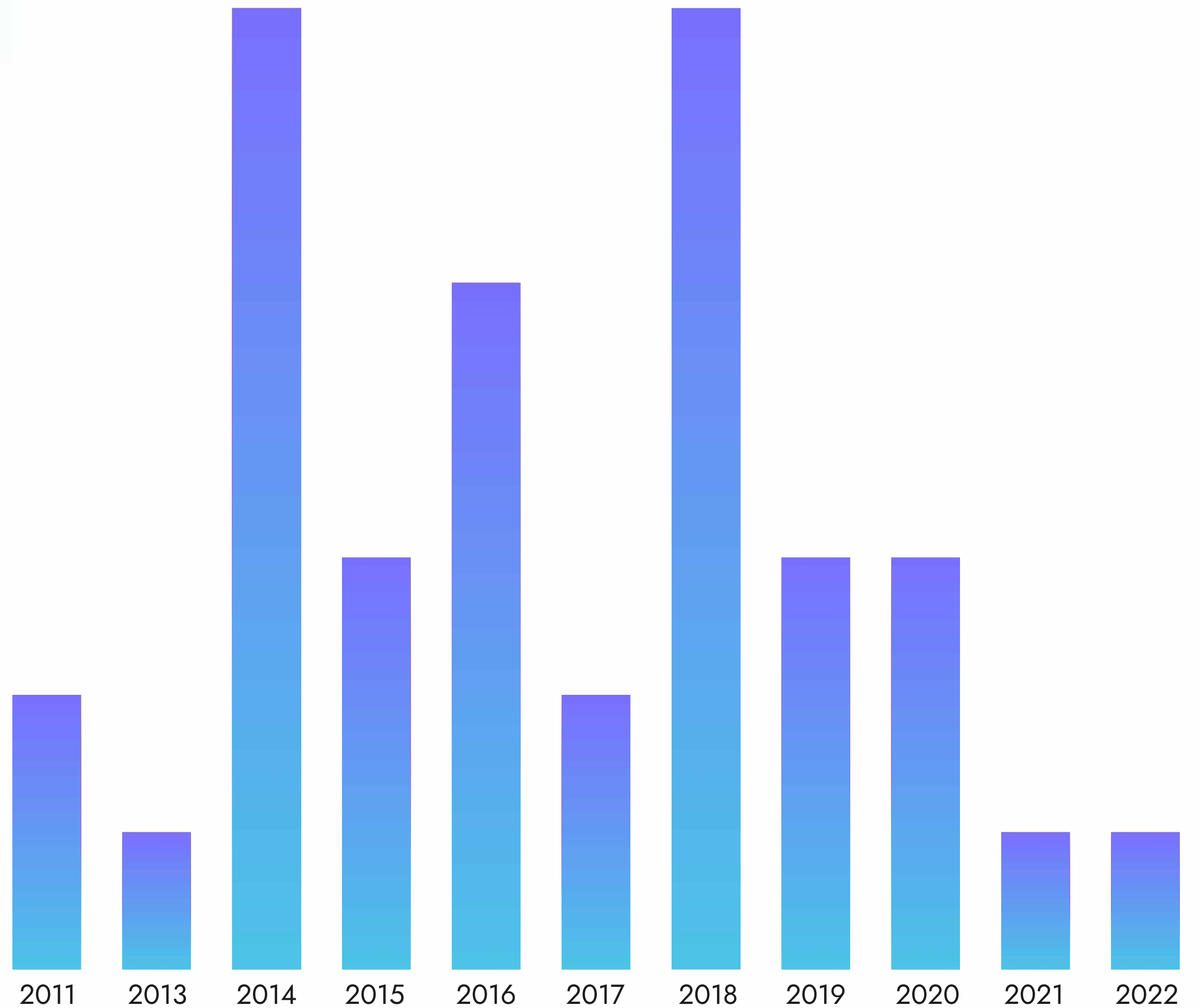
Financial instruments, jurisdictions and regulations

01

# AT A GLANCE

From the maturity perspective, the oldest platforms we surveyed were founded in 2011 (6%) and 2013 (3%), and the major part started operations in 2014-2019 (74%). Only a few platforms were launched in 2022, which is quite challenging from a technical angle as all new platforms whose activities fall under ECSPR must obtain the license.

While crowdfunding platforms shut down every year, this data signifies that it's possible to stay in business for a long time, even though it largely depends on the regulations in a particular country, asset class, business model and a general business direction.

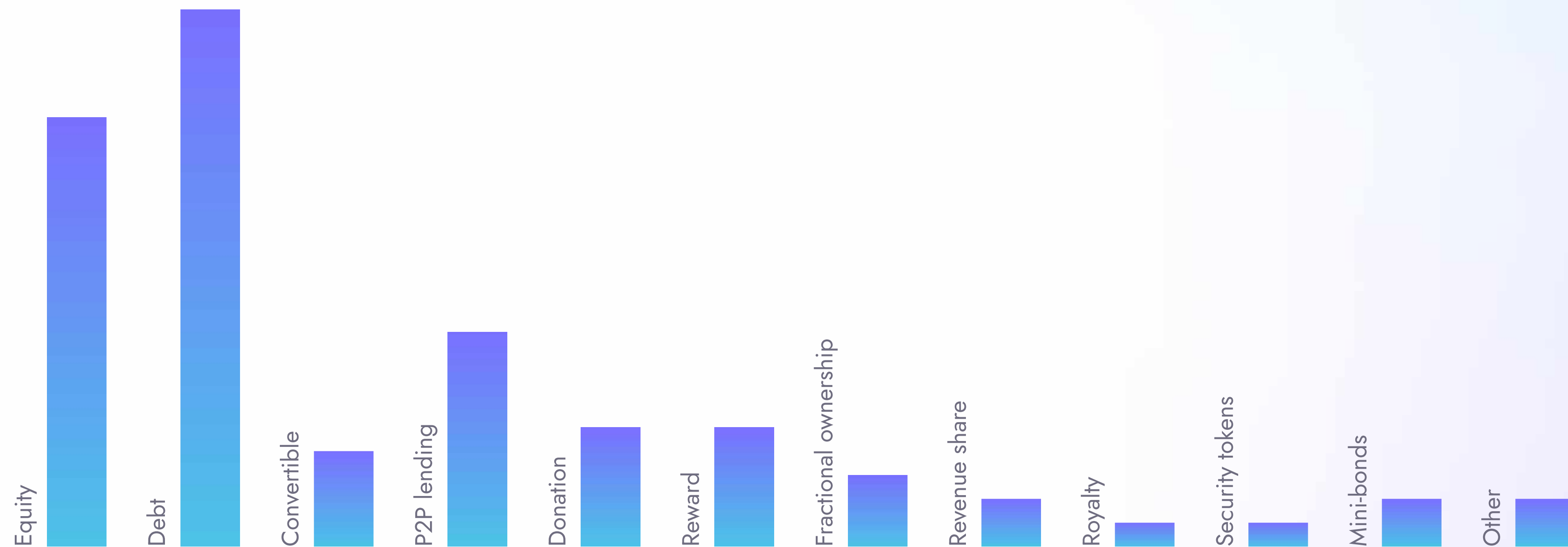


The European crowdfunding landscape has a variety of financial instruments offered by crowdfunding platforms, with debt and equity crowdfunding taking the lead.

Only 15% of the platforms surveyed offer reward or donation-based campaigns. However, 3% of platforms offer either a hybrid approach or combine several offering types under one roof.

Purely debt offerings were listed by 16% of the crowdfunding platforms, purely equity — 11%, and purely P2P lending — 8%. Other popular financial instrument combination is debt & equity (16%) and debt & P2P lending (9%).

Instruments like fractional ownership, royalty, mini-bonds, and security tokens are used by a few platforms and most often, such platforms combine them with other investment opportunities.



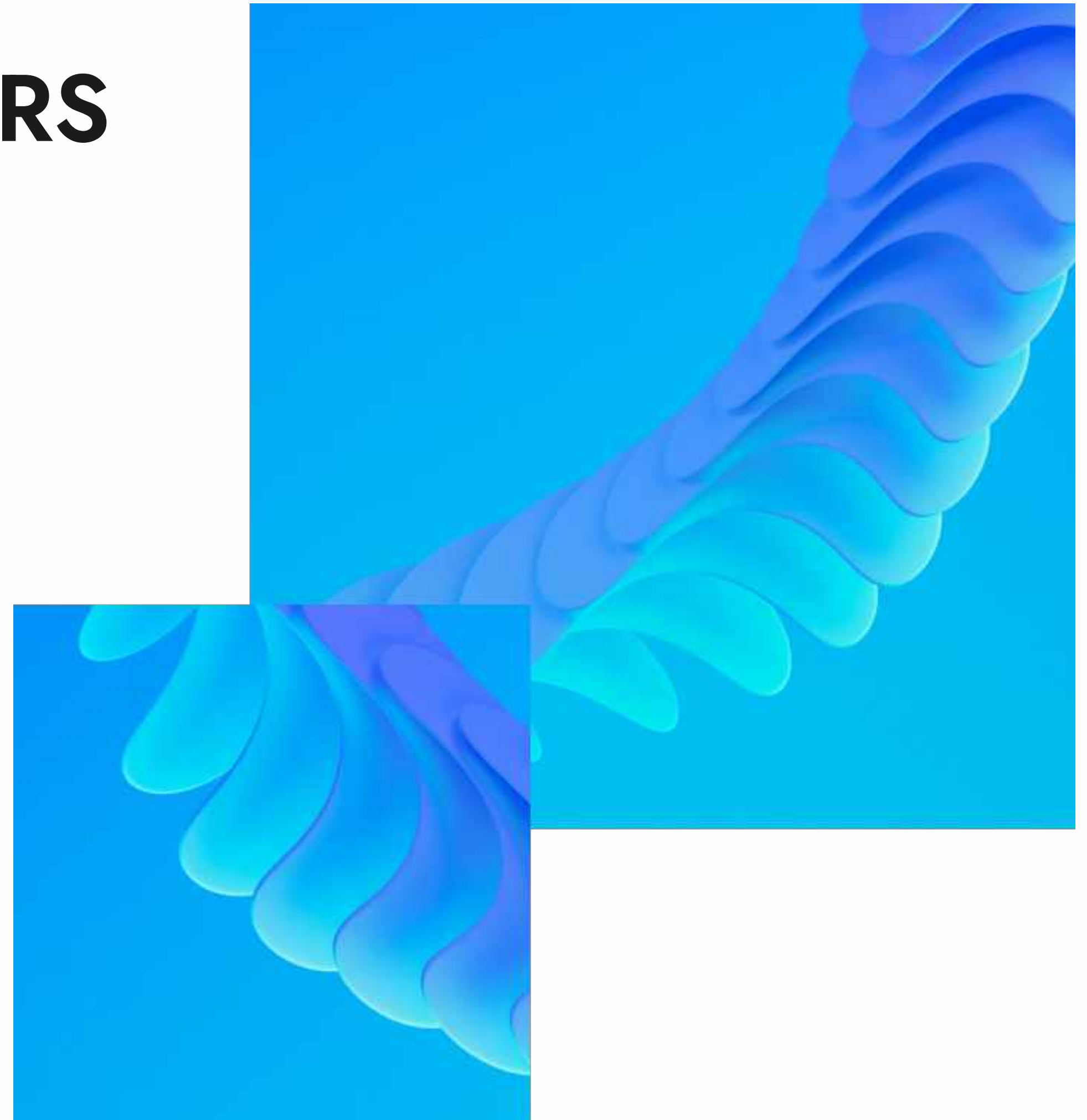


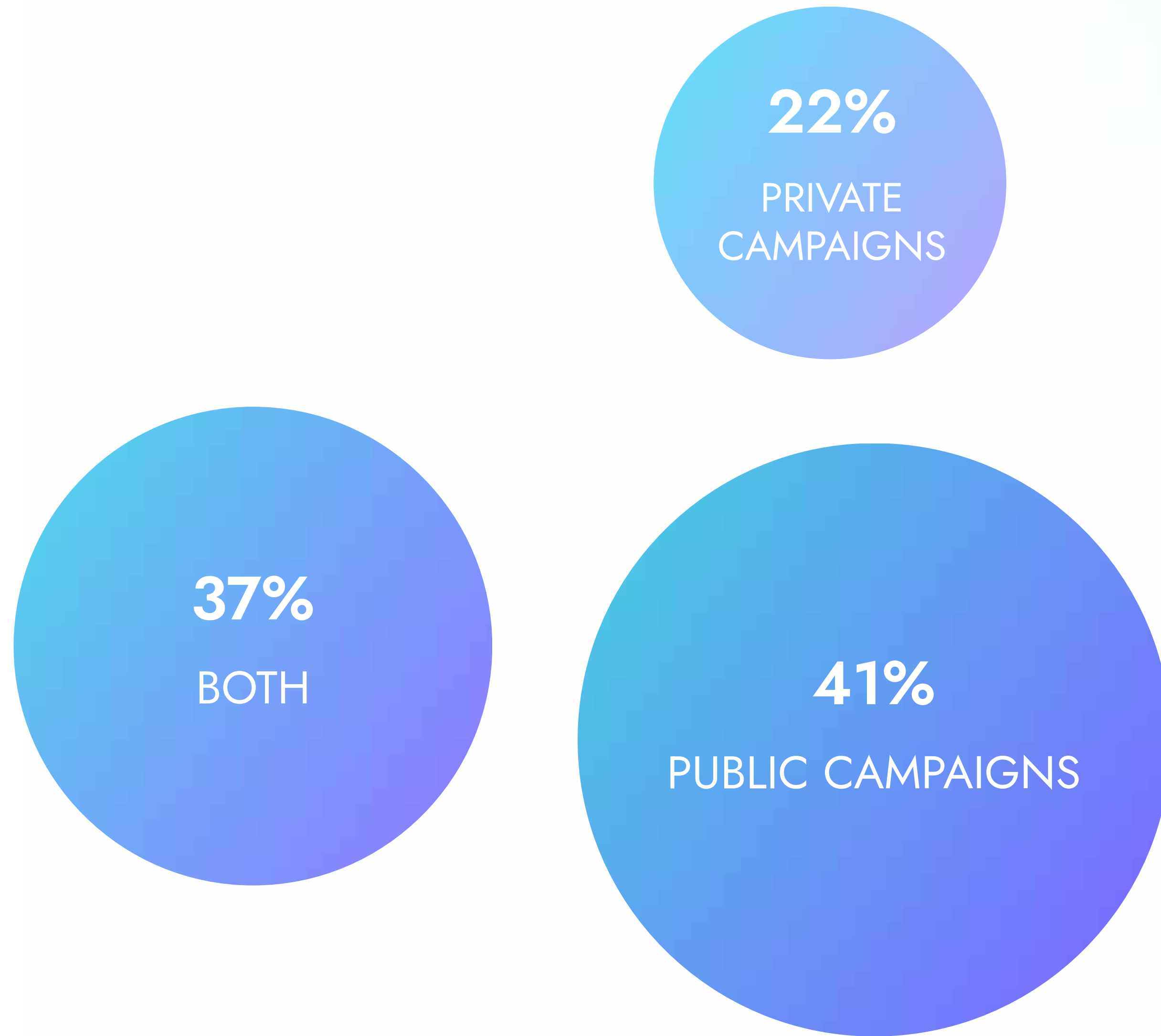
# 22% OF PLATFORMS OFFER ACCESS TO PRIVATE INVESTORS

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Even though crowdfunding implies raising funds from a crowd, it may be challenging to get the whole amount, especially from everyday investors who won't risk large sums.

Quite often, the investment campaigns on crowdfunding platforms are pre-funded from a private campaign launch among High Net Worth and sophisticated investors. This approach is widely used by well-known platforms Seedrs and Crowdcube, whereby a campaign pre-funded by professional investors has a higher chance of hitting the target during the public phase.





In the case of equity crowdfunding for growth startups, public crowdfunding helps build brand awareness, reach new audiences and win customer loyalty.

Among the platforms we surveyed, 41% use only public campaigns, 22% — use only private, and 37% use both.

Private rounds are most popular for debt and equity offerings.

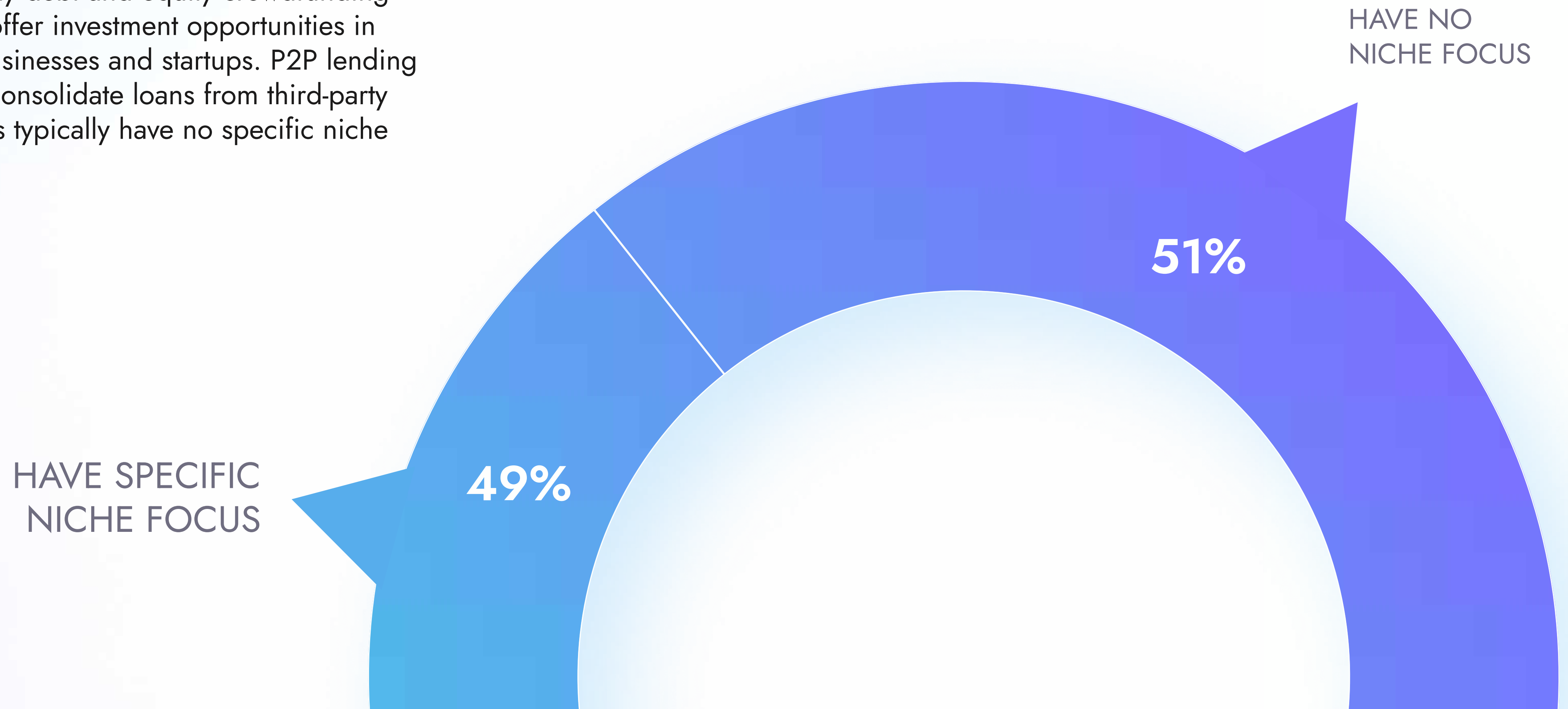
# NICHE FOCUS

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It's still unclear whether generic crowdfunding platforms looking to facilitate campaigns from all verticals will become dominant in the market or whether niche-specific peers will be able to deliver better services and results.

In our sample, the split between platforms with or without niche focus is almost equal, whereby 49% host only sector-specific campaigns and 51% host everything.

However, those who don't seem to have a specific focus are usually debt and equity crowdfunding platforms that offer investment opportunities in fast-growing businesses and startups. P2P lending platforms that consolidate loans from third-party loan originators typically have no specific niche focus either.



# NICHE FOCUS

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Real estate is leading the pack in niche-specific crowdfunding.

It's the **most popular sector** among all 455 crowdfunding platforms presented at CrowdSpace and the major niche in this year's research sample — 32% of companies stated they offer property investment opportunities.

Real estate crowdfunding platforms from this survey are registered in France, the UK, Belgium, Spain, Romania, Italy and the Czech Republic. They offer either equity or debt financing instruments and offer investment campaigns for private and public access or only for private.

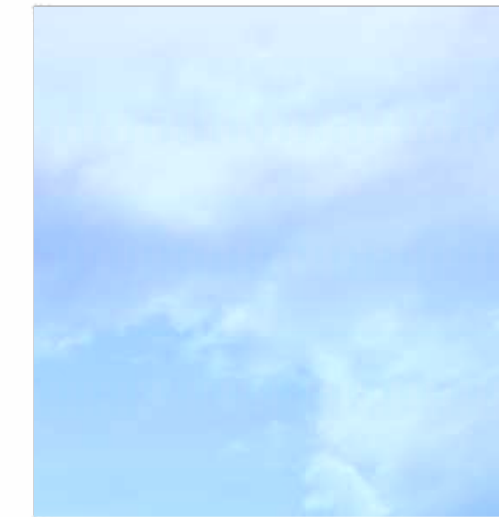
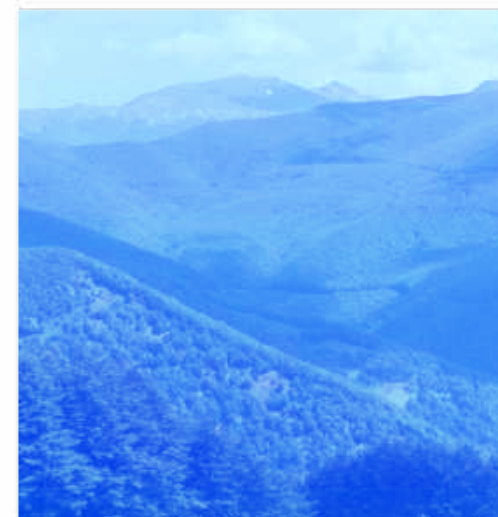


# NICHE FOCUS

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The second most popular vertical is green energy.

Based on the results from our last year's report, 12% of surveyed platforms focused on green and renewable energy. This year, sustainability and green energy offerings are hosted by 22% of the platforms surveyed. Of course, this change may result from a different set of platforms in this year's sample. Still, the growing global trend for sustainable investing and green energy projects, in particular, is evident. With that said, 45 crowdfunding platforms represented on CrowdSpace offer to invest in green energy campaigns.



Given the present energy crisis in Europe and the urgent need to engage as many alternative energy facilities as possible, it's likely that we will see more crowdfunding projects or platforms dedicated to renewable sources.

While big-budget gas projects usually require heavy government-backed funding, sustainable electricity initiatives — from building renewable infrastructure to financing CleanTech startups — are supported by climate-conscious investors.

# NICHE FOCUS

12% of platforms offer social cause projects, 9% focus on lending to SMEs, 7% on personal loans, 5% on education, 3% on farming and agriculture, and another 3% on sports.


Among other sectors, platform representatives reported lending to individuals and investing in cars, boats, or planes.



**REAL ESTATE**  
32%



**GREEN ENERGY**  
22%



**PERSONAL**  
7%



**FARMING**  
3%




**SME**  
9%



**OTHER**  
9%



**SPORT**  
3%



**EDUCATION**  
3%



**SOCIAL CAUSE**  
12%

# EUROPEAN CROWDFUNDING REGULATIONS

Platform registration, adoption of ECSPR and biggest challenges

# 02



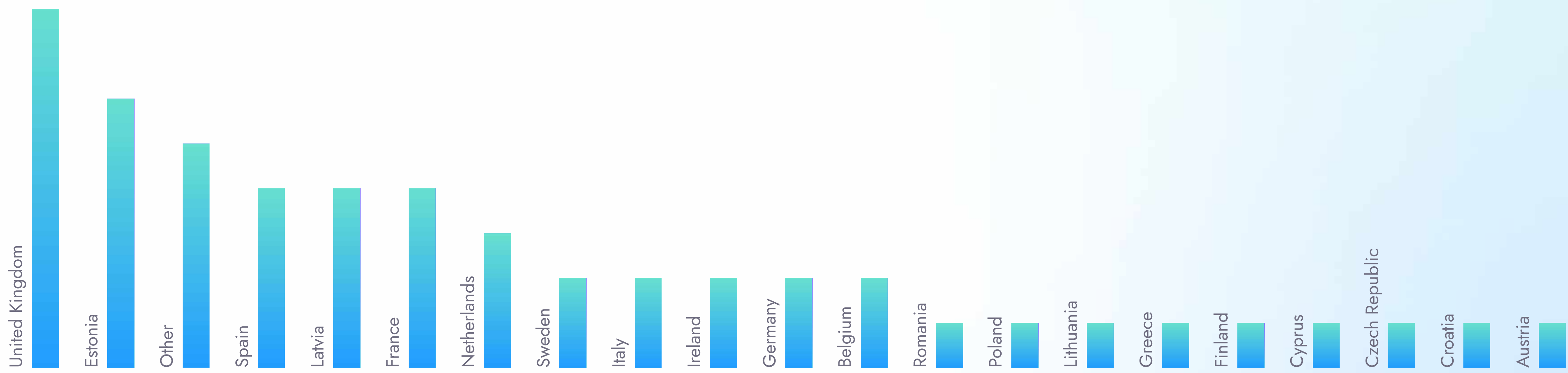
# CROWDFUNDING PLATFORM REGISTRATION

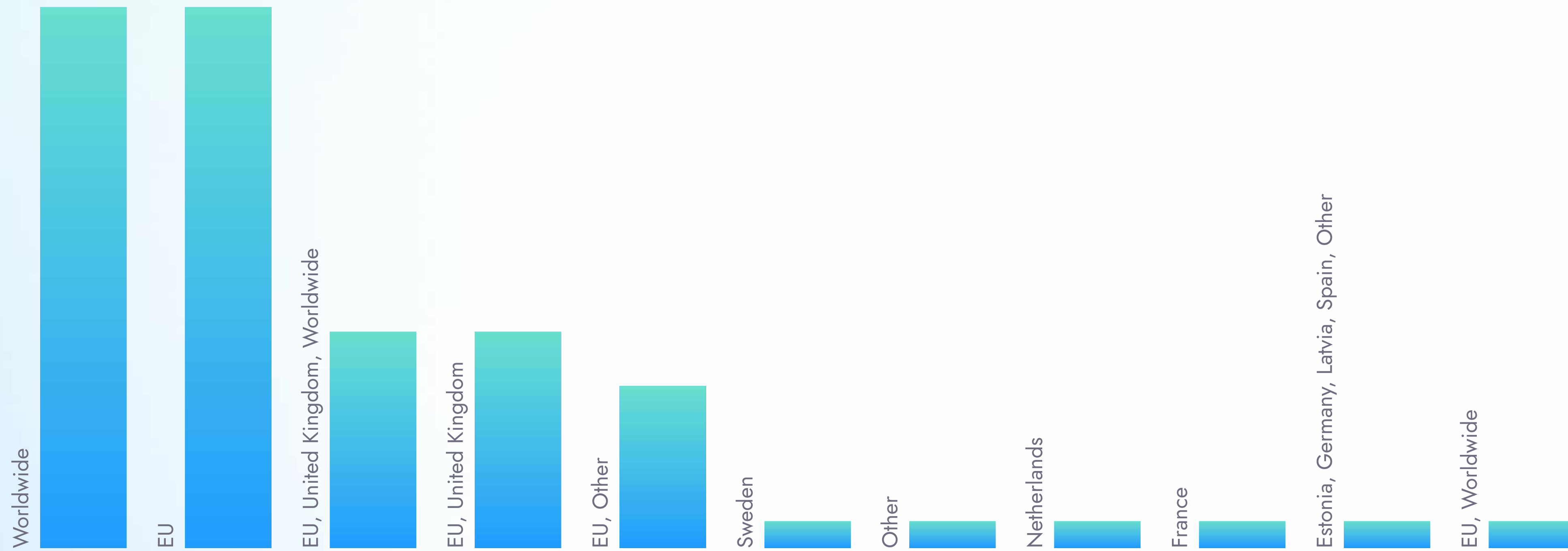
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The top registration country among the platforms that participated in our survey is the United Kingdom — 15% of the platforms surveyed started business there. 24% of platforms are registered as a business in multiple countries: for example, in France, Italy, and Greece or Estonia, Germany, and Spain.

Estonia is the second most popular jurisdiction for crowdfunding platform registration, and 11% of platforms are registered there. Most platforms in this country are P2P lending marketplaces, and it also attracts companies from the UK if they wish to enter the European crowdfunding market quickly.

Crowdfunding activities are not regulated by laws in Estonia, even though they are generally regulated by a good practices guide generated by the FinanceEstonia crowdfunding task force. On the other hand, platforms dealing with loans should get a professional license and comply with the Creditors and Credit Intermediaries Act. P2P lending also doesn't fall within the scope of European Crowdfunding Regulations.





Of all companies registered outside the EU (mainly in the UK), 38% plan to incorporate their business in the EU, and the rest will not do it. Those who want to register in the EU are looking to operate almost in all European countries, which will probably work under the ECSP regulations. In our sample, only donation crowdfunding platforms reported being looking to register in the EU.

Most platforms allow investors from the whole European Economic Area to invest or donate via their portals, with some of the platforms limiting their offerings only to specific countries. Non-EU countries for investors are Switzerland and Moldova.

# REGULATION LANDSCAPE OVERVIEW

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Historically, crowdfunding activities in Europe were regulated by local authorities and differed from country to country, limiting crowdfunding platforms from marketing their investment opportunities to investors outside the country of registration.

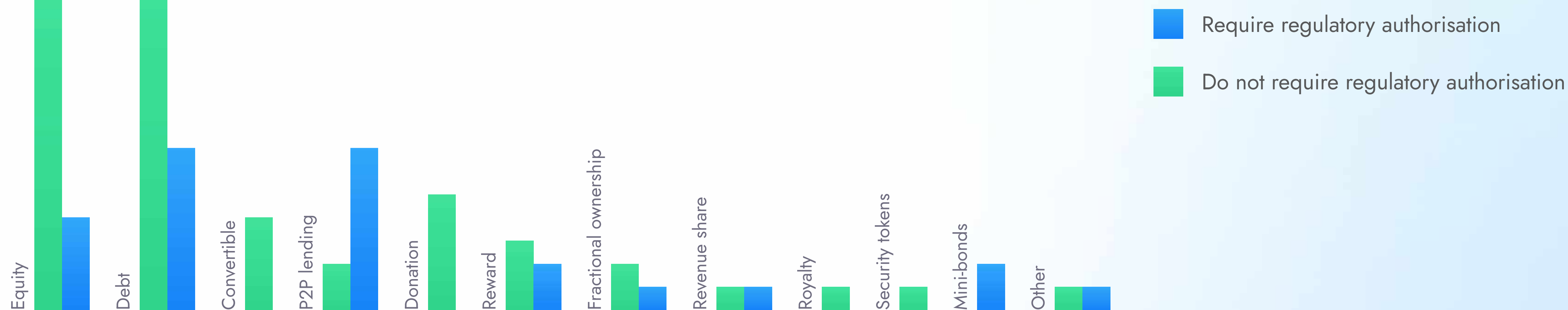
A huge step to enable cross-border crowdfunding was made in 2020 when EU harmonized crowdfunding regulation was finally approved and entered into effect in November 2021. The new regulation introduces specific requirements for crowdfunding platform operators and project originators. It was a long journey for the crowdfunding community, which required numerous consultations with ESMA and actual crowdfunding platforms. The significant role in facilitating this process was played by Eurocrowd — a professional business network promoting adequate transparency, regulation and governance in digital finance.



The EU regulation only applies to crowdfunding for businesses and does not cover loan refinancing marketplaces where investors fund mini-bonds rather than lend directly.

65% of the crowdfunding platforms in this survey confirmed that they require regulatory authorisation to carry out the crowdfunding activities.

The need to be authorised depends on the country, local requirements and the asset class. As mentioned earlier, P2P lending platforms in Estonia must be approved, but on the other hand, this investment activity doesn't fall within the scope of European-wide crowdfunding regulations.

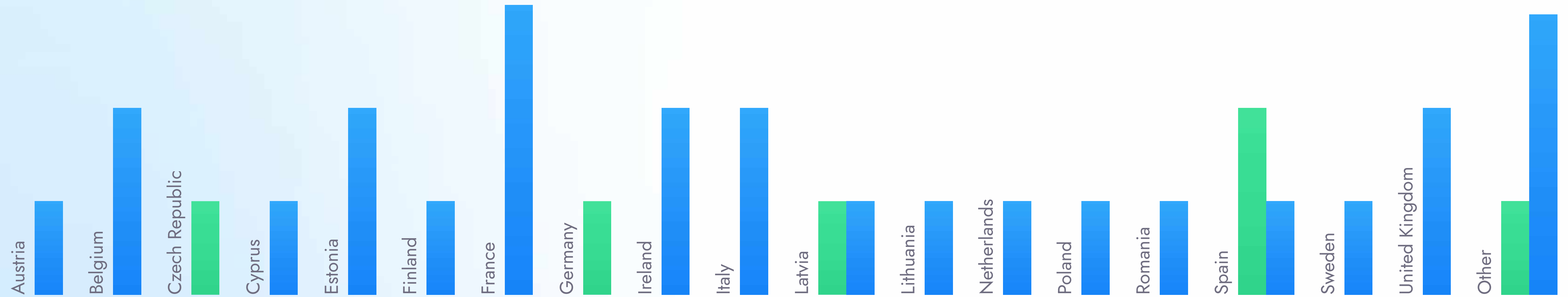


Crowdfunding type vs. Regulatory authorisation

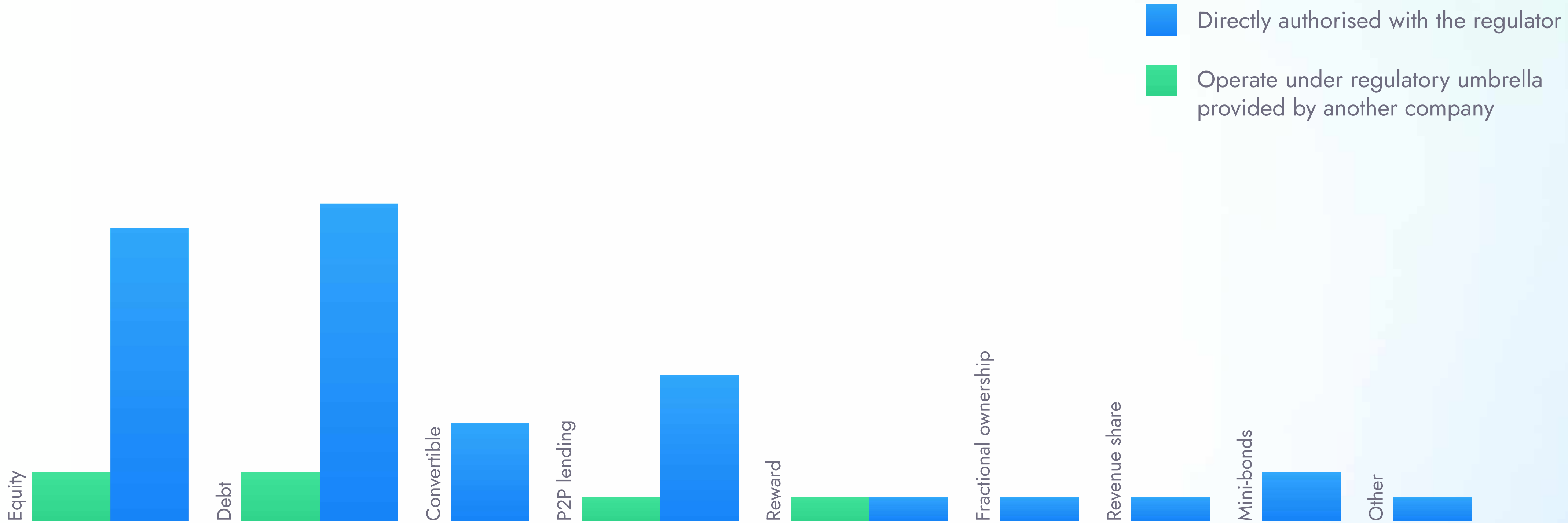
The regulator directly approves 83% of the authorised platforms in this survey, and only 17% use the regulatory umbrella provided by another company. Platforms operating via an umbrella license are registered in the Czech Republic, Spain, Germany, Latvia, and Switzerland.

Most probably, the platforms that fall under the ECSP requirements have no choice but to get direct authorisation from a regulator.

- Directly authorised with the regulator
- Operate under regulatory umbrella provided by another company



Platforms that offer debt and equity financial instruments in this survey are mostly authorised directly by the regulator and constitute 85%.



**“We are feeling that being regulated and issuing financial instruments is maybe too complicated for average P2P investor to understand. And together with situation in Ukraine it makes them choose non-regulated platforms.”**

SME crowdfunding platform, Latvia



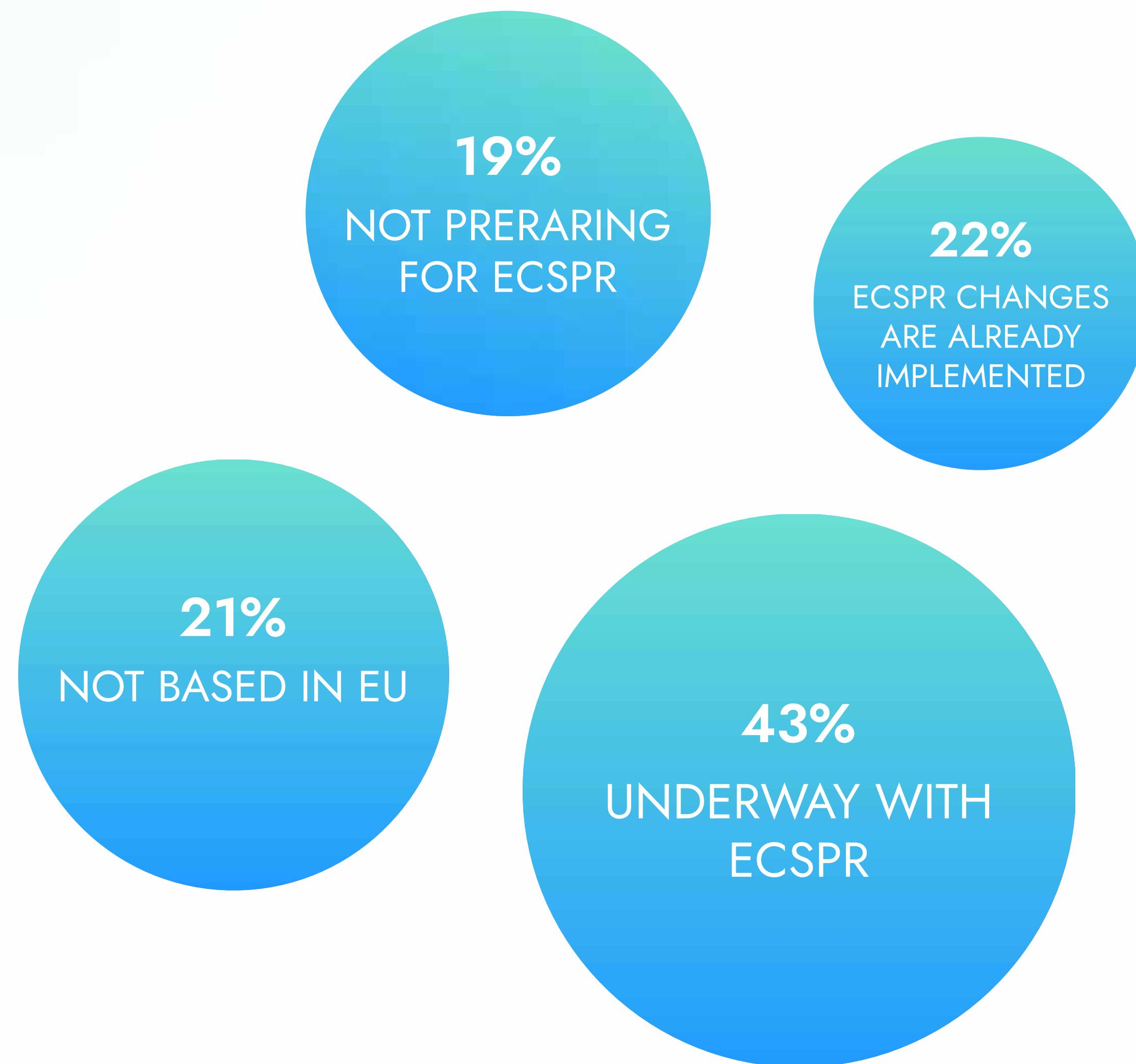
# 17% OF PLATFORMS REPORT TO BE READY FOR THE ECSPR

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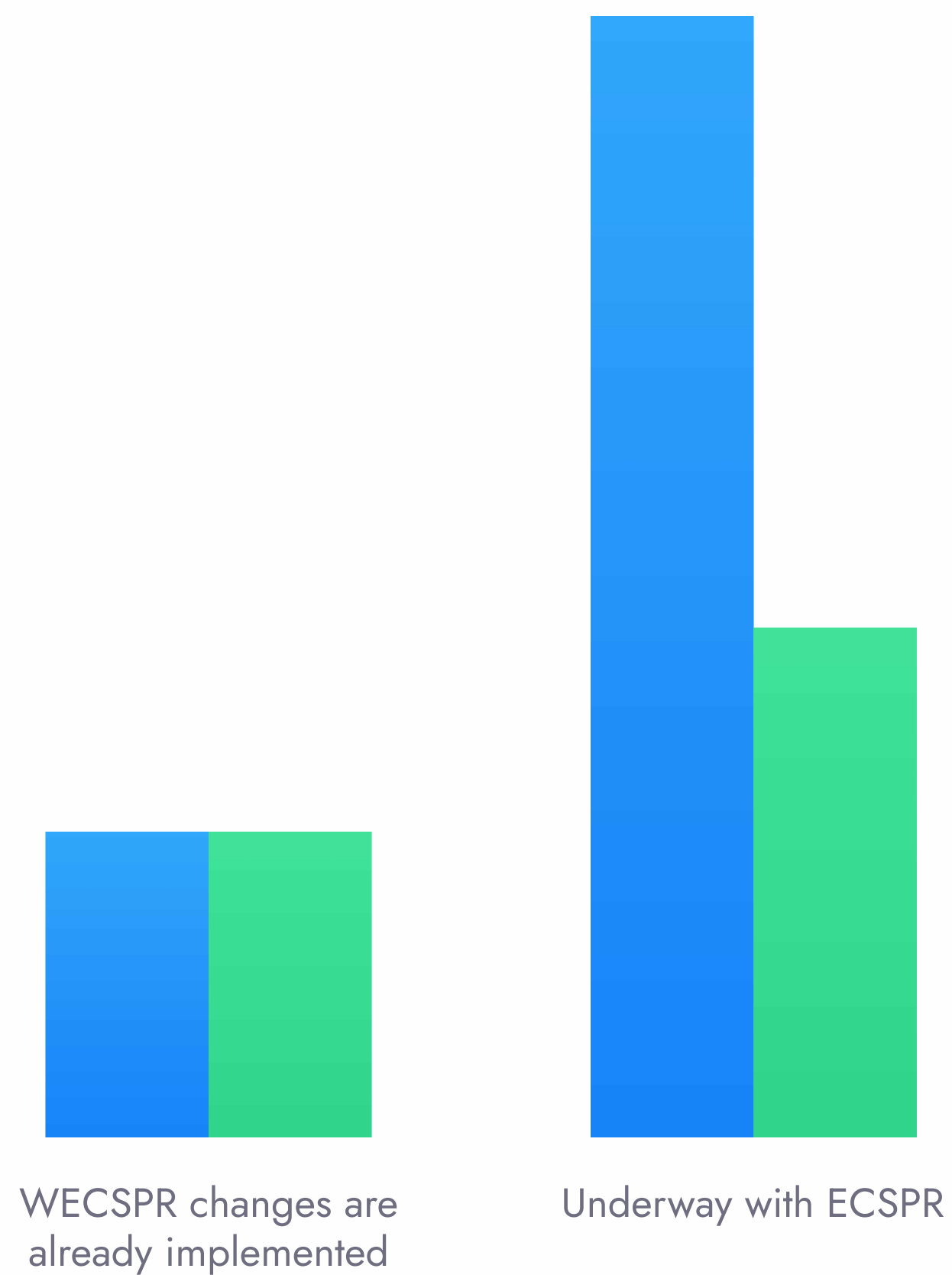
As of the date of writing this report (October 2022), six platforms have applied and successfully obtained the license to operate across the EU under new ECSP regulations: Crowdcube (Spain), CrowdedHero (Latvia), Lendahand (Netherlands), Villyz (France), Oneplanetcrowd (Netherlands), Spreds (Belgium).

In our survey, 17% of the platforms claim to have implemented the necessary changes for the ECSP license, and we assume they will start the application process soon, which takes several months to complete.

43% of platforms are underway with the implementation, 19% are not preparing, and 21% are not based in the EU.



- Require tech updates for ECSPR
- Do not require tech updates for ECSPR



Most of the platforms that decided to get ready for the ECSPR reported that they required specific tech changes on the platform.

- update of payment handling, project descriptions, and default rate;
- minor changes regarding PSP (including registration), customer survey, and risk warnings;
- implementation of disclosures, warning messages, new procedures and policies, and default rate calculations;
- opportunity to cancel bids for a specific time;
- investor assessment test.

One platform reported to have been in a regulatory sandbox with the Austrian Financial Market Authority to find the most suitable way to carry out the transactions.



## **ABILITY TO OPERATE ACROSS ALL EU COUNTRIES IS THE NUMBER ONE REASON FOR ECSP LICENSE**

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Even though most platform representatives said they have no choice but to apply for an ECSP license as it will become mandatory from November 2023, platforms outside the EU (Switzerland, the UK) mentioned that the biggest benefit for them is to enter the European market and operate cross-border.

We also asked the platforms whether the ECSP requirements were clear enough. Here's what they say.

“

CSPs will be prohibited from having participation in crowdfunding offers (sometimes required to speed up the crowdfunding period).”

P2P lending platform, Estonia

“

The additional cost and resources required to complete the application but also the ongoing costs and resources. They can be onerous for a small business.

Property investment platform, Ireland

“

It is very time consuming and it requires additional capital to cover legal and tech input.

Debt crowdfunding platform, Greece

“

Level of zero experiences in Authority staff all around the EU, Overregulated requirements.

Equity crowdfunding platform, Latvia

# PLATFORM MARKETING

Investor acquisition and most pressing challenges

03

# 57% OF PLATFORMS DON'T HAVE NEW CUSTOMER ACQUISITION CHALLENGES COMPARED TO 2020-2022

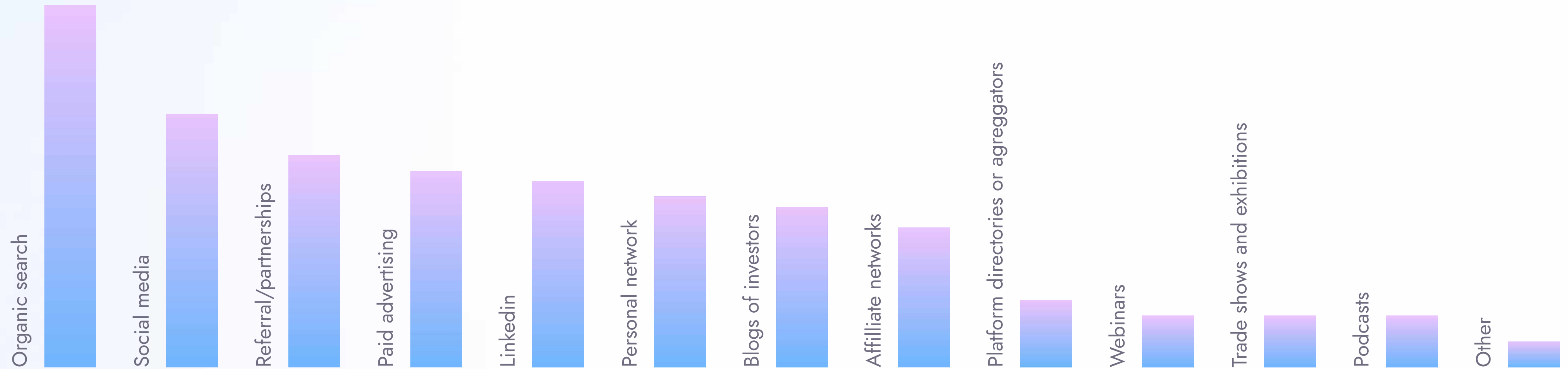
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Marketing a crowdfunding platform is not different from the marketing of any other business. It starts with a traditional approach: research the target audience, identify the ideal customer profile, lay down the value proposition and define the marketing channels. Marketing channels are, of course, different not only for the crowdfunding industry in general but for different types of financial instruments inside it.

# MOST USED MARKETING CHANNELS

We have found out that most platforms rely on organic search in the first place. Social media is the next most used channel, followed by referrals and partnerships. Paid advertising takes the fourth place, followed by LinkedIn, personal networks, investors' blogs, podcasts, platform aggregators, trade shows, exhibitions, and webinars.

An important thing to note here is that this data doesn't reflect the channel split for each platform but rather shows the channel popularity across the surveyed platforms.





**“We are about to increase our marketing budget for online marketing on LinkedIn and Google to reach even more potential investors. So far our marketing efforts lead to an increasing number of financing applications, which we do have anyway in a high number.”**

Equity crowdfunding platform, Austria

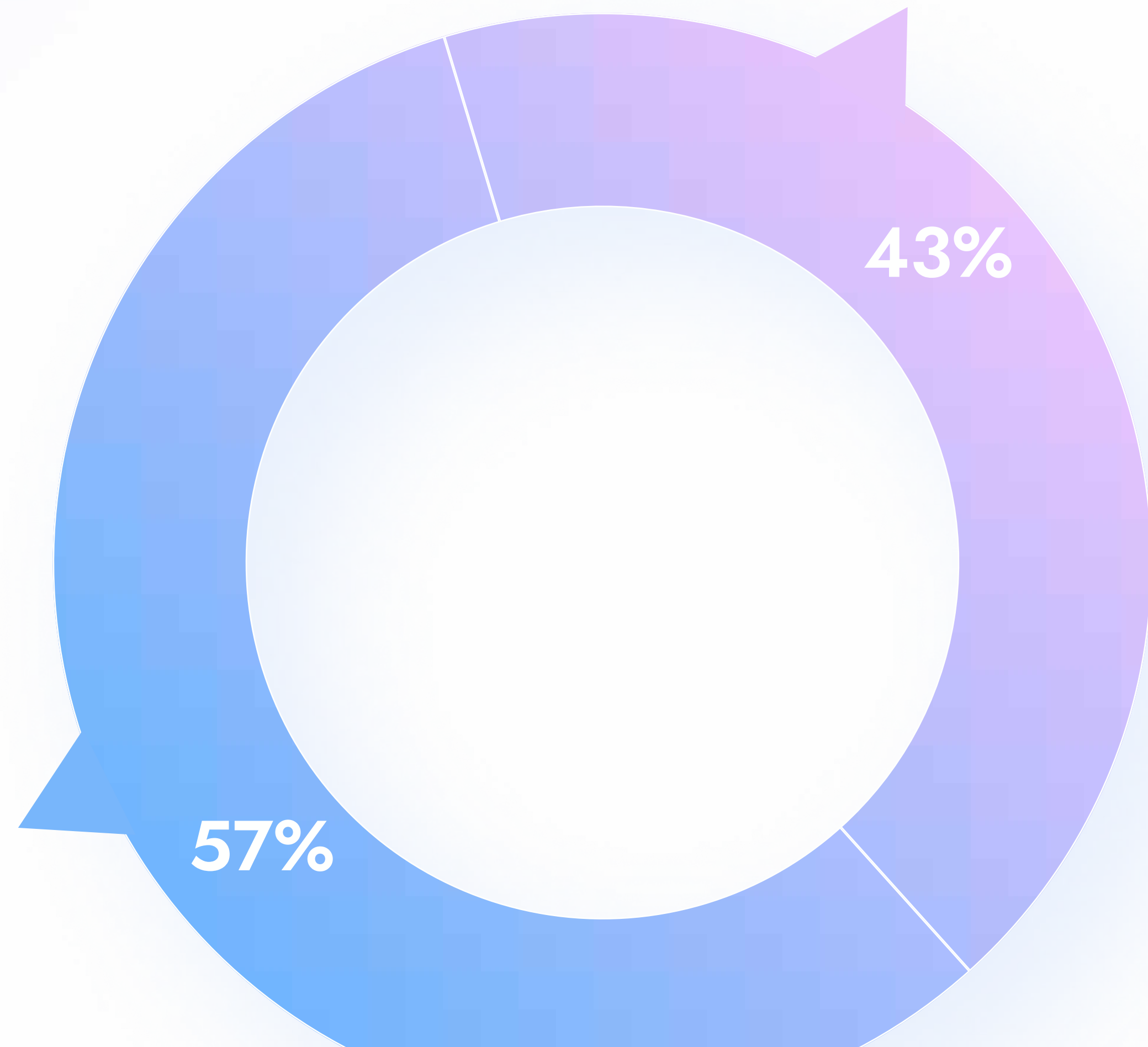
# CLIENT ACQUISITION CHALLENGES

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57% of the platforms claimed not to have new challenges with investor attraction compared to the last two years, while 43% say it has become more complicated.

Those who admitted to having difficulties also noted that the general level of awareness and education among investors is the most pressing challenge. Others emphasised the impact of the Russo-Ukrainian war and the general instability in the world.

HAVE NO NEW CHALLENGES



HAVE DIFFICULTIES WITH CLIENT ATTRACTION

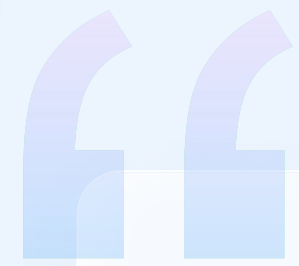
**“Despite the fact that 2021 was the most successful year for us in terms of number of completed transactions, we noticed a certain hesitation on the part of our investor base in Autumn and Winter 2021. We have attributed this reticence to the Corona crisis, which has been going on for some time. This hesitation has unfortunately continued in recent months due to the Ukraine crisis.”**

Equity crowdfunding platform, Austria



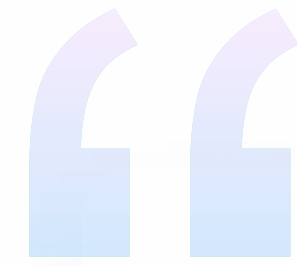
Covid made it harder to procure funding and support for our charity and its projects.

Donation and reward crowdfunding platform,  
United Kingdom



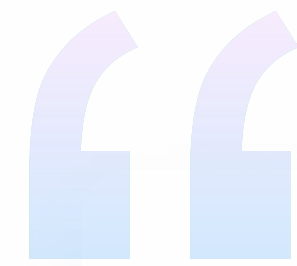
Get them [investors] to understand that the yield of properties are going down.

Real estate crowdfunding platform, Switzerland



Russian war in Ukraine as a source of general instability, especially in the eastern part of EU. Superhigh inflation

Real estate crowdfunding platform, Estonia



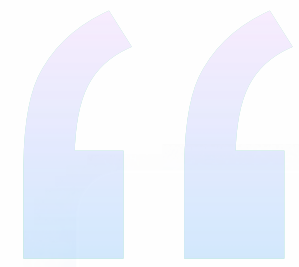
Fear of war and financial crisis.

P2P lending platform, Lithuania



It became more expensive to attract investors. Previous solutions did not work anymore as they did so every time you need to come up with something new.

Property crowdfunding platform, Estonia



Missing financial education.

Property crowdfunding platform, France



Uncertain times in global macro economy means that investors are more cautious with investing in high-risk start-ups.

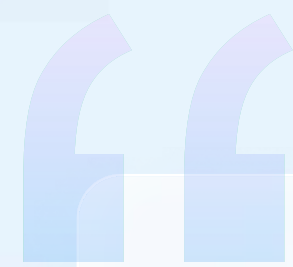
Equity crowdfunding platform, Ireland



Nervousness in the market, rampant inflation.

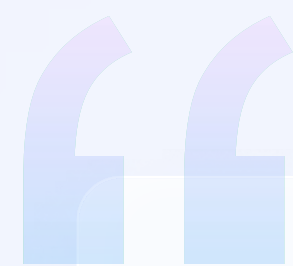
P2P lending platform, Estonia

As for the challenges related to actual marketing activities, platform representatives often mention the restrictions imposed by the regulations, rising advertising prices, and difficulties attracting professional investors online.



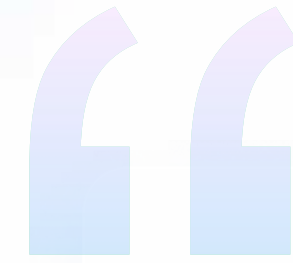
Balancing compliance requirements with FCA and compelling marketing. Takes time for approvals.”

SME lending platform, the United Kingdom



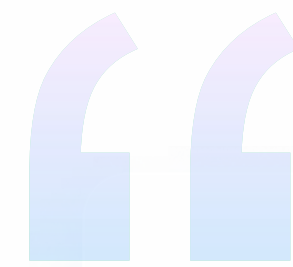
Regulation is limiting advertising activities.

Debt crowdfunding platform, Estonia



Trying to reach people who might need funding/campaign help but are not aware of our platform.

Donation crowdfunding platform, the United Kingdom



Attracting new high-ticket investors.

Real estate crowdfunding platform, Estonia

“Balancing the offer of projects with the demand for those investments.”

P2P lending platform, Estonia

“Paid ads are becoming very costly.”

Donation crowdfunding platform, the United Kingdom

“The advertisement prices are rising.”

SME lending platform, Lithuania

“We’d like to specifically target high-net-worth investors but we find that difficult through social media.”

Property crowdfunding platform, Ireland

“Getting the best reach with the least monetary outlay.”

Debt crowdfunding platform, Greece

“Converting risk averse investors.”

Property crowdfunding platform, Belgium

# CURRENT RISKS FOR CROWDFUNDING PLATFORMS

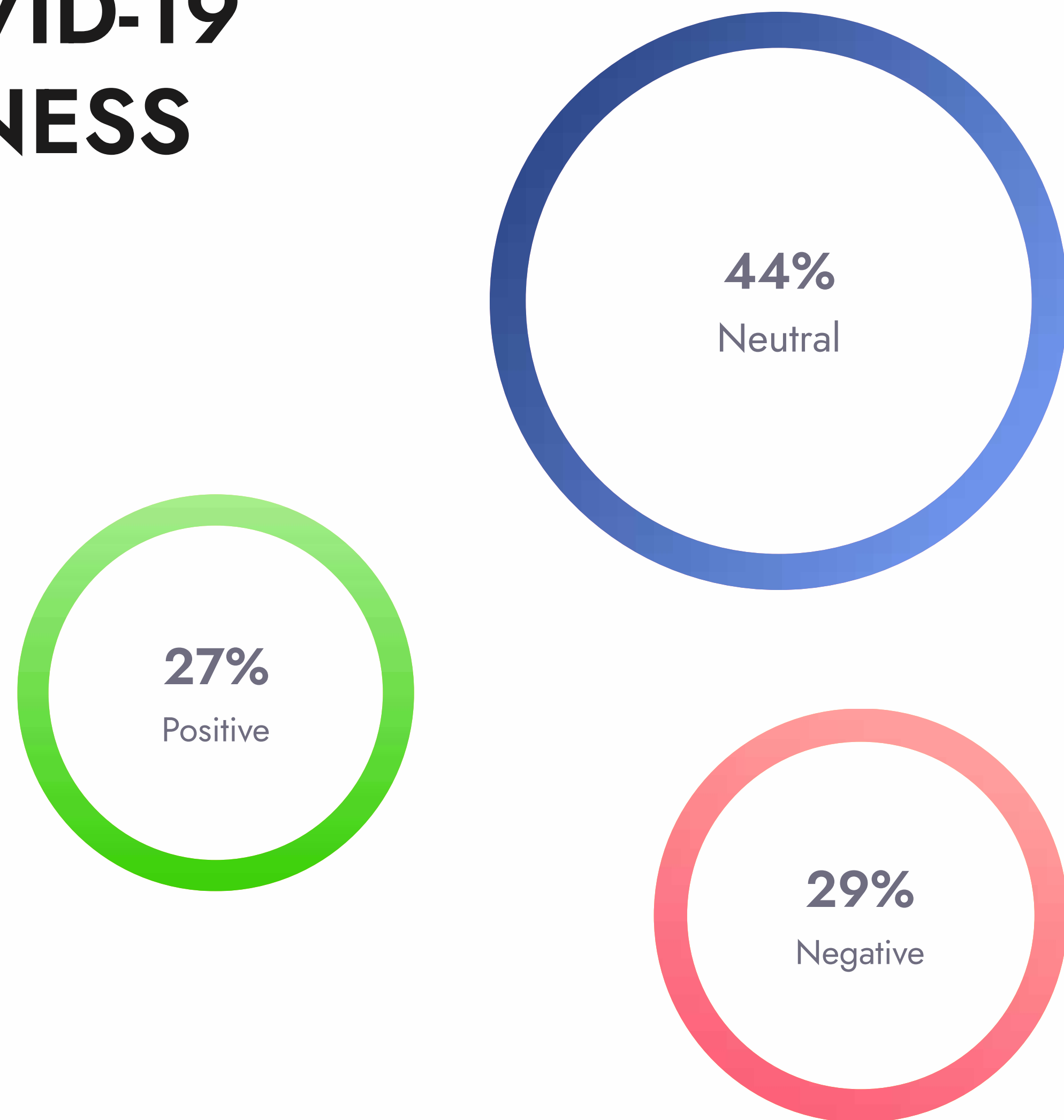
COVID19 impact, Ukraine-Russia war, and potential recession

# 04



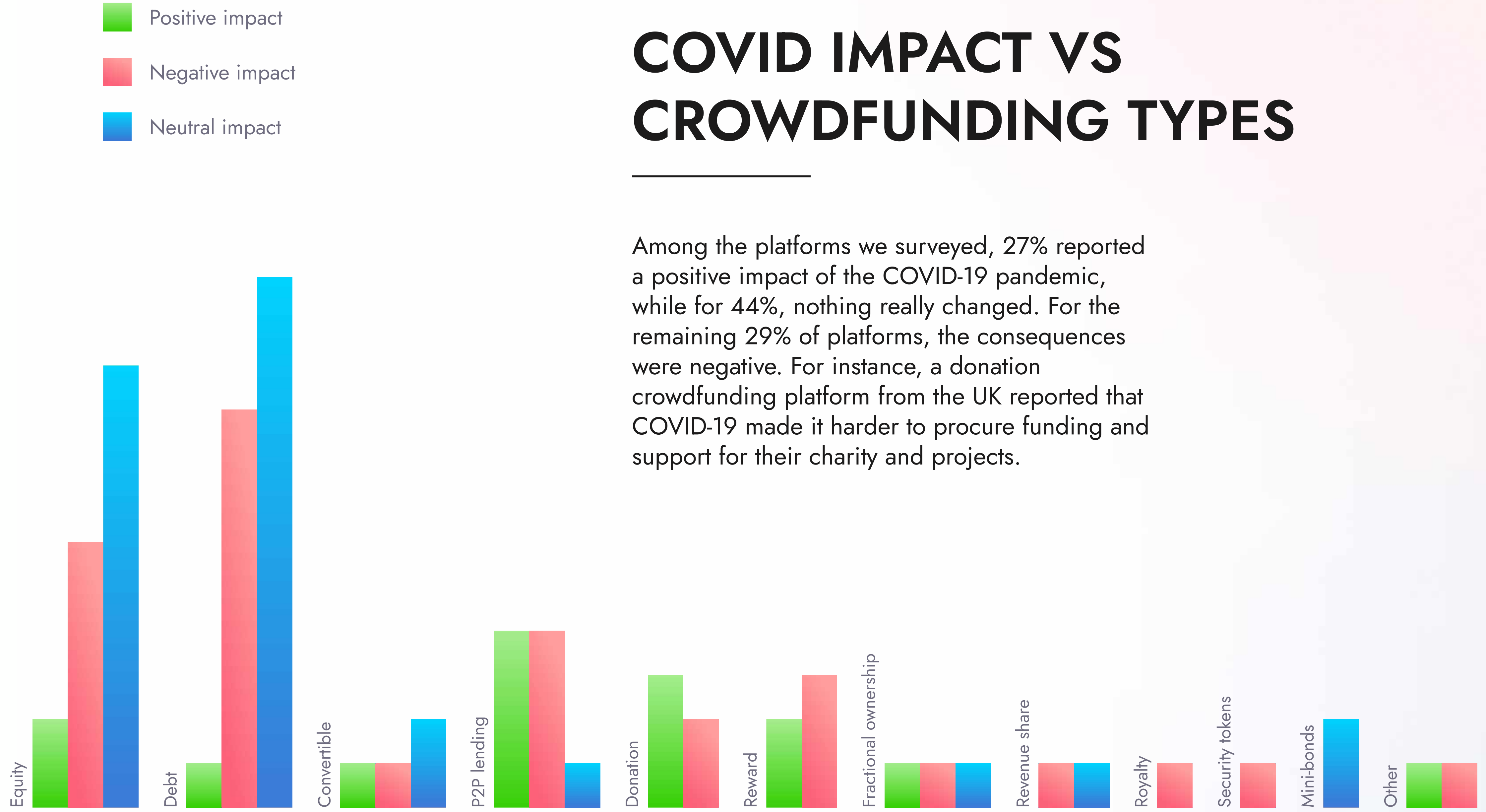
# 27% OF PLATFORMS REPORTED A POSITIVE IMPACT OF COVID-19 PANDEMIC ON THEIR BUSINESS

The effect of the COVID-19 pandemic was not homogeneous across different segments of the crowdfunding industry. Some platforms saw a drop in investments due to high uncertainty among investors, while others did not experience significant disturbances. Robo.cash **reported** that P2P platforms with a longer track record recovered much faster. The company mentioned that transparency and openness in communication with investors were the key focus for peer-to-peer lending platforms during the pandemic.



# COVID IMPACT VS CROWDFUNDING TYPES

Among the platforms we surveyed, 27% reported a positive impact of the COVID-19 pandemic, while for 44%, nothing really changed. For the remaining 29% of platforms, the consequences were negative. For instance, a donation crowdfunding platform from the UK reported that COVID-19 made it harder to procure funding and support for their charity and projects.



# RUSSIA-UKRAINE WAR HAS IMPACT ON 41% OF THE PLATFORMS SURVEYED

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The intervention of Russia into Ukraine at the end of February 2022 has brought many challenges to the crowdfunding sector, especially its P2P lending segment.

P2P lending platforms working with loan originators, borrowers and investors from Ukraine or Russia had to make prompt amendments to their operations to repay the existing loans and avoid loan defaults. Loan withdrawals are more difficult to process as Russia has been almost completely cut off from international payment systems like SWIFT, Visa and Mastercard, and some P2P lending platforms, unfortunately, **delay and extend** repayments of loans originated in Ukraine.



Besides, these platforms stopped working entirely with originators and investors from Russia due to sanctions, and some have limited business with originators from Ukraine. Investment risk in neighbouring countries like Estonia, Lithuania, Latvia and Moldova has also increased.

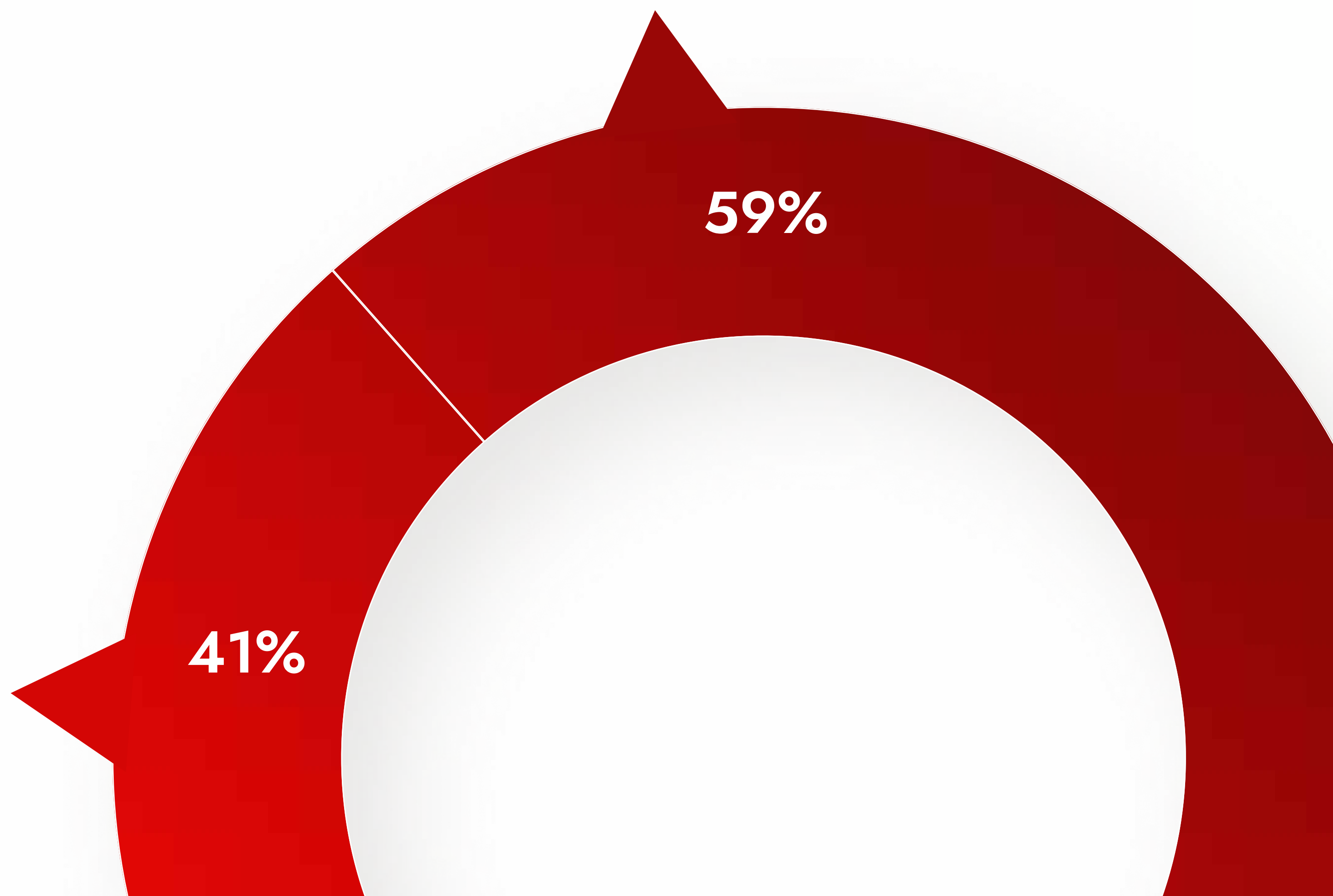
41% of platforms we surveyed reported to have been impacted by Russia's invasion in Ukraine. While it is a more or less neutral observation for donation crowdfunding platforms that noticed an increase in campaigns fundraising for Ukraine, debt and equity crowdfunding platforms saw more complicated consequences. Investors are becoming more risk-averse and more conservative about their investments, and real estate crowdfunding platforms reported the rising costs for the construction industry.

IMPACTED BY WAR

41%

NOT IMPACTED BY WAR

59%



**“I’ll leave this to the economists, however the property lending industry has experienced a slowdown over the last few months. It’s difficult to point to a root cause, however I’d say it’s a mixture of planning permissions taking longer than ever to be granted, business picking up with lawyers still working from home and overwhelmed, Brexit repercussions, increase in the cost of materials, the Ukraine conflict and now the cost of living.”**

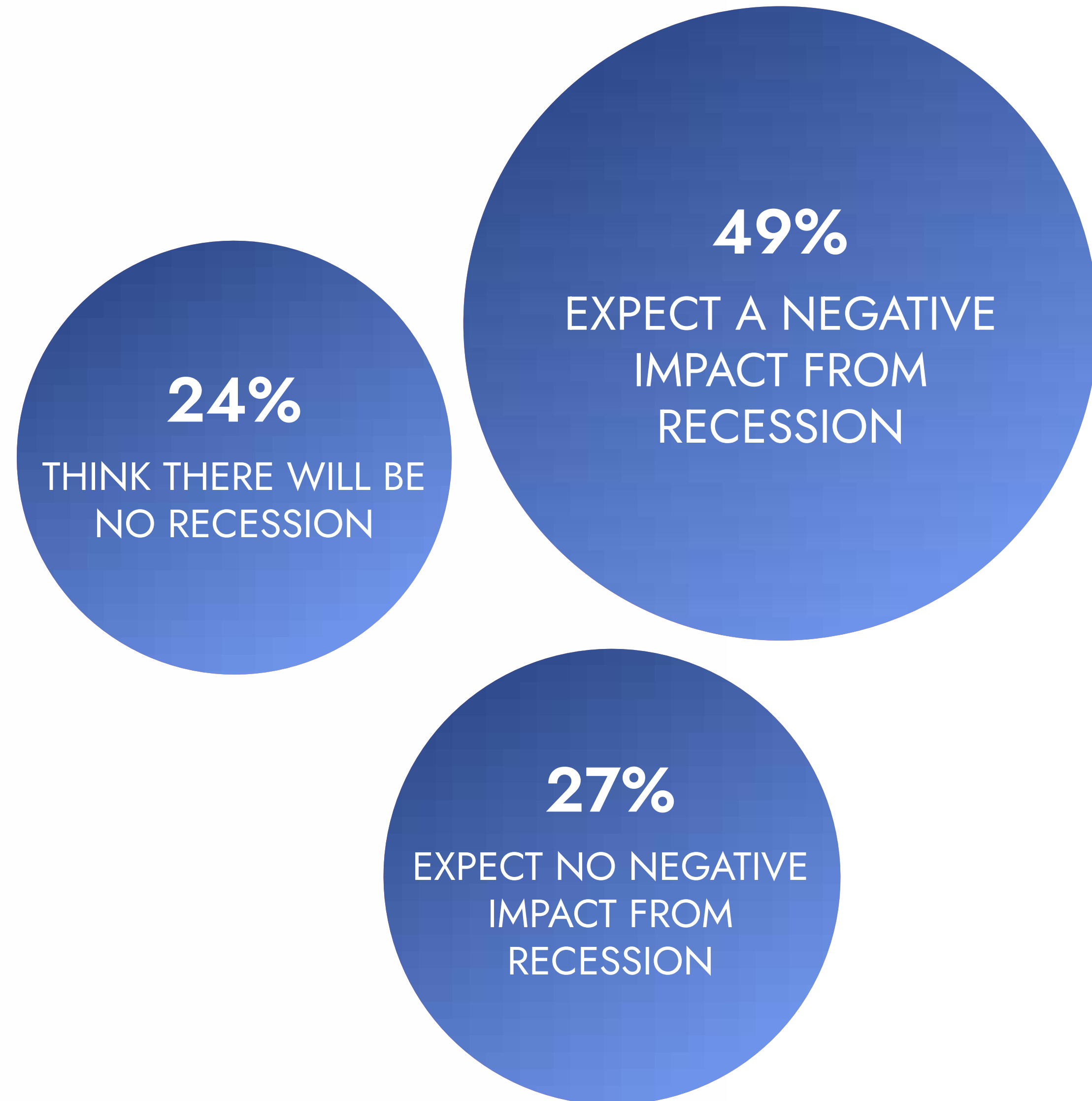
Property investment platform, United Kingdom

# THOUGHTS ON POTENTIAL RECESSION

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The Organisation for Economic Cooperation and Development **predicts** that the world's leading economies will slide into recession as the global energy and inflation crises sparked by Russia's invasion of Ukraine cut growth. It can have a particularly severe impact on the inflation rates in Europe as many of its countries were heavily dependent on Russian gas.

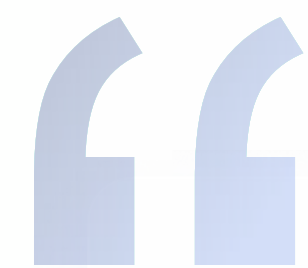
Almost half of the platforms (49%) we surveyed estimate the negative effect of a potential recession in the coming year, and another 27% expect a negative impact. In comparison, the rest (24%) do not think there will be a recession at all.



# EXPECTATIONS FROM POTENTIAL RECESSION

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Opinions vary. For instance, a property investment platform in Estonia mentioned that a potential recession should be an opportunity for them since they work in bubble-free zones. While some respondents think that people's ability to invest will decrease as the cost of living increases, others believe that people are panicking more than needed.



Investments will slow for the Q3/4 and open up again in Q1/2 2023.

SME investing platform, Ireland



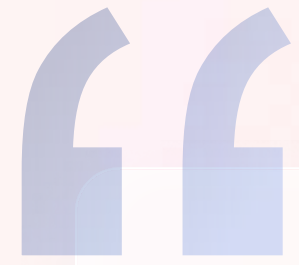
We expect the recession to hit Central Europa hard, but to a smaller extent than Southern Europe."

Equity crowdfunding platform, Austria



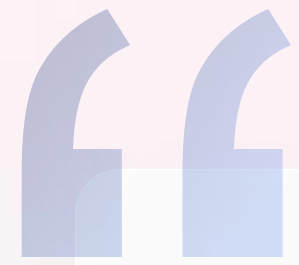
Recovering from Covid we're expecting positive moves from investors and they move to higher earning investments.

SME investing platform, United Kingdom



A mild recession should not have a major impact on the segment (RE) that we operate in.

Debt crowdfunding platform, United Kingdom, Greece, Netherlands



We expect 10% downturn in property prices, real incomes decline, stagflation.

Real estate investing platform, United Kingdom



Could be a world recession but not affecting the women we lend in Latin América.

Equity crowdfunding platform, Austria



If interest rates take a hike, it could have a negative impact on real estate.

Property investment platform, Switzerland



# CROWDFUNDING TECHNOLOGY

Transaction management, automation and technical challenges

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# 05

# 61% OF PLATFORMS THAT OWN THE INTELLECTUAL RIGHTS FOR THEIR CROWDFUNDING SOFTWARE HAVE BUILT THE PLATFORM IN-HOUSE

Technology is central for financial companies that build their business around the crowdfunding concept or incorporate it into existing financial products. Since crowdfunding platforms are Fintechs, software and tech behind the hood will play a crucial role in the industry's future as it can tackle many concerns, from cybersecurity to fraud detection to more data-driven marketing.

When a Fintech business wholly owns the technology it runs on, it becomes more sustainable and flexible to respond quickly to emerging challenges. 84% of our respondents said that they own the intellectual property rights of their crowdfunding software.

Bought from the software provider



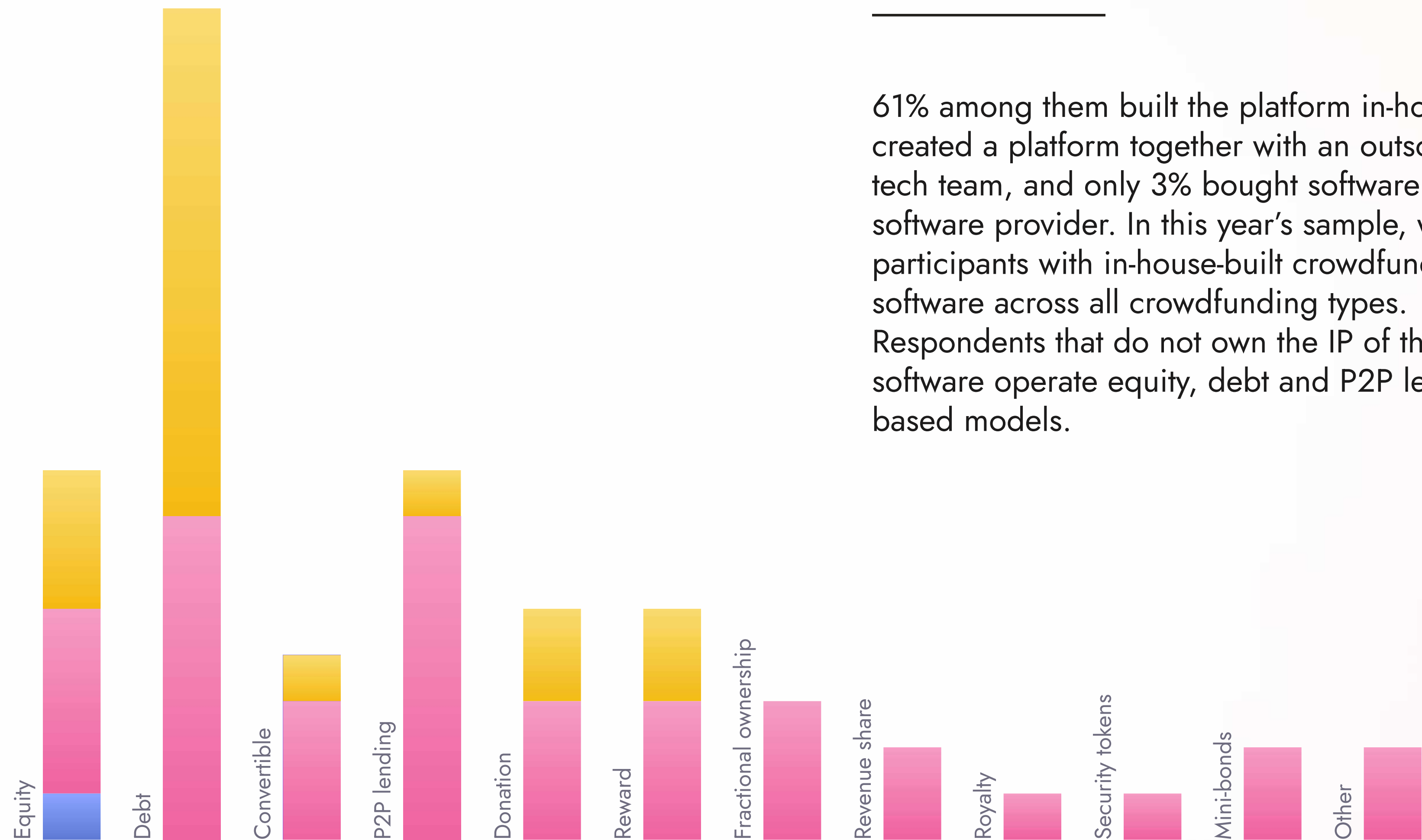
Built the platform in-house



Built the platform with an outsource provider



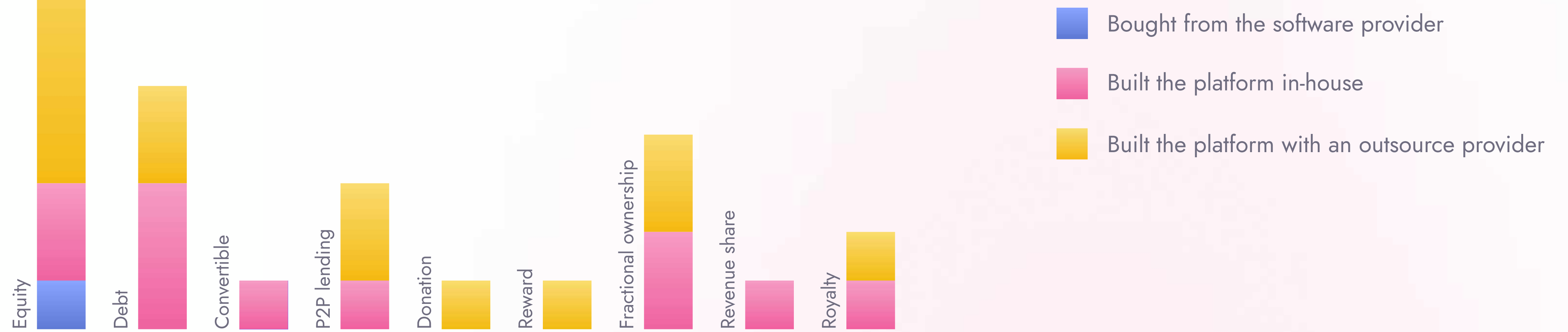
- Bought from the software provider
- Built the platform in-house
- Built the platform with an outsource provider



## CROWDFUNDING SOFTWARE

61% among them built the platform in-house, 35% created a platform together with an outsourced tech team, and only 3% bought software from a software provider. In this year's sample, we had participants with in-house-built crowdfunding software across all crowdfunding types. Respondents that do not own the IP of their software operate equity, debt and P2P lending based models.

From the niche focus perspective, the highest percentage of crowdfunding platforms that built their tech with outsourced tech teams is in the real estate, social and green energy space.

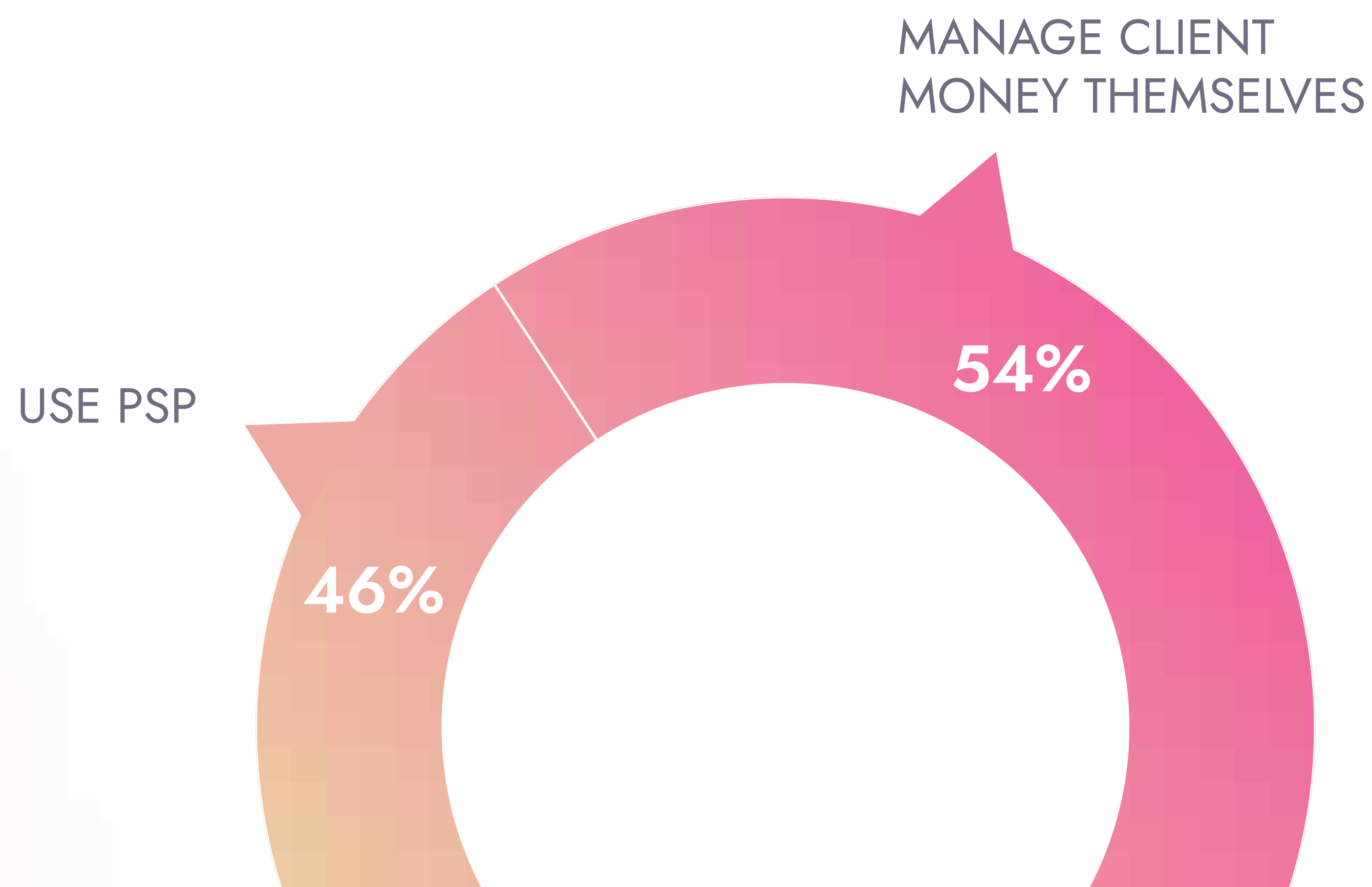


# CLIENT MONEY MANAGEMENT: 46% OF PLATFORMS-RESPONDENTS MANAGE CLIENT'S MONEY THEMSELVES

Payment reconciliation was among the top areas of interest for our research last year, and we found that 35% of platforms manage client money without an intermediary.

Crowdfunding platforms manage transactions directly through a bank or via an intermediary such as a payment service provider (PSP). The latter puts all responsibility on the PSP and lifts the burden from the platform to obtain an additional license for the client money management, but adds costs due to high transaction fees.

Although we have a somewhat different sample of platforms this year, we can conclude the trend to manage transactions in-house persists, as 46% of platforms do without a third-party payment service provider.



# PAYMENT SERVICE PROVIDERS

The most popular payment service provider among our respondents is Mangopay, followed by Lemonway, Paysera, and Mollie. Other providers include Sofort, Stripe, Marketpay, PayrNet, and local banks.

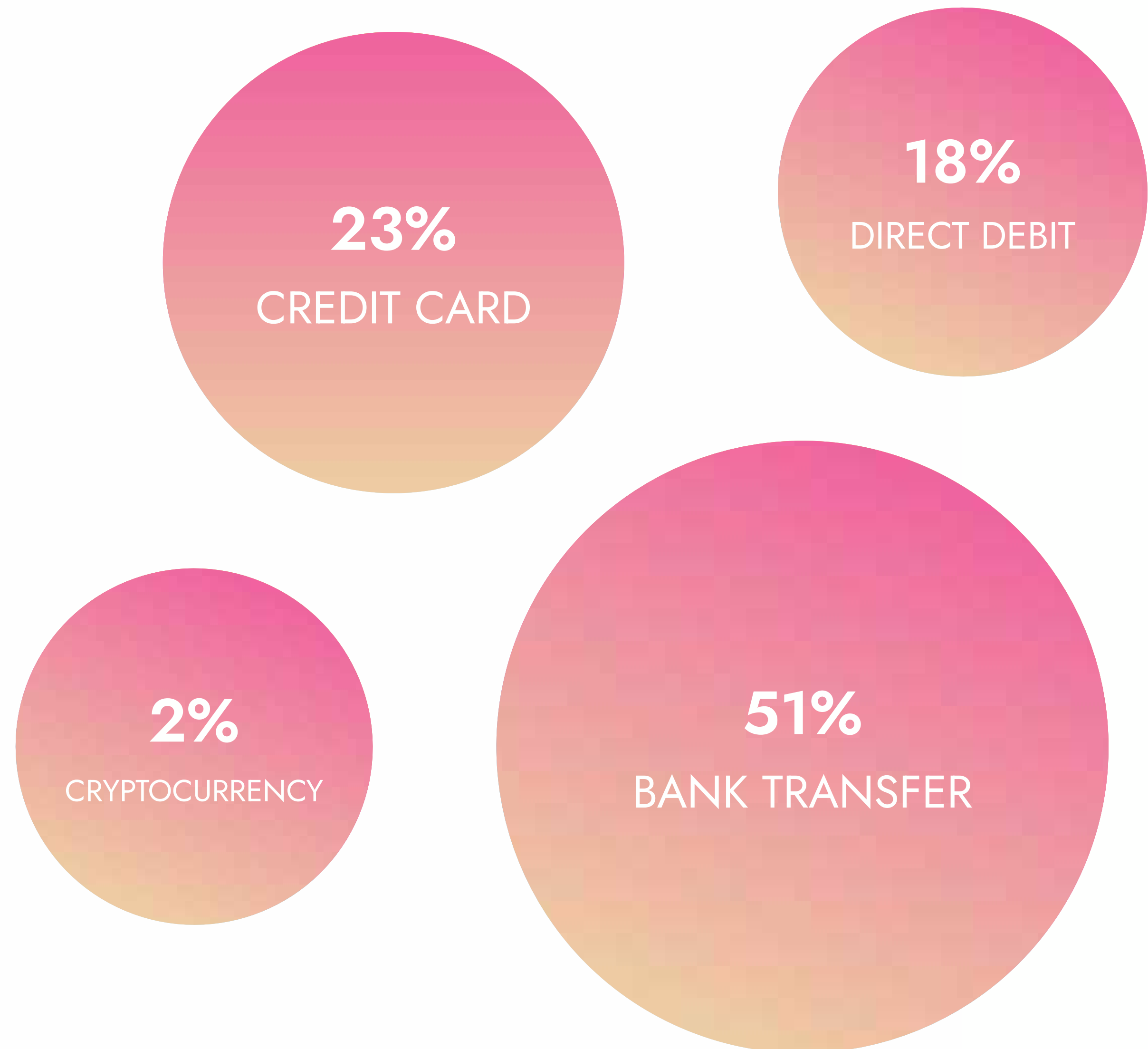


# POPULAR PAYMENT METHODS

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We found out that bank transfer is the most widespread payment method used by 51% of the platforms, and 43% use this method exclusively.

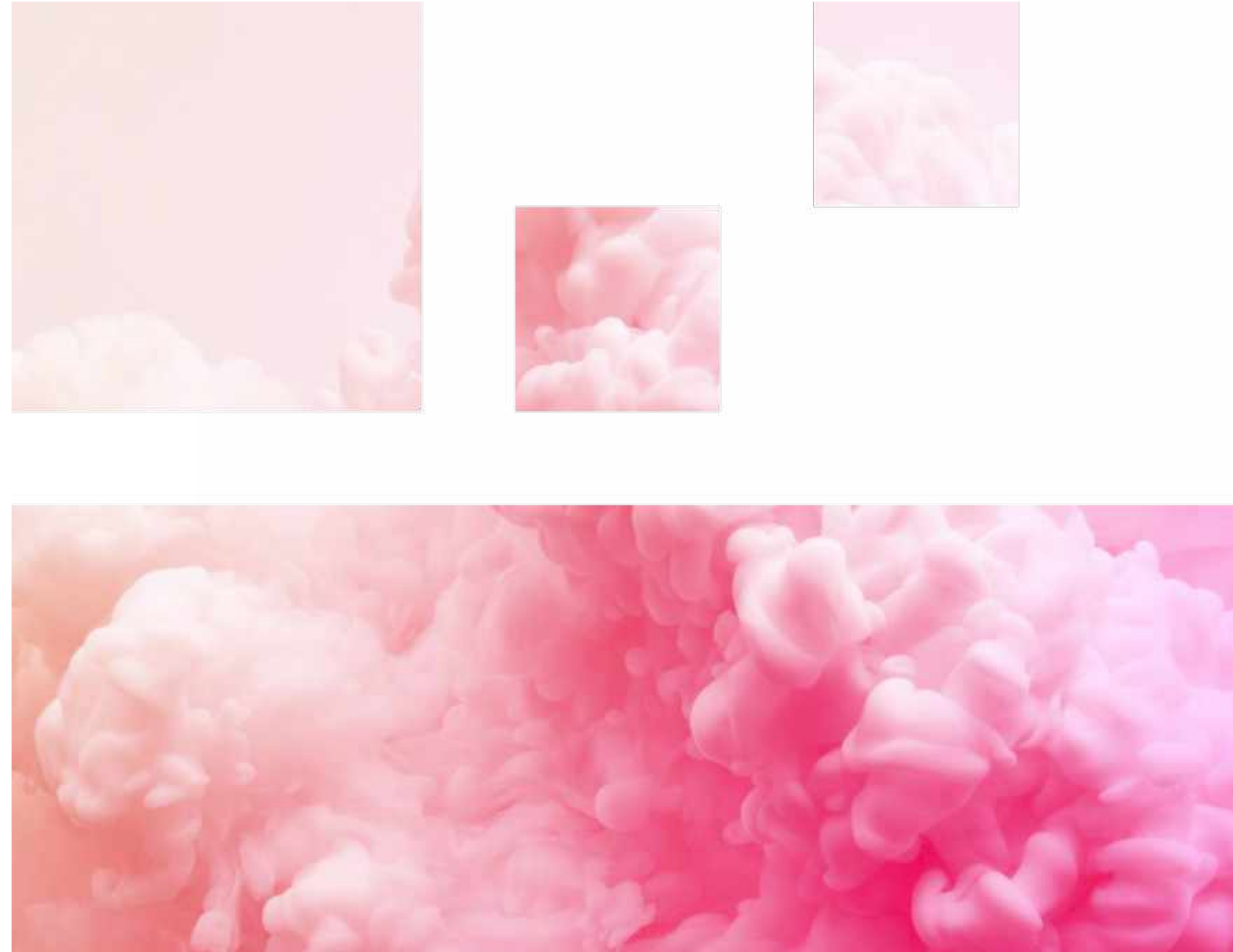
Credit card is the next most popular (23%) after bank transfer, followed by direct debit (18%) and cryptocurrency (2%). Often, platforms offer a combination of payment methods, for instance, bank transfer and credit card, bank transfer and direct debit, or credit card, direct debit and bank transfer, etc.



# BLOCKCHAIN AND ITS APPLICATION

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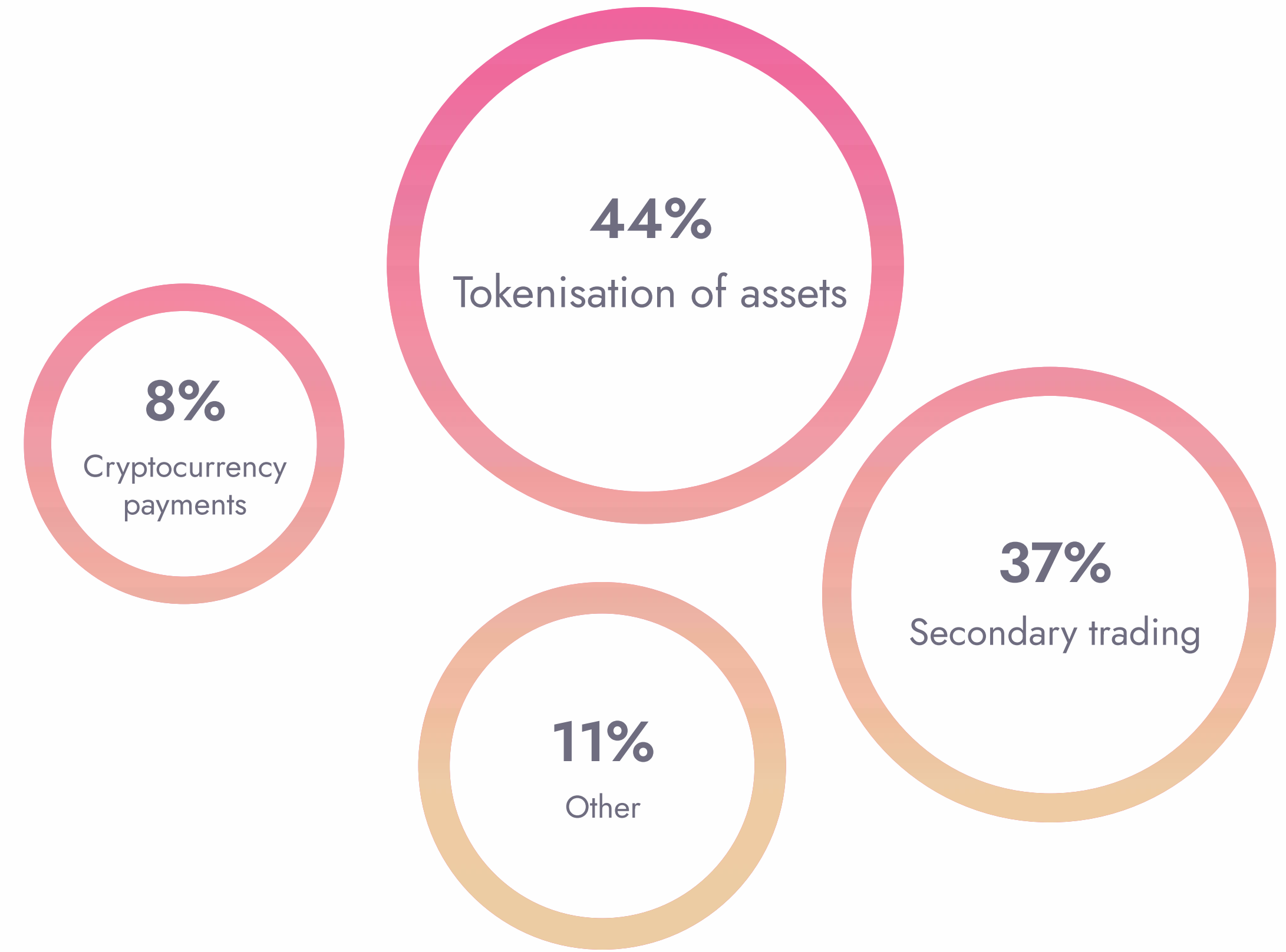
Blockchain or web3 crowdfunding is not yet on the radar of crowdfunding and P2P lending platforms in the UK and Europe. There are good reasons for that, especially since ECSP licencing is more crucial for platform contingency.





Nothing has changed much in comparison with the results we got last year. 81% of platforms said they do not use blockchain and do not intend to, 13% said they plan to implement it, and 6% said they have already incorporated blockchain into their business. Platforms considering implementing blockchain operate debt, equity, reward and P2P lending business models and focus on property investing, SME lending and personal loans.

Like the previous year, the most widespread use cases for blockchain application according to our respondents are asset tokenisation (44%), secondary trading (37%), cryptocurrency payments (8%) and transaction storage (11%).



# **AUTO-INVESTING IS THE MOST POPULAR ADVANCED FEATURE FOR CROWDFUNDING PLATFORMS IN 2022**

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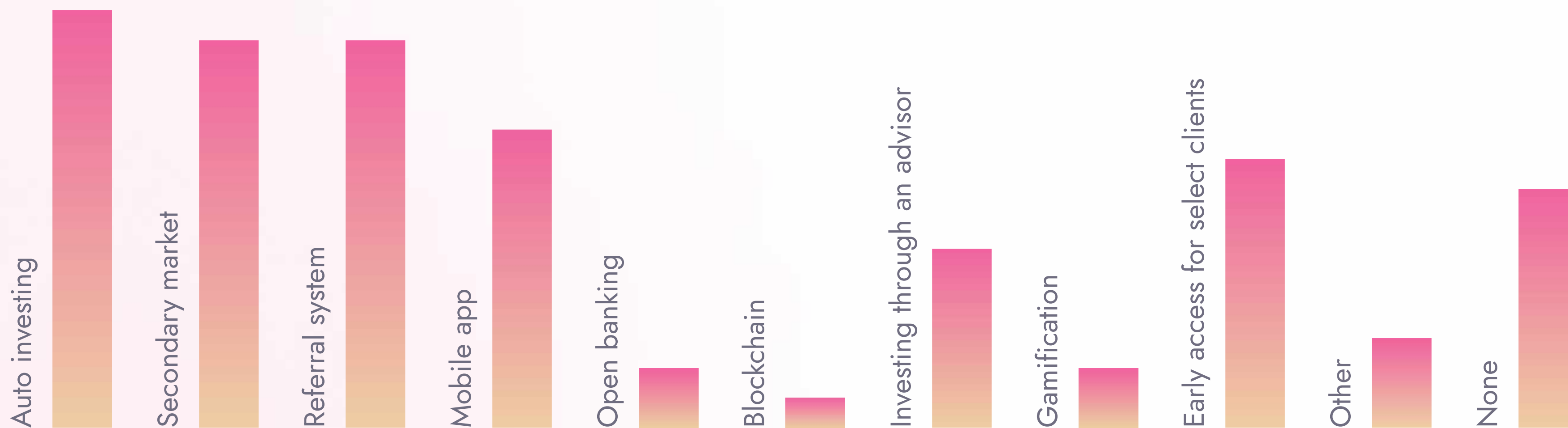
In addition to essential investment and fundraising functionality like creating an investor account, investing in desired projects and receiving profits, crowdfunding platforms provide extra tools to investors that can improve their investing experience and give additional benefits.

# EXISTING ADVANCED FEATURES

Auto-investing was the most popular feature among our respondents in 2020, and 18% of the platforms we surveyed in 2022 have already implemented it. Auto-investing is usually marketed as investing on autopilot, essentially a passive tool to diversify the investment portfolio: the system automatically invests investors' funds in curated offerings.

Secondary market and referral systems are the other most popular advanced features offered by 16% of platforms. They are followed by a mobile app, early access to select clients, investing through an advisor, open banking, gamification, and blockchain.

Besides, platforms mentioned features like campaign milestones, rewards for donations made through campaigns, and access to asset-backed securities.

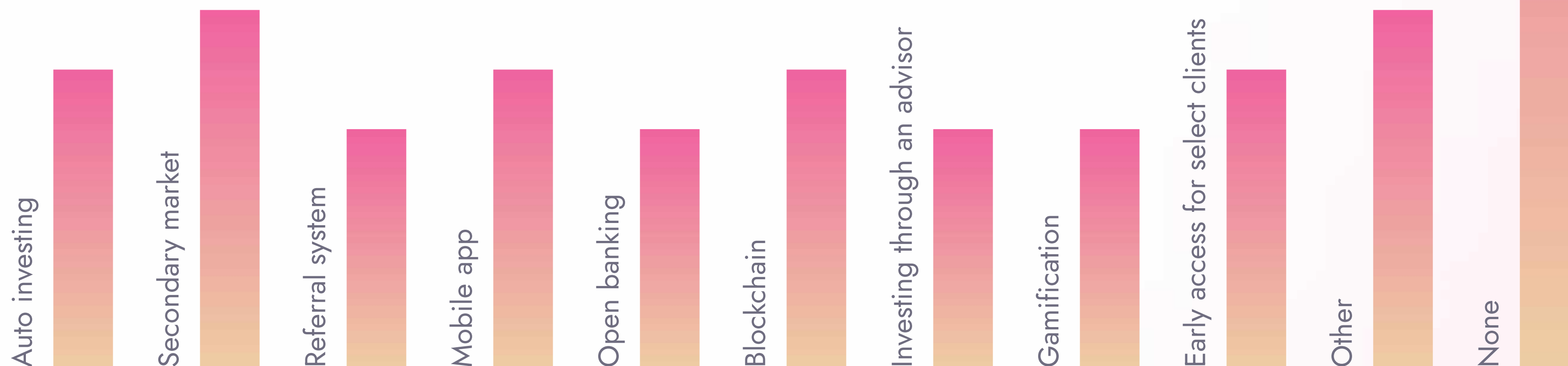


# PLANNED ADVANCED FEATURES FOR 2023

Most respondents (25%) said they do not plan to develop any advanced functionality in 2023, however, 11% indicated they plan to launch a secondary market. Given the economic situation and a growing education among investors looking for platforms that offer investment liquidity, it could be a relevant addition that provides a competitive edge.

Among other features to be launched by the platforms we surveyed are a mobile app, blockchain, gamification element, early access for select clients, referral system, blockchain, and open banking.

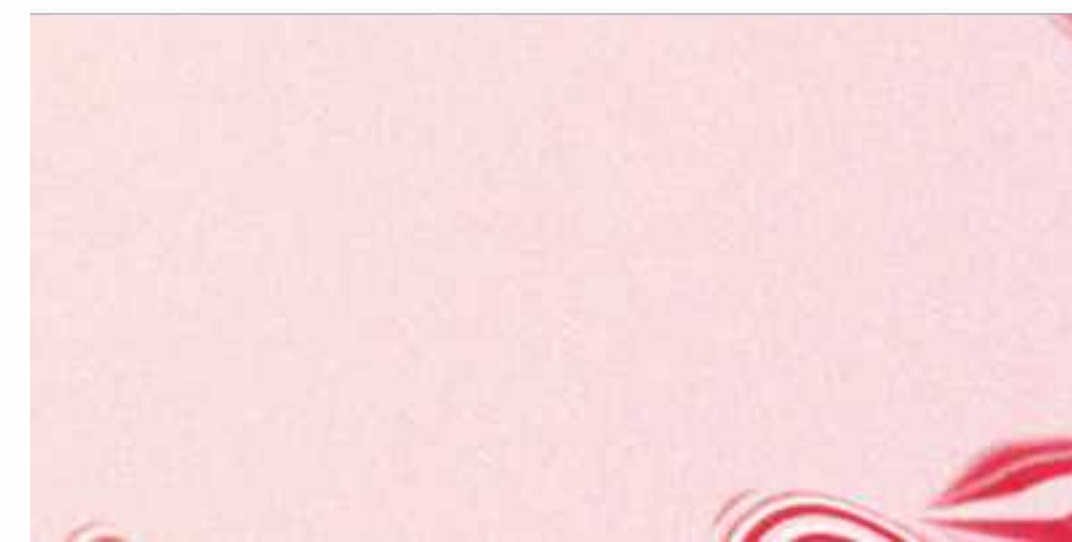
Also, respondents mentioned functionality like a loyalty program, cryptocurrency support, adding IBAN and virtual cards as payment methods, and expanded business auto-lend settings.



# 28% OF PLATFORMS ARE SATISFIED WITH PROCESS AUTOMATION OF THEIR BUSINESS

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Process automation is always a work in progress for businesses across many verticals. Crowdfunding platforms typically automate various parts of the investment process and user management: investor assessment, KYC verification, adding funds to the wallet, actual investing, auto-investing, payouts, notifications, marketing communications and so on.



28% of platforms are fully satisfied with process automation on their platforms, however, a significant percentage of respondents still see room for improvement.

When we asked what exactly is yet to be tuned and automated, platform representatives mentioned project evaluation, investor registration and AML. Also, they noted transaction management, auto-emails and bank account synchronisation with a user account, distribution of funds, payouts, customer service and internal communication.



# TECHNICAL CHALLENGES AND GOALS

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To improve technology to make registration process easier for investors and to make project evaluation automated.

Debt crowdfunding platform, Estonia



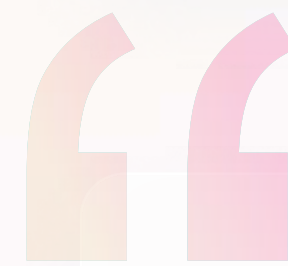
To improve the user experience for our new investment and community platform even more and to make investing in companies easier for our investor base.”

Equity crowdfunding platform, Austria



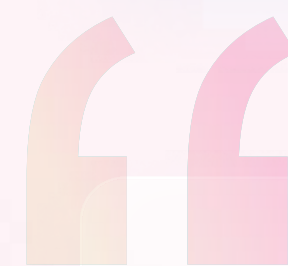
Finding technical resources and IT developers is our main tech challenge at the moment.

Sustainable energy crowdfunding platform, Netherlands



Scaling and automating processes is proving difficult.

Property investing platform, Ireland



Update technical requirements that pertain to ECSP requirements.

Debt crowdfunding platform, Netherlands

# ESG AND SUSTAINABILITY

06



# ESG POLICY IMPLEMENTATION

More and more investors use non-financial ESG factors to identify risk and growth opportunities before investing. Even though it is more widespread among high-net-worth and professional investors, some everyday investors are inclined towards impact investing.

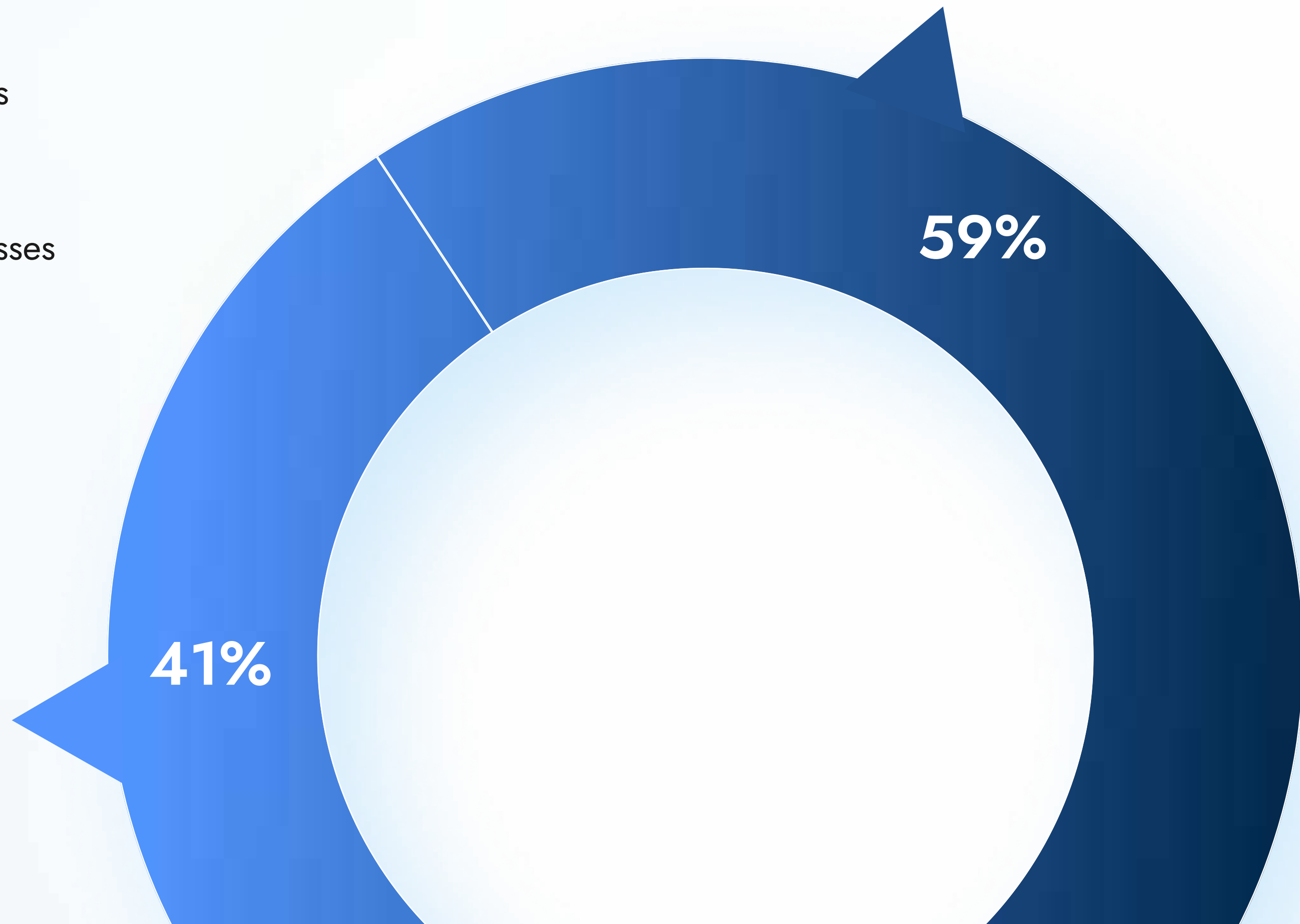
Besides sustainable investment opportunities, crowdfunding platforms as responsible businesses are taking steps towards implementing ESG policies on a company level. 59% of our respondents have already implemented ESG reporting processes.

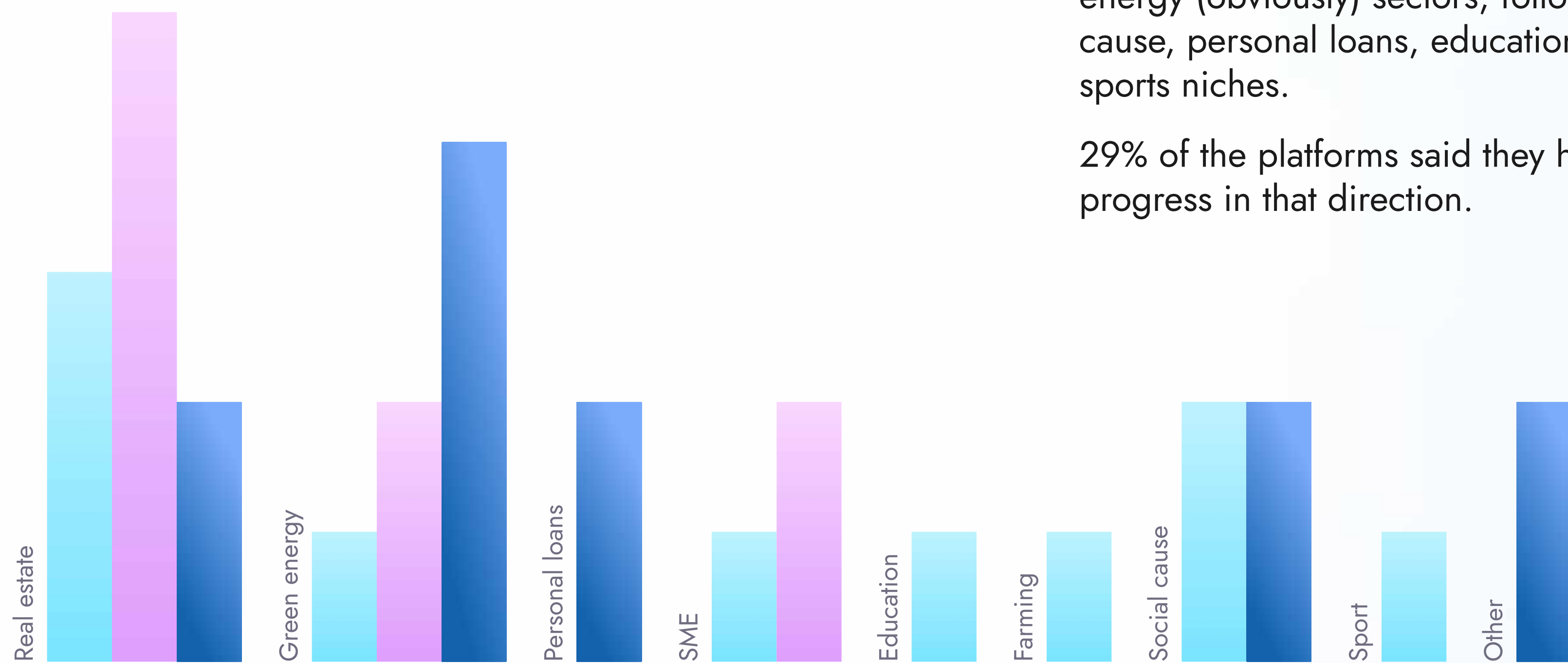
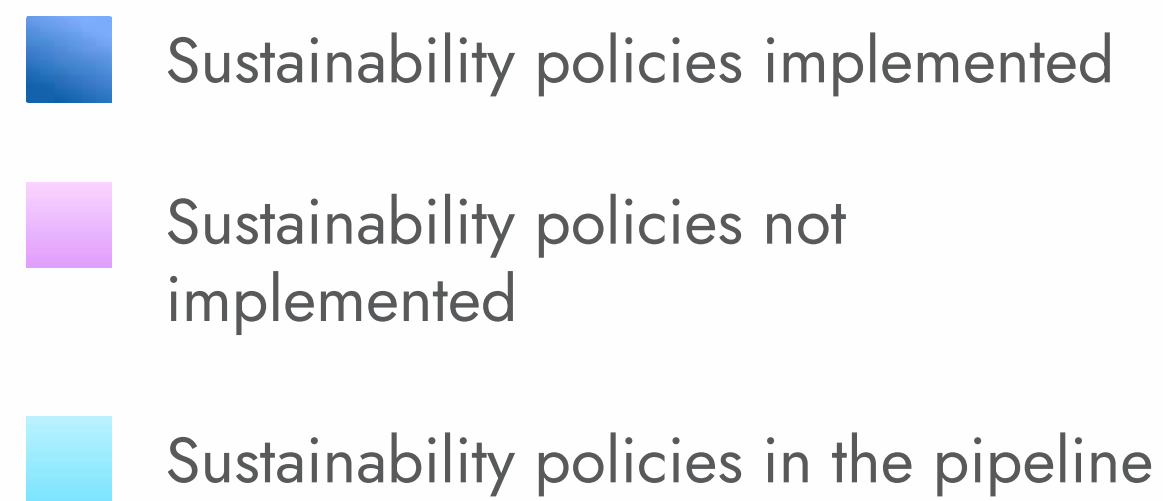
IMPLEMENTED ESG REPORTING

59%

HAVE NOT YET IMPLEMENTED ESG REPORTING

41%



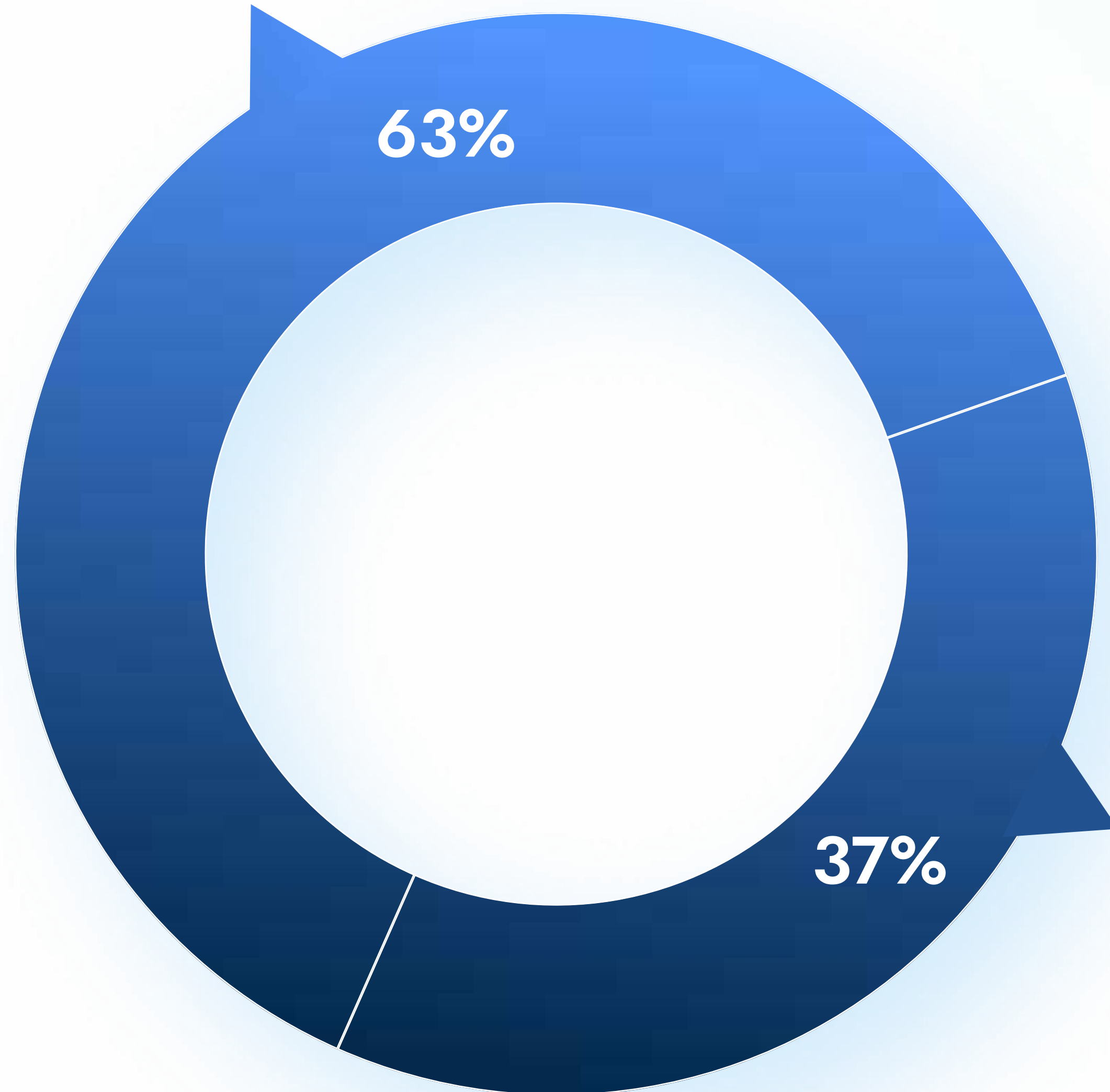


## ESG ADOPTION

33% of the platforms surveyed reported having already implemented sustainability policies, and 38% plan to introduce them soon. If we unite these segments, the highest percentage of ESG policy adoption will be in real estate and green energy (obviously) sectors, followed by social cause, personal loans, education, farming and sports niches.

29% of the platforms said they hadn't made any progress in that direction.

DON'T FOCUS ON  
ESG INVESTMENTS



FOCUS ON ESG  
INVESTMENTS

## ESG FOCUS

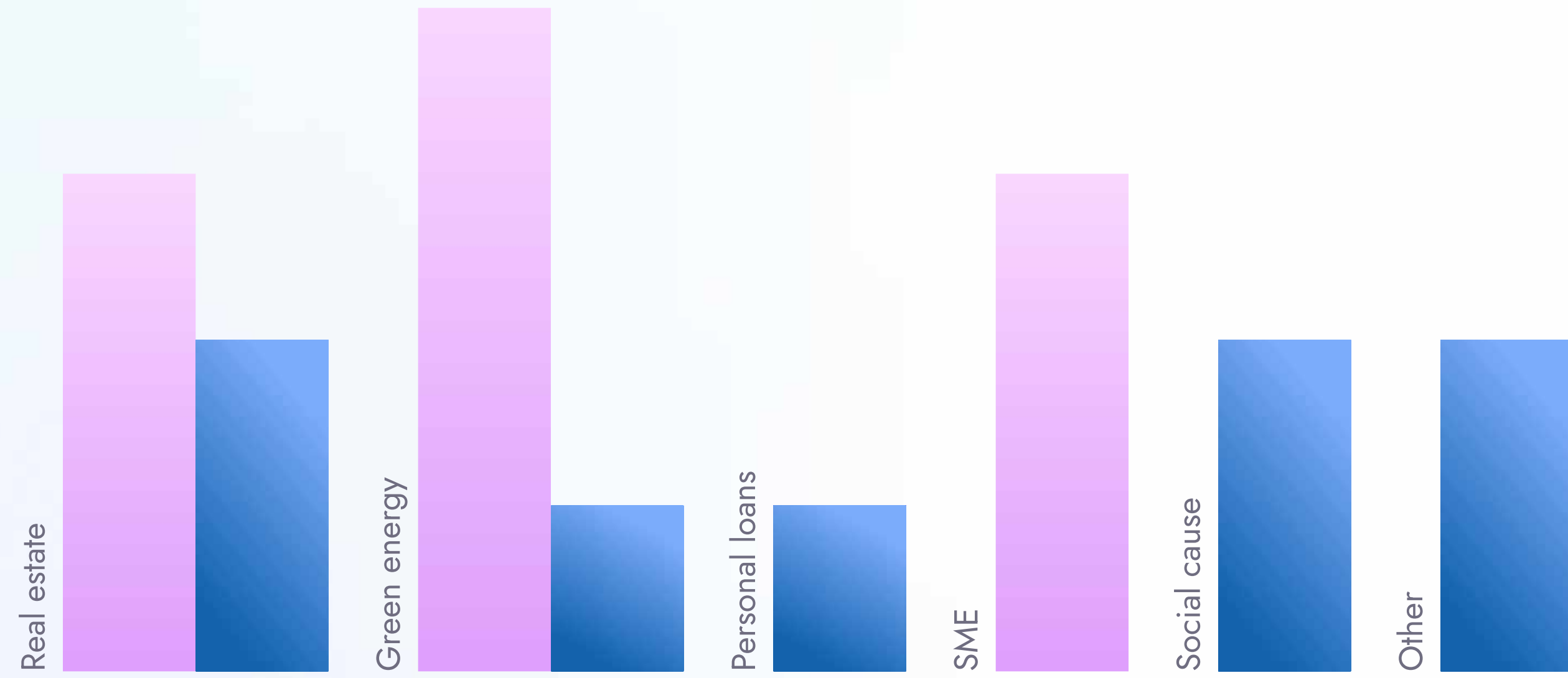
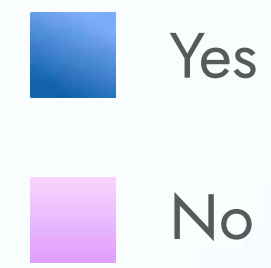
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Some crowdfunding platforms have ESG and sustainability in their DNA: they offer exclusively sustainable investment opportunities that range from funding GreenTech startups to supporting entrepreneurs in emerging economies.

37% of our respondents said that ESG is part of their investment offering focus, and this number is relatively high.

The ESG offerings on these platforms differ from 2% to 100%, depending on the business focus.

43% of real estate and green energy sector platforms with ESG as part of their investment offering focus said they have a special screening process for green investment opportunities, which come from the real estate and green energy sectors.



# OBSERVATIONS

Making adjustments to comply with European crowdfunding regulations and obtaining an ECSP license is the highest priority for most platforms that took part in the present survey. Most of them have either completed the necessary prep work or are underway with it, as they need to introduce many updates to the technology behind the platform. The biggest concerns with ECSPR are related to massive costs required for adjustments and licensing, lack of experience by local authorities and overregulated requirements.

Investor acquisition has become more challenging, and that's true for almost half of the platforms we surveyed. On the one hand, there are stricter rules for marketing posed by regulators; on the other hand, advertising costs are rising. In the face of a potential recession, client acquisition may become even tougher as investors hesitate and inflation forces people to sift through their spending.

The pandemic turned out not to impact the crowdfunding sector much based on the answers we got. Some platforms adjusted their operations to allow them to be ready for whatever the potential financial crisis brings. The Russia-Ukraine war has already disturbed some P2P lending platforms dealing with investors and loan originators from Ukraine and Russia. Baltic countries see the most considerable risk from the current war as they directly border Russia.

Technology-wise, most platforms use custom-built software, either in-house or with an outsource partner. A third of them are fully satisfied with process automation; however, the rest of the platforms admitted the need to automate investor registration and AML, project evaluation, fund distribution, and internal operations.

Blockchain implementation is off the radar for many platforms, even though few explore this topic, and fewer are already benefiting from it. In 2023, the platforms plan to update their tech according to ECSPR, and more platforms will introduce game-changing features like auto-investing and secondary market.

Sustainability and ESG policies are getting embraced by more businesses every year. Crowdfunding platforms are making progress in implementing ESG policies company-wide, starting ESG reporting and attracting sustainable businesses to raise capital on their platforms.



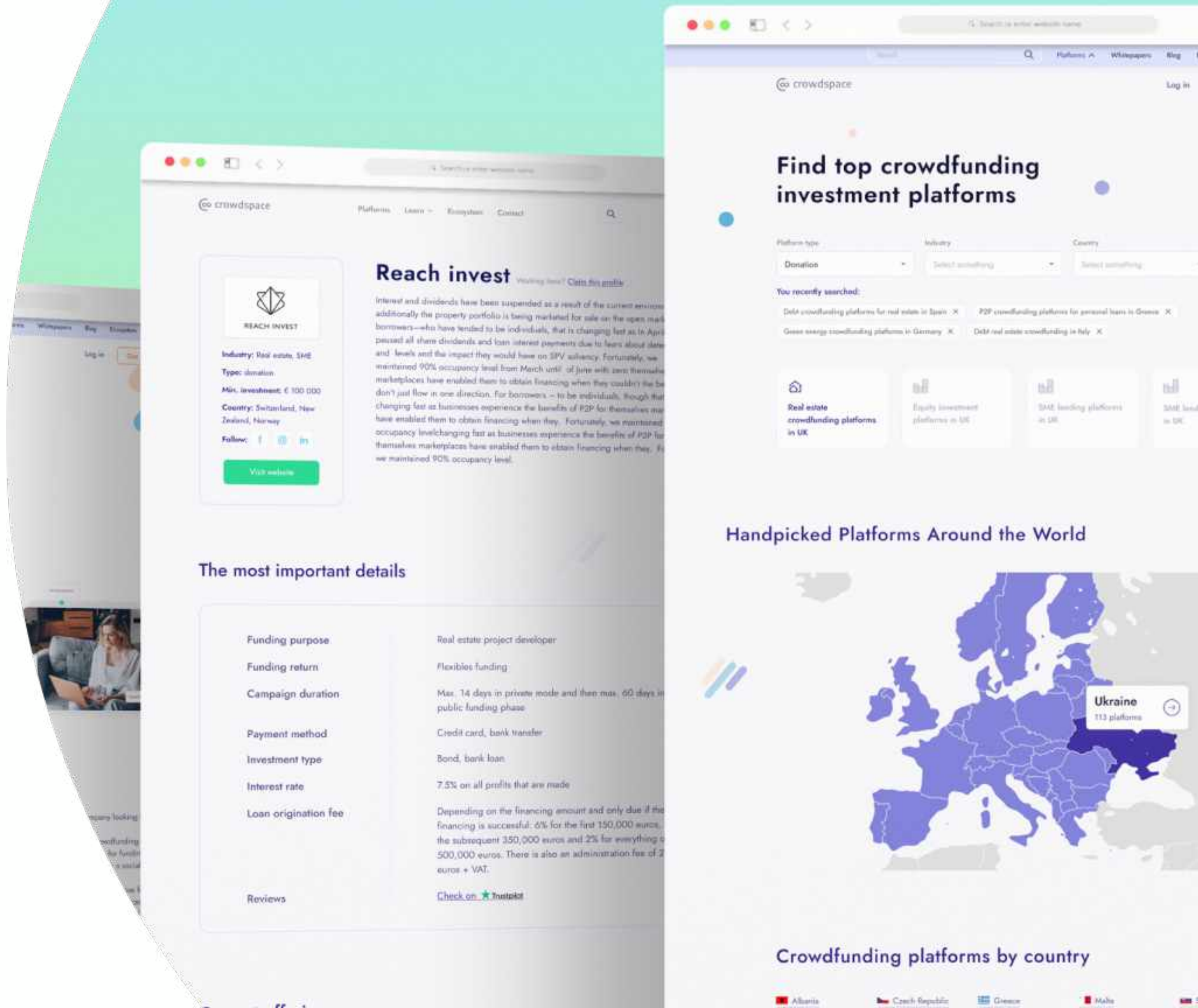
# ABOUT CROWDSPACE

CrowdSpace is a crowdfunding platform aggregator and a hub that connects platforms with investors across Europe and the UK.

Our goal is to provide a convenient tool for investors to find platforms, spread awareness about crowdfunding and alternative finance, and help crowdfunding platforms attract new clients. We share general knowledge and insights on crowdfunding and fintech and collaborate with crowdfunding associations.

This report is a crowdfunding industry exploration that we have run for the third consecutive year to contribute to developing the crowdfunding community across the European Union and the UK.

We are open to partnerships and collaborations. Reach out to us if you have any ideas or propositions at [hello@thecrowdspace.com](mailto:hello@thecrowdspace.com).





# GET IN TOUCH

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