

ALTERNATIVE FINANCE IN CEE/SEE

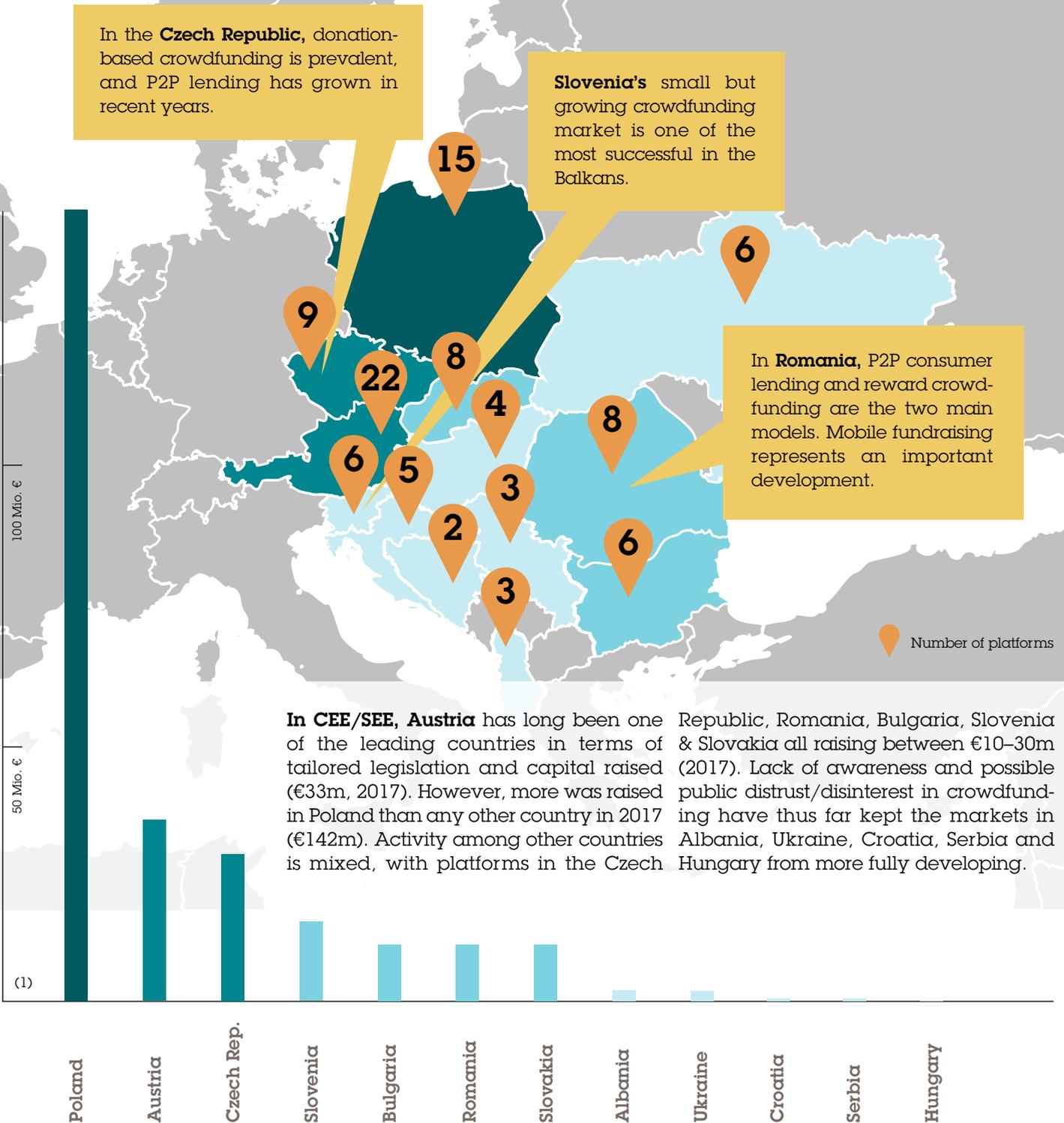
“Crowdfunding has emerged as an alternative means to raise capital for new business ventures and SMEs, and the economic growth in CEE/SEE paired with upward trends in volumes raised by crowdfunding platforms demonstrates the growth potential for the region.”

– Andrea Gritsch, Partner, Banking and Finance, Vienna

In the **Czech Republic**, donation-based crowdfunding is prevalent, and P2P lending has grown in recent years.

Slovenia's small but growing crowdfunding market is one of the most successful in the Balkans.

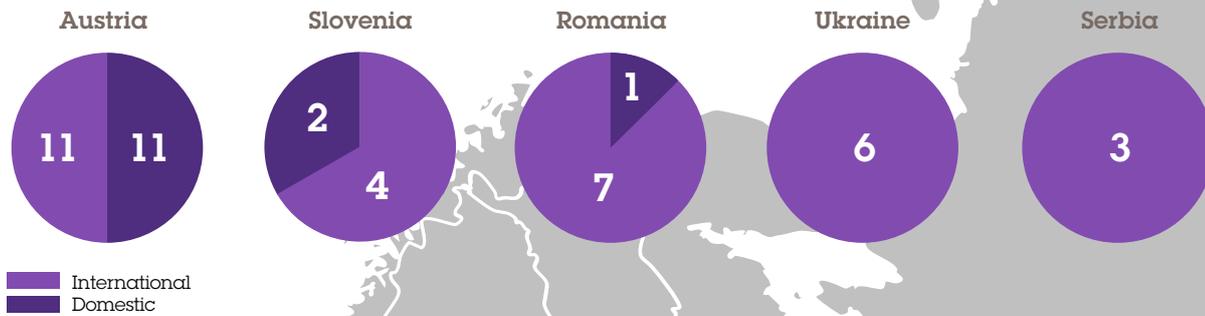
In **Romania**, P2P consumer lending and reward crowdfunding are the two main models. Mobile fundraising represents an important development.



In CEE/SEE, **Austria** has long been one of the leading countries in terms of tailored legislation and capital raised (€33m, 2017). However, more was raised in Poland than any other country in 2017 (€142m). Activity among other countries is mixed, with platforms in the Czech

Republic, Romania, Bulgaria, Slovenia & Slovakia all raising between €10–30m (2017). Lack of awareness and possible public distrust/disinterest in crowdfunding have thus far kept the markets in Albania, Ukraine, Croatia, Serbia and Hungary from more fully developing.

(1) Total raised (2017)



LOCAL VS. INTERNATIONAL PLATFORMS

Countries with more developed alternative finance markets in CEE/SEE (and Western Europe) also have noticeably more domestic platforms. Smaller open economies, such as Albania and Slovakia are more dependent on international platforms from the US or other countries.

"The crowdfunding market is growing very fast in the **Czech Republic** thanks to the wider use of modern technologies and a growing popularity of alternative financing methods. Although crowdfunding is not regulated by a particular law, it does not mean that it is not regulated. Crowdfunding projects have to comply with various sectoral laws depending on their type."

Filip Michalec, Senior Associate, Prague

"Although ranked as a top crowdfunding market in CEE (approx. € 142m, 2017), Poland has not yet adopted national-level regulations addressing any of its models. Donation-based and reward-based crowdfunding models are still predominant in **Poland** despite different trends on the European market. Prospectively, EU-wide regulation would alter this tendency in favour of lending and equity models."

Tomasz Jablonski, Associate, Banking and Finance, Warsaw

Austria is the only country in CEE/SEE to have dedicated legislation on crowdfunding, the Alternative Financing Act. Many experts in the field have therefore long called for uniform EU regulations, which have not yet been adopted.

"Crowdfunding is a rising trend in Romania, especially among content creators. Draft legislation regulating equity crowdfunding in 2014 never became law due to political reasons, but investors are eagerly awaiting potential regulation at the European level."

Catalin Sabau, Associate Banking and Finance, Bucharest

Crowdfunding can be generally classified into three categories:

1. Rewards: Often used for new business ventures, this model rewards donations or support with a repayment in kind or another type of reward

2. Debt: This is the most similar to traditional forms of finance and has many variations, among which Peer to Peer (P2P) lending is the most common; also includes invoice financing

3. Equity: Allows investors to fund companies/new business ventures in return for equity