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Equity crowdfunding in Ukraine: the proposal of legal solutions at the background of regulations in the selected countries

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Abstract

Motivation: The capital market developing in Ukraine is not capable of filling the capital gap for innovative ventures presenting high risk of failure, therefore equity crowdfunding can be perceived as a significant alternative offering a source of funding for enterprises, primarily in relation to the development of initiatives and projects, the value of which has not yet been verified by the market (the so-called startups). At the same time, it should be remembered that one of the important factors responsible for the development and popularization of crowdfunding in a particular country is the development of the explicit crowdfunding regulation.

Aim: The aim of this article is to propose legal solutions dedicated to ECF in Ukraine, developed based on the analysis of legal regulations in the selected countries. The model of legal regulations proposed by the authors was assessed by the experts from Ukraine. The study consisted in an expert assessment of the suggested model solution being the result of legal regulations regarding the functioning of crowdfunding in the selected countries worldwide, an identification of the desired changes in legal regulations in Ukraine, and the assessment of the potential for the development of equity crowdfunding as the source of funding for the Ukrainian companies.

Results: The results of the conducted research show that as many as 90% of the Ukrainian experts agreed with the proposed legal solutions dedicated to equity crowdfunding and described the developed legal model as suitable for the Ukrainian market. At the same time, the vast majority of respondents (85%) acknowledged that the scope of regulations proposed in the model is appropriate, without indicating the need for introducing regulations in other areas.

Keywords: equity-based crowdfunding; Ukraine; regulations

JEL: G23; G24; G28; O31

1. Introduction

Ukraine is a country where the continental banking model was historically developed, making banks the primary source of capital for many economic ventures. In the case of small enterprises — similarly to other countries — the limitations related to the availability, time-consumption and high costs of obtaining loans remain a barrier, therefore the tendency to seek funding from external sources predominates. However, the capital market developing in Ukraine is not capable of filling the capital gap for innovative ventures presenting high risk of failure, therefore equity crowdfunding (ECF) can offer a significant alternative allowing the development of initiatives and projects, the value of which has not yet been verified by the market.

Equity crowdfunding, apart from donation, reward and loan crowdfunding, represents one of the more advanced forms of the increasingly popular idea of crowdfunding. As defined by Agrawal et al. (2016) equity crowdfunding, in its essence, constitutes the mechanism which allows wide groups of investors (the Internet community) funding startups and small businesses in return for shares in a particular venture. In other words, it is a kind of accumulation and allocation of the capital transferred for the benefit of a specific venture de-

velopment, in return for a share in the risk as well as the potential profits of that venture. The funding involves a wide range of capital providers (investors) and is characterized by the use of tele-information technologies (the Internet) and low entry barriers for the funding entities, also including better transaction conditions than the ones generally available on the market for those raising the capital. As the method of funding consisting in the sale of stocks or shares by an entrepreneur to a group of small investors in an offer published on specialized online platforms (Ahlers et al., 2015, p. 963), equity crowdfunding is usually associated with the participation of three types of entities:

- project originators (entrepreneur, issuer of stocks or shares) who are looking for funding;
- investors (“crowd”) who have free resources and are willing to invest them in the idea of the project initiators;
- a crowdfunding platform operator, i.e. an entity which acts as an intermediary in establishing cooperation between the project developer and the investor, i.e. the provider of crowdfunding services.

An assumption can be made that along with the development of equity crowdfunding in Ukraine, it could become an effective source of funding, especially for the new, developing companies in the initial stage of their operations. As indicated, one of the important factors behind the popularization of crowdfunding in 191 countries is its support by means of developing an explicit crowdfunding regulation¹ (Rau, 2020), which ensures market transparency and security for all three of the above-mentioned types of entities. Meanwhile, as of March 1, 2022, there are no legal acts dedicated to equity crowdfunding in Ukraine, nor is this type of activity subject to any supervisory institution.

The aim of this article is to propose legal solutions dedicated to equity crowdfunding in Ukraine, developed based on the analysis of legal regulations in the selected countries — Italy, Germany, Great Britain, France, USA and also in the common European Union market. The model of legal regulations proposed by the authors was assessed by the experts from Ukraine. The study, carried out using the CAWI method, consisted in an expert assessment of the proposed model solution being the result of legal regulations regarding the function of crowdfunding in the selected countries worldwide, an identification of the desired changes in legal regulations in Ukraine and the assessment of the potential for the development of equity crowdfunding as the source of funding for the Ukrainian startups.

2. Literature review

When referring to the characteristics distinguishing the equity-based crowdfunding from the other types of crowdfunding, it is highlighted that in the case

¹ Rau (2020) confirmed that both the regulations dedicated to crowdfunding and the general rule of law in the country represent important factors determining the crowdfunding volume.

of this model funders expect a financial return on their investment, hence it is often referred to as a profit-sharing model (Hossain & Oparaocha, 2017). Taking into account the benefits which equity crowdfunding offers to investors, the source literature indicates that this crowdfunding model comes down to encouraging the potential investors by entrepreneurs to invest funds in order to receive a share of the venture's future earnings (Belleflamme et al., 2013).

Many definitions emphasize the role of the Internet in raising capital through equity crowdfunding. This approach is presented in the following definitions:

- equity crowdfunding stands for such a form of funding in which entrepreneurs make an open call to sell a specific amount of equity in their company on the Internet (Vismara, 2019);
- equity crowdfunding provides entrepreneurs with an online social media marketplace where they can access numerous potential investors who, in exchange for an ownership stake, may supply them with finance (Estrin et al., 2018);
- equity crowdfunding represents the form of funding in which entrepreneurs make an open call to sell a specified amount of equity or bond-like shares in a company on the Internet, hoping to attract a large group of investors (Ahlers et al., 2015).

When referring to the primary beneficiaries of equity crowdfunding, the source literature most often points to startups (Hossain & Oparaocha, 2017). Potential disadvantages for the companies raising capital at an early stage of development may arise from the difficulties in managing funders presenting different interests, experiences and backgrounds (de Buysere et al., 2012). In addition, some of them, at least, may constitute unsophisticated investors.

Among the significant characteristics of equity crowdfunding, it should be noted that both the phenomenon of information asymmetry and moral hazard are at a higher level than in other types of crowdfunding. The specificity of startups creates uncertainty regarding the ability to generate future cash flows (Vismara, 2019).

It should also be emphasized that when describing various types of crowdfunding, researchers defined only the equity-based crowdfunding as the process characterized by a high level of complexity (Hossain & Oparaocha, 2017), which accentuates the need for appropriate legal provisions regulating in detail the issues related to this type of crowdfunding.

3. Methods

3.1. Characteristics of legal solutions regarding ECF in the selected countries worldwide

The first regulations dedicated to equity crowdfunding appeared in 2012 (USA, Italy), and in the following years an increasing number of countries introduced

regulations providing the framework for the functioning of ECF. Regardless of the country, the regulations, to a greater or lesser extent, covered three entities involved in ECF: raising capital, potential investors and platforms intermediating in matching these two parties. From the perspective of the proposed legal solutions, the specific problems, which need to be analyzed, are as follows:

- licensing and supervision of the activities carried out by ECF platforms and the supervision over the companies raising capital (issuers of stocks and offerors of shares);
- possible funding threshold without the need to prepare an issue prospectus (so-called non-prospectus funding);
- methods for protecting investors (including disclosure obligations imposed on the issuers of securities and offerors of shares);
- other equally important elements, such as limits for individual investors², organization of the secondary market or limiting the form of share acquisition to joint stock companies alone.

The basic overview of regulations covers Italy, Germany, Great Britain, France and USA, providing a picture of the regulations which have evolved over the last decade (2012–2022). The synthetic information addressing individual countries and their regulations is presented in Table 1. The overview is supplemented with the information on the European Union market regulation, where in 2020 uniform requirements for the provision of crowdfunding services and the organization, granting permits and supervision over the crowdfunding services providers were defined.

The regulations in force in individual countries were adapted to the specificity of the sector as well as the particular legal and economic determinants existing in these countries. The differences between the Member States of the European Union became so significant that the EU regulator decided to harmonize and standardize the law regarding the protection of the principles for the operation of platforms, the obligations of project originators and the protection of investors. The first significant step in this direction was already made in 2017, when the minimum threshold for issuing shares (including stocks, bonds) by small and medium-sized companies was increased to 1 mln EUR (Regulation EU, 2017) without the need to create an issue prospectus (previously this threshold was 100,000 EUR). However, this did not mean the unification at the level of the entire EU, as it was also possible to raise higher amounts in individual countries. The differences in this respect and the examples from the countries outside the EU are presented in Table 2.

On October 5, 2020, the *Regulation of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business* (Regulation EU, 2020) was adopted, the first provisions of which apply starting from

² A limit for investors is not uncommon in the world — e.g. in Canada, in 2021, a regulation limiting an individual investor's capital commitment in one project to the amount of 2,500 CAD or 10,000 CAD was introduced, if the investment was made with the support of a licensed advisor (Morin et al., 2021).

November 10, 2021. The problem of maximum non-prospectus funding threshold has been regulated in such a way that by November 10, 2023 this limit will reach 2.5 mln EUR, whereas after that date it will increase up to 5 mln EUR.

Regulating the equity crowdfunding market is perceived as the process which supports investor confidence in crowdfunding platforms and the entire sector. This is especially true of the institutional investors who prefer to operate in a transparent and regulated market. However, the definition of the word “crowdfunding” provides that the essence of crowdfunding is financing by means of the “crowd”, therefore a deliberate regulation of the ECF market: licenses and requirements for platforms, company valuation conditions, information obligations for issuers, investment limits for investors or possible tax preferences are important for small individual investors. They are also crucial in the countries where such regulations have not yet been prepared, the example of which is Ukraine (as of March 1, 2022). The Ukrainian market has the potential both on the supply side — dozens of crowdfunding platforms operating in the formula of donation or reward-based crowdfunding, and the demand side — thousands of small companies looking for capital and frequently if unsuccessful on the local market, look for it abroad (in Poland, in the USA).

3.2. Equity crowdfunding in Ukraine: legal status as of March 1, 2022

The concept of “crowdfunding” is quite new in Ukraine, but already has a certain history and positive experiences. The inhabitants of Ukraine, as investors, can use both international and domestic crowdfunding platforms, among which Kickstarter is the most popular (projects from Ukraine cannot be registered there, therefore it is often done through an intermediary from the authorized country). Among the more famous Ukrainian platforms the following are listed, e.g., Spilnokosht, RazomGo, GoFundEd, StartEra, Ulule. The political situation in Ukraine and the armed conflict against Russia are also reflected in the crowdfunding projects. In this context People’s Project.com can be indicated — Ukraine’s military and civil crowdfunding, where funds are raised for such projects as rehabilitation of a pilot who was wounded when fighting in Donbas or clearing mines in the areas where the fighting took place. In the same way the equipment for snipers was funded and the schools for divers were co-funded (Peoplesproject.com, 2022).

Equity crowdfunding in Ukraine is not covered by any special, separate regulation addressing this type of activity and is not directly subject to any supervisory authority (as of March 1, 2022). The legal turnover within the framework of crowdfunding should be assessed through the prism of general provisions that identify equity crowdfunding with public fundraising or recognize it as a special category of such fundraising. Such an approach, however, has many gaps (legal, tax, organizational), especially in the context of the fact that the projects funded by ECF strive to achieve commercial success, in which it is difficult to find the el-

ement of public interest. As the use of crowdfunding in the form of ECF has not yet been regulated at the legislative level, in accordance with the Ukrainian law, the sale of shares (stocks) by unspecified individuals via the Internet may even be regarded as a crime (Hryhoruk & Prystupa, 2017, p. 138). The possible ECF initiatives are manifested only by concluding simple agreements between the parties, in which the purpose and participation of the “investor” in the performed activities are defined. The absence of regulations deters many potential investors and prevents the development of crowdfunding (Tolub, 2021).

3.3. Crowdfunding in Ukraine: proposed regulation of equity crowdfunding

For the purposes of this study, a survey was conducted among the experts from the Ukrainian market, representing both competences and experience in the area of the carried out research. A group of 19 experts was selected using the method consisting in reducing the number of candidates by eliminating those who did not meet the subsequent selection criteria (or met them insufficiently)³. The group of experts invited to the core study included: 10 people from the crowdfunding platforms operating in Ukraine (donation and reward crowdfunding), 5 people from among the researchers and 4 people representing employees of financial institutions the activity of which is related to the crowdfunding and capital markets. The study was conducted using the CAWI method in the period from September 1, 2021 till December 31, 2021.

The research process consisted in presenting the experts, during an in-depth interview, with a model solution for ECF, developed based on legal regulations in the selected countries worldwide and the EU ECSP Regulation. Experts had the opportunity to assess the submitted proposal and indicate the desired changes in the suggested legal regulations, as well as identify the determinants contributing to the development of equity crowdfunding as the source of funding for the Ukrainian companies. The aim of the study was also to identify the prospects for the development of ECF in Ukraine. The proposed model solution is presented in Table 3.

4. Results and discussion

The study shows that more than half of the experts from Ukraine pointed to the lack of ECF regulation as the main reason for the absence of platforms dedicated to this type of crowdfunding.

In the study, the experts were presented with a proposal of legal assumptions for the functioning of ECF in Ukraine, which, according to the authors, include the essential issues relating to the organization of equity crowdfunding. It should be emphasized that as many as 90% of the respondents indicated

³ Finally, 25 people were invited to the study, however, the fully completed questionnaires were obtained from 19 experts.

the answers: “definitely yes” or “rather yes”, thus agreeing with the presented proposals and described the developed model of legal regulations as appropriate for the Ukrainian market (only 10% were of a different opinion, indicating the answer “I do not think so”).

As different organizational and legal forms have been provided for the entities raising capital through the ECF platforms in different countries, the first of the analyzed aspects was focused on this issue. In response to the question about the appropriate forms for the Ukrainian market, the most indications (2/3) pointed to both joint-stock companies and limited liability companies (TOW). Some of the respondents (less than 50% of indications) ticked off only joint-stock companies, and 2 respondents indicated that other forms could also be allowed, however, did not specify which forms could be considered.

The model solution proposed a maximum funding threshold, without the need to prepare an issue prospectus, at the level of 5 mln hryvnia (approx. 430 thsnd. PLN) over a 12-month period (the threshold of the total value in relation to crowdfunding offers presented by a specific project owner). According to the presented proposal, this threshold would be raised to 10 mln hryvnia after 2 years. As many as 85% of the respondents consider such a solution appropriate (32% “definitely yes” and 53% “rather yes”). Only 3 experts did not support this solution indicating “rather no” in their responses, and one of them proposed a lower limit — 2.5 mln hryvnia per year.

Almost 80% of the respondents share the proposed assumption of licensing and supervising the activities of ECF platforms. The provision of crowdfunding services would be provided only by the entities holding a permit issued by the competent authorities of Ukraine. The only discrepancy which comes up refers to the relevant entity — the majority of respondents point to the National Bank of Ukraine, but there were also opinions suggesting the establishment of a special supervision institution competent to supervise issuers of securities distributed via the ECF platforms. Among the respondents’ comments there was a statement that the register of entities which obtained the permit should be made public. Slightly more than half of the experts believe that only an entrepreneur based in Ukraine (53%) could apply for a permit to operate the ECF platform, whereas others believe that the entities from outside Ukraine should also be allowed to apply for such a permit (47%).

In terms of investor protection, two proposals were submitted — a narrow and a broader one. The first proposal refers to the situation in which an investor should receive both basic and additional information. Basic information concerns the entity raising capital (project owner) as well as information about the project itself (project aim, financial goal, risk factors), as well as the conditions for acquiring shares (fees, limits, bonuses) and issuing a warning about the risk associated with the investment. The additional information is as follows:

- emphasizing the rights of investors;
- information on the legal mechanisms of pursuing claims;

- a reservation that the crowdfunding offer was neither verified nor approved by the competent authorities of Ukraine;
- a warning about the absence of an organized secondary market (in the case of platforms that do not run an offer board).

The proposed solution (basic and additional information) was not appreciated by the respondents — 1/3 of them consider this scope insufficient. The majority of Ukrainian experts (2/3) believe that this scope should be extended (the second proposal was presented) and additionally cover the following:

- preliminary test of the investor's knowledge;
- assessment of the investment's adequacy for the investor;
- investment limits;
- the obligation to guarantee the so-called pre-contractual reflection period to inexperienced investors, during which the investor may withdraw his/her investment offer at any time.

100% of the respondents agreed with the proposal that the ECF platforms should have the right to operate a bulletin board (the so-called offer board), which would associate orders to sell with orders to buy (shares/stocks) on the secondary market.

The survey also asked experts whether the proposed scope of regulation is sufficient if it covers such issues as: companies accepted within the framework of ECF, the maximum funding threshold, licensing of activities, investor protection, organization of the secondary market. As many as 85% of the experts agreed that the scope of regulation proposed in the model is appropriate, without pointing to the need for regulating other areas. The rest of them (15%) indicated the need for additional regulations, but did not submit any proposals in this regard.

It is also worth mentioning that the experts were additionally asked about other issues related to the principles for the functioning of crowdfunding. When asked about the correlations between the equity crowdfunding platforms and project originators (entities raising capital), 63% were of the opinion that these relations should be legally regulated, while 37% of the respondents were in favor of the freedom in developing the terms of cooperation. Some kind of restrictions for the entities raising capital were envisaged by 85% of the respondents (32% “definitely yes” and 53% “rather yes”). They believe that these companies should meet certain requirements in order to be able to benefit from ECF (e.g. running a business for a minimum period of one year, proving their own contribution to the project at a certain level), whereas 15% (indicating “rather not”) present the standpoint that such restrictions should not be introduced. Similarly, with regard to investors themselves — some experts (57%) claim that, following other countries (USA, Great Britain), investors should be subject to certain restrictions (amount or percentage limits) related to investing in one venture, however, almost 43% believe that such restrictions should not be introduced. When asked about the changes in money laundering regulations in terms of ECF functioning (e.g. platform's obligation to report to the compe-

tent authority these individuals who invest significant amounts), most experts were of the opinion that such regulations should be introduced (approx. 80%), and only part of them (20%) stated that the existing regulations in this matter are sufficient.

The conducted research shows that it is necessary to establish the organizational and legislative framework to initiate and develop ECF in Ukraine, the task of which will be to ensure the following:

- market transparency and sector professionalization;
- investor safety and the regulation of supervision issues;
- reducing entry barriers for new entities by establishing universally applicable standards;
- turnover safety by granting the status of a regulated and supervised entity to the ECF platforms;
- more extensive interaction with other regulated entities on the financial market that provide financial services (banks, payment institutions);
- greater interaction and larger cooperation area with institutional investors;
- diversifying funding sources for small and medium-sized enterprises, which is in line with the similar efforts taken up by many governments to support the SME sector.

Although the establishment of regulations related to the registration process (obtaining a license from a supervisory authority), verification of functioning in accordance with the provisions and extended reporting (dedicated to the supervisory authorities) and also other requirements related to the establishment and operation of the crowdfunding platforms incur costs, however, in the context of the advantages resulting from the ECF market regulation they are of marginal importance. It should also be remembered that free access to the Internet, which is the basic medium for all crowdfunding operations, owing to which the freedom in concluding contracts is possible, it may also remain the source of risks to equity crowdfunding (irregularities, abuse and fraud), hence the establishment and popularization of regulations will play the essential role in the development of ECF in Ukraine.

In addition to the recommendation regarding the development of an organizational and legislative framework for the initiation and popularization of ECF in Ukraine, in terms of solutions supporting the development of this market, it is necessary to suggest the implementation of tax incentive mechanisms which could support an intensive development of the Ukrainian equity crowdfunding market.

5. Conclusion

The development of the Internet as well as the digital advancement contributed to the creation of a number of innovations which influenced many aspects of everyday life and did not omit the capital market. Raising share capital in the form of small amounts of money transferred by investors via the special-

ized online platforms in exchange for a promise of having a stake in the business has become an attractive alternative worldwide to traditional sources of funding. The similar situation is true for Ukraine, where obtaining funding to start or develop a business through the stock exchange, banks or other financial intermediaries, in the face of financial instability and an insecure market position, frequently turns out to be impossible in practice. As the experience and many years of practice in the countries where ECF has been operating for many years show, crowdfunding is also used by the entities with a well-established market position. For mature companies, crowdfunding is a way to reach new target groups, to verify their valuation (e.g. prior to a traditional listing) or to check an idea that requires funding.

The aim of this article was to propose legal solutions dedicated to equity crowd-funding in Ukraine, developed based on the analysis of legal regulations in the selected countries — Italy, Germany, Great Britain, France, USA and also in the common European Union market. According to expert opinions, it is necessary to regulate ECF in Ukraine. The model proposed by the authors, supplemented with suggestions and indications from experts, could set the legal framework for the functioning of the ECF market in Ukraine and become the basis for its stable development.

Most of the surveyed Ukrainian experts (58%) believe that raising capital using ECF is a good solution for small companies in their early stage of development, while others indicated that it is a good option for all companies from the small and medium-sized sector enterprises.

Among the features which make the experts perceive ECF as an effective method to obtain funds from the Ukrainian investors, the most frequently mentioned options were the possibility to reduce entry barriers by reducing the minimum financial contribution and simplified procedures for acquiring shares (84% indications). It was followed by such responses as: a chance for a relatively high rate of return if a specific risk level is accepted (53% responses) as well as the possibility of portfolio diversification and risk dispersion as a result of investing smaller amounts in many projects (42% indications).

In the eyes of the surveyed experts, the capital raised through ECF is capable of filling the gap left by banks and other financial institutions, which emphasizes the need to support such a solution by means of specific legal regulations.

It is also worth pointing out that the surveyed experts perceive several significant barriers to the development of ECF as the source of funding. The most indications referred to the lack of awareness and knowledge regarding the principles of crowdfunding operations in general (84%). Slightly fewer responses concerned no confidence in crowdfunding platforms (67%) and also the absence of awareness and knowledge related to the principles of equity crowdfunding functioning (58%). One of the experts, using the opportunity to add his own observations, also added the weakness of the Ukrainian supervision over the financial market.

A limitation of the present study is the restricted number of experts. In the future, such studies could be repeated with a larger number of experts and the group of respondents could be broadened to include managers of ECF platforms as well as capital raisers (companies) and potential investors. It seems crucial that all three sides of the ECF market participate in such research. Entrepreneurs in Ukraine could set out their expectations regarding the functioning of ECFs as a source of business financing (e.g. based on their experiences on foreign ECF platforms), while backers could be an important source of guidance regarding the scope of investor protection. Platforms, in turn, could make a statement as a new player in the capital market structure. Part of our research, which forms the basis for the authors' development of a regulatory model for ECFs in Ukraine, could inspire researchers who analyse regulatory differentiation of markets to reduce or eliminate the phenomenon of regulatory arbitrage. Such an approach to the problem would be part of the current of theoretical research dedicated to the determinants of proper functioning of financial markets.

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Appendix

Table 1.
Equity crowdfunding regulations in the selected countries: basic scope (as of January 1, 2021)

Country	Licensing and supervision over the activities of ECF platforms and the entities raising capital	Non-prospectus funding threshold (fundraising limits)	Acceptable legal forms for the companies raising capital under ECF	Restrictions (limits) for individual (non-professional) investors	Other
Italy	Italian Companies and Exchange Commission — CONSOB	5 mln EUR	joint-stock company, limited joint-stock partnership, limited liability company, cooperative	no limits for non-professional investors (they have to constitute min. 5% of all investors)	the headquarters of ECF platform in Italy; defining the requirements for the representatives of the ECF platform bodies
Germany	Federal Financial Supervisory Authority — BaFin	5 mln EUR	only joint stock companies	10 thsnd. EUR (1,000 EUR if the investor did not have an adequate collateral)	–
Great Britain	Financial Conduct Authority — FCA	5 mln EUR	joint stock companies, limited liability companies	no more than 10% of the investment portfolio value in unlisted securities	tax reliefs and exemptions for individual investors (up to £ 100,000 annually)*
France	French Prudential Supervision and Resolution Authority — ACPR	2.5 mln EUR	joint stock companies, limited liability companies	none	ECF platforms can also act as intermediaries in the issue of debt securities (crowd-lending)
USA	Securities and Exchange Commission — SEC	5 mln USD	joint stock companies, limited liability companies	100 thsnd. USD annually, with a 5% or 10% sub-limits depending on annual income or “net worth” as determined by wealth status	–

Notes:

* In Europe, tax allowances (fiscal incentives) for the investors engaging in crowdfunding campaigns are regulated by two countries only — Great Britain and Belgium

Source: Own preparation based on the websites of national regulators and: European Commission (2015), Gałkowski (2016, p. 18), James (2021), Kordela (2016, pp. 237–244), Myszkiewicz (2015), SEC (2021), UKCFA (2014), Vulkan et al., (2016, pp. 37–49), Wiśniewski (2019, pp. 92–93).



Table 2.
Crowdfunding limits in the selected countries worldwide in mln EUR: as of January 1, 2021 (exchange rate conversion on January 1, 2021)

Country	Limit	Country	Limit
Australia	5 mln AUD in the next 12 months (approx. 3.2 mln EUR)	Belgium, Spain, Italy, Germany	5 mln EUR per year
New Zealand	2 mln NZD per year (approx. 1.2 mln EUR)	Czech Republic	1 mln EUR for a single campaign
Israel	2 mln shekels per year (approx. 0.56 mln EUR)	The Netherlands, France	2.5 mln EUR per year
Canada	250 thsnd. CAD for a single campaign and 500,000 CAD per year (approx. 175 thsnd. EUR and 350 thsnd. EUR) — in 2021, the limit was increased to 1.5 mln CAD per year (approx. 960 thsnd. EUR)	Austria	1.5 mln EUR for a non-prospectus project (5 mln EUR if a full prospectus was prepared, compliant with the capital market requirements)
Great Britain	5 mln EUR	–	–
USA	5 mln USD total in 12 months (approx. 4 mln EUR)	Poland, Portugal	1 mln EUR per year (the so-called “non-prospectus” issues)

Source: Source: Own preparation based on Bandura (2020) and the information provided on the websites of national regulators.

Table 3.
Model of regulation of equity crowdfunding (ECF) for Ukraine: basic assumptions

1. Companies accepted for ECF: private joint-stock company, private limited liability company (TOW)
2. The threshold to exempt offers of securities to the public from the obligation to publish a prospectus. Total value threshold for crowdfunding offers made by a specific project owner in a 12-month period: <ul style="list-style-type: none"> – 5 million hryvnias for the first 2 years – 10 mln hryvnias after 2 years.
3. The obligation to obtain a license by equity crowdfunding platforms. ECF would only be allowed to be provided by licensed entities. The license will be issued by the competent authorities of Ukraine (financial supervision). The register of licensed entities would be public.
4. Investor protection
4.1. Basic scope: information requirements
4.1.1. Basic information
Information about the entity raising the capital (the project owner) and about the project (project objectives, financial objective, risk factors), terms and conditions for the acquisition of shares (fees, limits, bonuses), providing a warning about the risks associated with the investment.
4.1.2. Additional information
Investors' rights, information, and legal redress mechanisms; a disclaimer that the crowdfunding offer has not been verified or approved by the competent authorities of Ukraine; a warning about the lack of an organized secondary market in the case of platforms that do not run an offer board.
4.2. Extended scope:
Entry knowledge test of prospective non-sophisticated investors in order to ascertain their understanding of such investments, assessment of the suitability of the investment (for an investor), a pre-contractual reflection period for non-sophisticated investors — during which the prospective non-sophisticated investor may, at any time, revoke their offer to invest or express interest in the crowdfunding offer without giving a reason and without incurring a penalty.
5. The organization of the secondary market. Crowdfunding service providers (ECF platforms) may operate a bulletin board to allow their clients advertise interest in buying and selling shares that were originally offered on their crowdfunding platforms.

Source: Own preparation.