

# ECSPR at Three Years: **A Single Market Still in Formation**

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Title: **ECSPR at Three Years: A Single Market Still in Formation**

Research and data manipulation on behalf of the **European Crowdfunding Network AISBL**

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## 1. Introduction

Three years after the European Crowdfunding Service Providers Regulation (ECSPR) came fully into force, Europe now has sufficient evidence to assess how the regime is reshaping the continent's alternative finance landscape. This paper synthesizes findings from three independent data streams: ESMA's 2023–2024 market reports, a structured assessment of platform-level compliance disclosures, and Member State notifications of admitted instruments under Article 2(3).

The results challenge several assumptions about how ECSPR functions in practice. Rather than acting as a catalyst for market growth, admitted instruments appear to serve a more limited role as structural coordination tools. The analysis focuses on structural patterns, such as platform density, legacy regimes, and investor culture, rather than point estimates, using ESMA-verified figures where relevant. Where arguments rely on indicative rather than definitive evidence, these are clearly flagged as such.

## 2. Admitted Instruments Are Not a Market Driver

A core expectation of ECSPR was that expanding the range of eligible SME legal forms would stimulate equity crowdfunding, increase platform activity, and support cross-border investment. However, the data does not support this assumption.

Market leaders perform strongly regardless of whether admitted instruments exist. Several of Europe's most active ECSPR markets operate without meaningful admitted instruments, achieving success instead through long-standing national crowdfunding regimes, mature platform ecosystems, strong investor cultures, and high digital adoption. Meanwhile,

some Member States that have notified admitted instruments show only modest activity, with no measurable effect on compliance or platform maturity. Compliance quality, as measured through public disclosures on governance, risk management, and investor protection, shows no systematic difference between countries with and without admitted instruments. High-performing platforms exist in both groups, suggesting that admitted instruments are not a determining factor in market success.

Admitted instruments also have no discernible effect on cross-border flows. ESMA data indicates that cross-border activity remains around 8% of total ECSPR funding, a figure that has remained broadly unchanged since the regime's introduction. If admitted instruments were acting as a catalyst, one would expect to see more cross-border equity deals, routing of campaigns into jurisdictions with admitted instruments, or higher investor participation across borders. None of these patterns are evident in the data. Instead, admitted instruments appear to function as structural coordination tools, reflecting existing legal maturity rather than creating it.

## 3. What Actually Drives ECSPR Market Development

The data suggests that structural factors far beyond legal form flexibility are the true drivers of Europe's crowdfunding landscape. Platform density and maturity emerge as the most significant contributors to market development. Countries with more established platforms and longer operating histories consistently outperform others, as these ecosystems generate investor networks, deal pipelines, operational know-how, and stronger governance cultures. This is the single most

important driver of market performance observed in the data.

Other key drivers include legacy national regimes. Markets with pre-ECSPR crowdfunding laws entered the new regime with established investor bases, experienced platforms, and mature supervisory practices. This historical advantage continues to shape outcomes today, demonstrating the path-dependent nature of crowdfunding market development.

Investor culture also plays a critical role. Retail appetite varies widely across Europe, with some markets exhibiting strong equity cultures while others are dominated by fixed-income preferences. These behavioral patterns shape market dynamics more than regulatory frameworks alone. For instance, the dominance of loan-based crowdfunding, which accounts for approximately 58% of volume, reflects a broader retail preference for fixed-income products, particularly in an environment of high interest rates.

Macroeconomic conditions further reinforce these trends. The high interest rate environment of 2023–2024 increased the attractiveness of fixed-income crowdfunding, reinforcing loan dominance. Meanwhile, equity crowdfunding, which remains a niche segment at around 12% of volume, struggles to gain traction due to its illiquid and complex nature, as well as the varied legal forms of SMEs across Europe.

Cross-border strategy of large platforms is another critical factor. A small number of large platforms account for most passporting activity, driven by their ambition and operational capabilities rather than legal form flexibility. This suggests that cross-border activity is more a function of platform strategy than regulatory design.

Finally, digital adoption and the strength of SME ecosystems contribute to market

development. Countries with robust digital infrastructure and digitally mature SMEs adopt ECSPR more rapidly, highlighting the importance of technological readiness in crowdfunding market growth.

#### **4. The Real Risks: Data Protection and Operational Resilience**

The assessment based on public transparency indicators rather than supervisory findings reveals two systemic weaknesses across the EU that warrant immediate attention. These findings are based on public disclosures and should be interpreted as indicators of transparency rather than supervisory assessments.

Data protection emerges as a significant concern, with 32.2% of platforms assessed as high risk in this area. Many platforms lack clear GDPR disclosures, transparent vendor management, documentation of cross-border data flows, or clarity on international transfers. This represents a structural vulnerability in a cross-border digital market, where the secure and compliant handling of investor and project owner data is paramount.

Operational resilience is another critical area, with 30% of platforms assessed as high risk. Many platforms do not publicly document ICT security frameworks, business continuity plans, incident response procedures, or disaster recovery testing. As ECSPR scales, these weaknesses could become systemic, posing risks not only to individual platforms but to the broader market's stability.

By contrast, governance and investor protection are comparatively strong. Platforms generally understand their obligations to investors, though they struggle with technical and operational transparency. This suggests that while platforms are meeting their fiduciary

duties, there is room for improvement in how they communicate their operational safeguards to the public.

## 5. Long-Term Implications for Europe's Crowdfunding Market

The findings point to several long-term structural implications for the EU's alternative finance ecosystem. First, ECSPR will not converge markets on its own. While the regulation harmonizes rules, it does not address deeper structural differences such as investor culture, SME ecosystems, tax incentives, digital readiness, or platform density. These factors will continue to shape the market, and as deal sizes grow, operational resilience may become a binding constraint on platform scalability.

Cross-border activity will likely remain low without targeted intervention. Passporting alone is insufficient to drive significant cross-border flows. Without harmonized tax treatment, multilingual disclosures, and coordinated marketing rules, cross-border activity is expected to remain limited. Currently, it stands at around 8% of total ECSPR funding, a figure that has not shifted since the regime's introduction.

Equity crowdfunding is also expected to grow slowly. Loan-based models dominate because retail investors prefer fixed income, high interest rates increase the returns on debt instruments, and equity remains illiquid and complex. Admitted instruments do not change these fundamentals, as they do not address the underlying investor preferences or structural barriers to equity investment.

As platforms scale, operational resilience will become the defining challenge. Operational resilience may become an increasingly important source of risk as platforms scale. This

underscores the need for platforms to prioritize robust operational frameworks as they grow.

Digital-first ecosystems will continue to outperform those with weaker digital infrastructure. Markets with strong digital adoption and digitally mature SMEs will remain ahead, reinforcing the importance of technological readiness in crowdfunding success.

The next phase of ECSPR will be about quality, not quantity. The regime's success will increasingly depend on transparent disclosures, strong operational frameworks, cross-border investor trust, and platform governance maturity. Legal form flexibility, including admitted instruments, will remain a minor factor in this evolution.

## 6. A More Nuanced Single Market

ECSPR has successfully created a unified regulatory framework, but Europe's crowdfunding market remains shaped by deeper structural forces. The evidence shows that admitted instruments do not drive market development. Instead, platform ecosystems and investor culture are the primary determinants of success. Systemic risks, particularly in data protection and operational resilience, persist regardless of whether admitted instruments are available. Cross-border activity remains low despite harmonization, suggesting that regulatory alignment alone is not sufficient to overcome structural barriers.

The long-term trajectory of ECSPR will depend on Europe's ability to strengthen operational transparency, support digital adoption, and build investor trust across borders. The single crowdfunding market is emerging, but unevenly, and not always where policymakers might have expected. This reflects the reality that while ECSPR provides a common rulebook,

market outcomes are still heavily influenced by local conditions and historical development paths.

## 7. Why This Matters: Focus on What the Data Supports

The findings in this paper have direct implications for three live debates in the European crowdfunding community.

First, there is the question of whether to raise ECSPR's per-offer threshold from €5 million to €12 million. Industry calls for this increase are often framed as a prerequisite for scaling platforms and serving larger, more mature issuers. However, industry monitoring in major markets shows that even the largest ECSPR campaigns rarely approach the existing €5 million limit, indicating that the proposed increase addresses a theoretical ceiling rather than a practical constraint.

For most platforms, the binding constraints are deal flow, investor reach, and repeat participation, not the legal maximum per offer. Furthermore, industry analysis consistently highlights that institutional appetite for crowdfunding remains limited, meaning that higher thresholds alone are unlikely to generate the demand needed for larger transactions. Independent observers also note that placing larger tickets depends far more on investor distribution channels and platform maturity than on the legal threshold itself.

Current market evidence suggests that increasing the threshold is unlikely, on its own, to address the principal constraints on market growth. Policymakers may wish to monitor whether larger deals emerge as the market matures. However, scaling ticket sizes onto fragile operational foundations could amplify weaknesses in data protection,

operational resilience, and governance transparency, increasing downside risks without guaranteeing upside benefits.

Second, the data supports the view that ECSPR is entering a phase of consolidation and capital discipline. Compliance and operational expectations under ECSPR create fixed costs that are easier to bear at scale. Platforms with stronger governance, better technology, and more diversified investor bases are structurally better positioned to thrive. The uneven quality of data protection and operational resilience suggests that some platforms may struggle to meet rising expectations from investors, partners, and supervisors. For these firms, market consolidation through mergers, acquisitions or voluntary exits appears increasingly plausible. Admitted instruments play no meaningful role in this dynamic. Consolidation will be driven by operational capabilities, brand strength, and access to capital, not by legal form flexibility.

Independent market trackers highlight a high concentration of activity among a small number of platforms, with many smaller providers struggling to maintain deal flow. This pattern is consistent with a sector entering a consolidation phase driven by capital discipline. The likely outcome is fewer, stronger, more pan-European platforms, with smaller or weaker providers either exiting or being absorbed.

Finally, ECSPR fits into the broader narrative of Europe's capital markets development. Europe is upgrading its corporate and regulatory frameworks, but its capital markets remain fragmented and bank-centric. ECSPR sits directly in this gap, offering a potential "missing middle" where platforms can provide ticket sizes and investor access that sit between microfinance and public markets. However, the data shows that harmonized rules alone are not enough. Investor culture, tax policy, and digital

readiness still determine where this "missing middle" actually emerges.

Retail participation depends on trust, not just access. If Europe's capital markets are to see more citizens investing in productive assets, SMEs, infrastructure, and transition projects, then operational transparency and data protection are as important as product design. The systemic weaknesses identified in this analysis are therefore not peripheral, they go to the heart of Europe's retail investment ambition.

Europe is unlikely to compete on raw risk-taking with deeper, more speculative markets. Its comparative advantage may lie in "safe innovation": digital financing channels that are innovative but anchored in governance, resilience, and investor protection. ECSPR platforms, if they address their operational gaps, can become part of that infrastructure. In this sense, the relevance of ECSPR extends beyond crowdfunding. It is a live test of whether Europe can build a pan-European layer of digital financial infrastructure that supports SMEs and projects in a way that is recognizably European, cautious where it needs to be, but capable of scaling when the foundations are sound.

## 8. Methodology

The arguments in this paper are based on an analysis combining regulatory data, market evidence, and structured qualitative assessment. The study rests on three pillars:

First, it uses ESMA's annual crowdfunding market reports as the primary source for EU-wide activity, instrument mix, and cross-border shares. These reports provide the only harmonised, regulator-grade view of ECSPR activity and are treated as the factual baseline for market structure.

Second, it conducts a structured desk-based review of public disclosures by authorized ECSPR platforms against a set of 40 ECSPR-relevant indicators. These indicators are grouped into themes such as governance, investor protection, data protection, and operational resilience. The review relies exclusively on publicly available information, such as platform websites, terms, and policies. It produces indicative integrity and risk profiles, not supervisory ratings, and is designed to highlight patterns, gaps, and outliers rather than to certify individual firms.

Third, it maps Member State notifications of admitted instruments under Article 2(3) ECSPR against observed market outcomes and platform behavior. This allows for a distinction between legal possibilities created by national company law and ECSPR, and actual market practice in terms of instruments used, deal structuring, and platform strategy.

Across all three pillars, the analysis focuses on relative patterns and structural relationships rather than precise point estimates. Where appropriate, it supplements human-led research with supportive digital tools and AI. Where specific figures are referenced, such as the EU-wide cross-border share, these are taken directly from ESMA publications. All other quantitative statements are expressed qualitatively to avoid over-interpreting evolving datasets.