

WHITEPAPER

Tapping into market opportunities with the ECSP regulation



AIU 1,822 (-35)	HJI 20,369 (+580)	WWE 890 (-20)	PLD 6,350 (-200)	EER 10,985 (+580)	ORT 665 (-15)	OPY 6,800 (-115)
MBC 3,605 (+210)	LJH 9,542 (-128)	MJB 2,609 (+38)	PON 7,654 (+169)	NFR 6,522 (+122)	UGH 1,632 (-54)	OMJ 3,652 (+182)
YBV 3,204 (-33)	OMN 5,211 (+154)	MMJ 7,100 (-60)	IIT 7,150 (-150)	KLM 782 (+74)	CCX 1,901 (+101)	EMH 3,280 (-120)
MBB 3,320 (-120)	WFF 712 (+12)	HJM 134 (+5)	QLC 2,022 (-18)	LSD 631 (+40)	BDH 6,287 (-57)	GHS 12,630 (+330)

2	12,349,000
0	238,681,000
2	85,478,000
5	8,369,000
9	189,301,000
2	102,498,000
0	24,697,000
0	76,002,000
3	57,610,000



TABLE OF CONTENTS

	Page
Quick Facts	3
Licence to expand:	
An overview of the ECSP Regulation	4
Best practice:	
European impact investing with an ECSP licence at Invesdor	6
Payment as a success factor:	
Specifics of the German market	8
The challenge of capital gains tax	9
Solution	10
secupay: Payment pioneer for platforms	11
What our customers say	13
Questions about crowdfunding: Your contact at secupay	14

UNLOCK MARKET OPPORTUNITIES IN GERMANY WITH THE REGULATION ON EUROPEAN CROWDFUNDING SERVICE PROVIDERS // ECSP REGULATION

How European crowdfunding platforms benefit from the European licence for cross-border crowdfunding projects.

AIU	HJI	WWE	PLD	EER	QRT	OPY
1.822 (-35)	20.369 (+580)	890 (-20)	6.350 (-200)	10.985 (+580)	665 (-15)	6.800 (-115)
MBC	LJH	MJB	PON	NFR	UBH	OMJ
3.605 (+210)	9.542 (-120)	2.609 (+39)	7.654 (+189)	6.522 (+122)	1.632 (-54)	3.652 (+132)
YBV	QMN	MMJ	IIT	KLM	CCX	EMH
3.204 (-33)	5.211 (+156)	7.100 (-60)	7.150 (-150)	782 (+74)	1.901 (+101)	3.280 (-120)
MBB	WFF	HJM	QLC	LSD	GBH	GH5
3.320 (-120)	712 (+12)	134 (+9)	2.022 (-19)	631 (+40)	6.287 (-57)	12.630 (+330)

QUICK FACTS:

- ✓ The ECSP Regulation establishes uniform rules for crowdfunding services across the European Union, facilitating cross-border investments and promoting the development of the European crowdfunding market.
- ✓ With the licence, crowdfunding service providers can offer investment and funding opportunities in all EU countries, thereby increasing reach, attractiveness and revenue.
- ✓ To ensure a smooth market entry in Germany, collaboration with an experienced German payment service provider like secuPay is recommended.

LICENCE TO EXPAND: AN OVERVIEW OF THE ECSP REGULATION

Equity-based crowdfunding is considered across Europe as a modern investment opportunity for investors and an alternative financing option for businesses. However, national financial markets, especially the German one, are subject to varying regulations. Due to national regulations, cross-border brokerage activities for platforms have so far been associated with significant bureaucratic effort, resulting in investment opportunities and access to capital remaining largely confined to the domestic market, despite the almost unlimited digital reach.

The Regulation on European Crowdfunding Service Providers (ECSP Regulation) now creates, for the first time, a unified legal framework for the brokerage of crowdfunding offers in Europe. For platforms based in an EU member state, this means:

- 
 The ECSP Regulation simplifies cross-border crowdfunding activities within Europe, sparing them from national licensing procedures.
- 
 With just one licence, providers can offer crowd investments in all EU countries, thereby increasing reach, attractiveness and revenue.
- 
 A cross-border portfolio offers decisive advantages for all parties involved: Investors can diversify their crowd investments across various EU countries. Conversely, project sponsors gain access to a broader European investor base. Furthermore, platforms can leverage synergy effects through European co-funding.

The ECSP Regulation came into force in November 2021 and applies to all 27 EU member states. It covers digital, prospectus-free crowdfunding services up to a threshold of €5 million per year and per project sponsor. Instead of a prospectus, a Key Investment Information Sheet (KIIS) is provided. Approval of the KIIS by BaFin (Germany's Federal Financial Supervisory Authority) is not required. Crowdfunding platforms receive their ECSP licence from the financial supervisory authority in the EU member state where they are based. In Germany, for example, BaFin is responsible.



For more information on the ECSP Regulation from the EU:



https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/crowdfunding_en

For more information on the German Crowdfunding Regulation from BaFin:



https://www.bafin.de/DE/Aufsicht/BankenFinanzdienstleister/Markteintritt/Schwarmfinanzierungsdienstleistungen/Schwarmfinanzierungsdienstleistungen_node.html





Together we fund
the future.

Join us in investing for financial returns and
a sustainable tomorrow.

Current Projects

How to Invest

BEST PRACTICE: EUROPEAN IMPACT INVESTING WITH AN ECSP LICENCE AT INVESDOR

nextbike

NAAVA

NEO

With almost 200,000 registered users, the Invesdor Group has developed into one of Europe's largest impact investing platforms. Invesdor enables investors to invest in projects and companies that generate both financial returns and positive social and environmental effects.

Through a series of mergers with other European impact investing service providers, the group has gradually expanded its activities in recent years to several EU countries, including Germany, Austria, Scandinavia and the Benelux countries. Investors can choose from a wide range of European investment opportunities, from fixed-interest bonds to renewable energy projects and equity investments. For Invesdor, however, the cross-border offering was associated with considerable bureaucratic effort in the past.

“ Prior to the introduction of the ECSP Regulation, there was a patchwork of national regulations that made cross-border impact investing considerably more difficult. With the EU regulation, there are now standardised requirements for the brokerage processes and the respective provisions.

Andreas Knopf, Chief Legal Officer at Invesdor



In January 2023, the platform became one of the first companies in the German-speaking region to receive the ECSP licence from the Austrian Financial Market Authority (FMA). The licence significantly simplifies the Invesdor Group's ability to offer cross-border financing and open up further markets in Europe. Moreover, it also expands the range of permissible investment opportunities in the area of non-subordinated debt financing. With the 'European Licence', the European crowd service provider has laid the foundation for further growth.

Interview with Christopher Grätz:



<https://youtu.be/rwLBJ4tW5vY>





PAYMENT AS A SUCCESS FACTOR: SPECIFICS OF THE GERMAN MARKET

As Europe’s largest economy, characterised by a strong and innovative SME sector and a vibrant startup scene, Germany offers an attractive market environment for European crowdfunding service providers. Measured by the number of platforms per capita, there is still significant room for growth in Germany compared to smaller wealthy nations such as Switzerland, the Netherlands, Luxembourg or Denmark. However, when it comes to per capita revenues or the general recognition of crowdfunding, Germany ranks in the top 10 in the Crowdfunding Market Readiness Index (CMRI) in Europe.

Country	Rank based on number of platforms operating in country per capita	Rank based on 2022 volumes per capita	Rank based on average number of backers per platform per capita	Rank based on average of number of fundraisers per platform per capita	Rank based on share of Investment platforms with license	Rank based on perceived level of the public’s knowledge of crowdfunding	CMRI Score	CMRI Rank
Netherlands	11	1	2	4	4	3	4.17	1
Norway	13	2	3	5	1	8	5.33	2
Denmark	15	4	1	2	4	11	6.17	3
United Kingdom	19	5	8	7	1	1	6.83	4
Austria	14	8	6	10	1	4	7.17	5
France	22	3	5	6	3	5	7.33	6
Czech Republic	17	6	9	8	7	2	8.17	7
Belgium	18	9	7	1	5	12	8.67	8
Germany	23	7	11	11	2	7	10.17	9
Romania	38	11	4	3	6	5	11.17	10
Spain	26	10	12	9	1	9	11.17	11
Italy	32	13	10	12	5	6	13.00	12
Poland	36	12	13	13	7	10	15.17	13

Crowdfunding Market Readiness Index (CMRI) – Source: *European Crowdfunding Market Report 2023* (www.crowdfunding-research.org)

Although the ECSP licence spares European platforms from cumbersome national licensing procedures in the future, national specifics still need to be considered when entering the German market. These include secure digital payment options that should be aligned with the payment preferences of German investors. In addition, German tax law presents organisational challenges.



THE CHALLENGE OF CAPITAL GAINS TAX:

Interest income in Germany is subject to capital gains tax above a personal allowance. This tax is levied as a flat-rate withholding tax at a rate of 25%, plus a 5.5% solidarity surcharge. Church taxes may also apply, resulting in different effective tax rates in practice, depending on the investor. The respective tax amounts must be correctly calculated by the crowdfunding service provider or its payment service provider and paid to the tax office. Investors also expect an annual tax certificate in German, which they can submit with their personal tax return to the relevant tax office.

More on this in the  [SECUPAY KNOWLEDGE PORTAL](#)

Tax	Tax rate
Settlement tax	25 %
Solidarity surcharge	5,5 %
Church tax, if applicable	8% bis 9 %
Effective tax burden	not subject to church tax: 26.375% subject to church tax:27.9951%

A CALCULATION EXAMPLE:

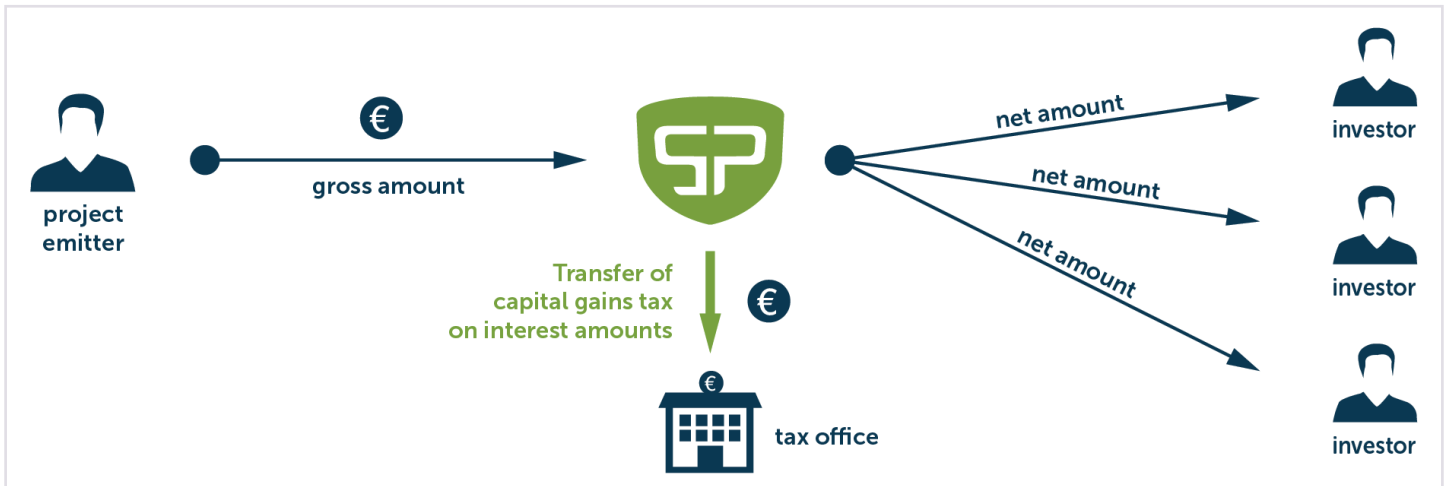
- With an investment of €20,000 and 5.0% interest per year, an investor receives €1,000 interest per year.
- This is subject to a 25% capital gains tax (25% of €1,000 = €250) plus a 5.5% solidarity surcharge on the capital gains tax (5.5% of €250 = €13.75).
- Provided there is no church tax liability, the amount of tax payable is, therefore, €263.75, i.e. 26.375% of €1,000.

By submitting an exemption order to the payment service provider, investors can have up to €1,000 in investment income exempted and thus receive their full interest amount.



SOLUTION:

Issuers or platforms acting on their behalf are exempt from the obligation to handle tax payments themselves if they engage a BaFin-licensed payment institution to manage payment transactions. **secupay reliably handles all incoming and outgoing payments across borders for Investor, ensures the optimal mix of national payment options and correctly implements all the requirements of German tax law.** Capital gains tax due in Germany, including the solidarity surcharge and, if applicable, church tax, is automatically calculated correctly by secupay and paid directly to the relevant tax office. Investors receive the net amount paid out. Once a year, taxpayers residing in Germany receive the required tax certificate in a timely and proper manner.



The purchase and payment flow at secupay

Here is the detailed **INVEDOR CUSTOMER REPORT.**



SECUPAY: PAYMENT PIONEER FOR PLATFORMS

secupay AG has over **20 years of extensive payment expertise**. Originally founded as a provider of card terminals, the **agile FinTech** has evolved in the dynamic payment market into a specialist for tailor-made payment and loyalty solutions in e-commerce and at the point of sale (POS).

As a BaFin-licensed payment institution, secupay today **enables seamless and secure payment experiences** both online and offline for a wide variety of companies and business models.

In the marketplace and platform sector, secupay is among the **pioneers in the payment market** and offers **tailor-made payment solutions for crowdfunding, crowdlending and crowdinvesting**. Platforms benefit from services such as:

- ✓ **simple** onboarding and secure identification
- ✓ **reliable** processing of mixed baskets
- ✓ **a wide range** of payment options
- ✓ **automated** interest and repayment payment via API
- ✓ **automatic** consideration of fees and commissions through payment splitting
- ✓ automatic deduction of **German** capital gains tax
- ✓ Management of balances on **insolvency-proof** escrow accounts
- ✓ automatic **reversal** in the event of the funding threshold not being reached

COLLECTING FUNDS



With secupay's solutions, donors can freely choose their preferred means of payment and rely on the secure storage and allocation of the deposited amounts. We offer:

- ✓ a project-specific IBAN
- ✓ Payment processing via an insolvency-proof escrow account in accordance with ZAG

If the project goal is not achieved, secupay pays back the funds already paid in to the donors.

WITHDRAWING FUNDS



If the disbursement requirements are met, the disbursement starts to the project. Depending on the project specifications

- ✓ a funding threshold is taken into account if this has been defined for a project
- ✓ payment in one sum or in phases in several instalments
- ✓ Automatic settlement of fees and commissions

INTEREST AND REDEMPTION PAYMENTS



With crowdfunding, we ensure that interest and redemption payments are received punctually in the investors' accounts, taking into account the capital gains tax deduction.

We pay the capital gains tax (KapESt) on interest income including solidarity surcharge and, if applicable, church tax to the tax office as part of our legal obligation.

Years of experience with payment systems, a **modern and highly innovative infrastructure** and **close personal proximity** to customers enable the owner-managed company to find fast and reliable solutions even for **complex or individual requirements**. The data security and server architecture of secupay AG have been certified according to the strict PCI DSS guidelines. All data is hosted on German servers.

WHAT OUR CUSTOMERS SAY

"Investing is a matter of trust. By securely and legally processing investment amounts, secupay has helped us connect more than 5,400 impact investors with sustainable crowd investment projects."

Marilyn Heib

Managing Director bettervest



[DETAILED CUSTOMER REPORT](#)

"VR-Crowd is THE innovative unique selling point of Volksbanken Raiffeisenbanken and offers outstanding features for investors and project sponsors. With secupay as a reliable partner for secure online payments, we can also implement our cooperative guiding principle 'What one alone cannot achieve, many can achieve together' in the digital world for the benefit of our customers."

Kerstin Amend-Maar

Managing Director VR-Crowd GmbH



[DETAILED CUSTOMER REPORT](#)

"secupay has been with us from the beginning and provides highly flexible and needs-based support in expanding payment options on our platform timeless.investments."

Malte Häusler

Managing Director Timeless (a brand of New Horizon GmbH)



Timeless



[DETAILED CUSTOMER REPORT](#)

QUESTIONS ABOUT CROWDFUNDING: YOUR CONTACT AT SECUPAY

"The Regulation on European Crowdfunding Service Providers reduces bureaucracy and represents a great growth opportunity for the European crowdfunding industry.

With an experienced payment specialist like secupay, platforms can quickly enter new markets and have an agile partner at their side who grows with their challenges.

This allows the focus to remain fully on core processes

– we take care of the rest."

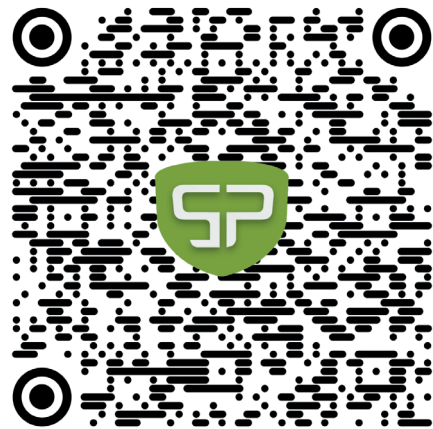
TIM SAUER

Channel Manager Crowd & Financial Services

telephone: +49 151 70561979

e-mail: t.sauer@secupay.com

PLEASE FEEL FREE TO CONTACT ME!



**SCAN THE QR CODE TO SAVE THE
CONTACT DETAILS OF TIM SAUER.**



www.secupay.com