Country Crowdfunding Factsheet
Czech Republic
Date: June 2018
European Crowdfunding Network

The European Crowdfunding Network AISBL (ECN) is the professional network promoting adequate transparency, (self) regulation and governance while offering a combined voice in policy discussion and public opinion building, incorporated as an international not-for-profit organization in Brussels, Czech Republic.

We support our members in carrying initiatives aimed at innovating, representing, promoting and protecting the European crowdfunding industry. We aim to increase the understanding of the key roles that crowdfunding can play in supporting entrepreneurship of all types and its role in funding the creation and protection jobs, the enrichment of European society, culture and economy, and the protection of our environment.

In that capacity we help developing professional standards, providing industry research, as well as, professional networking opportunities in order to facilitate interaction between our members and key industry participants. On behalf of our members, the ECN will maintain a dialogue with public institutions and stakeholders as well as the media at European, international and national levels.
This document has been extracted from Annex II of the study "Identifying market and regulatory obstacles to crossborder development of crowdfunding in the EU", published in November 2017 and funded by the European Commission (DG FISMA).

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Czech Republic

Overview

Compared to other European countries, the Czech Republican crowdfunding market is rather small. Despite this, it is rapidly growing. Five platforms were online by the end of 2015, while policy makers began to include crowdfunding and its related issues into current legislation. Nonetheless, to date no legal regulation has been established.

A. Role of alternative finance

Market size

In 2015, the Czech Republic raised €9M through crowdfunding. The most common model in the country is reward-based crowdfunding. The platform Hithit raised 80% more funds in 2015 than in 2014. The second most used form of crowdfunding in the Czech Republic is P2P consumer lending. This form is publically not perceived as a form of crowdfunding. It started to accelerate during 2015 when Zonky.cz was launched. This platform has built its public recognition on the emphasis that people, who do not receive loans by banks, should still have a chance to get a loan. SymCredit and Pujcmefirme represent Czech P2P business lending. These platforms are slowly gaining the trust of the public equity crowdfunding, which has not been an active form of financing in the Czech Republic so far. Only one campaign has been successfully funded.¹

Trend

With its first crowdfunding platform launched in 2011, crowdfunding is becoming increasingly popular in the Czech Republic. While national crowdfunding programmes are perceived as effective alternative finance mechanisms for small-scale projects, larger aspirations would typically turn to international crowdfunding platforms with a potential to fund large-scale ventures. Overall, the sums raised via crowdfunding in the Czech Republic reached 24M CZK (approx. €0.89M), whilst the support and interest of backers remains positive (October 2014).² Considering the number of effectively operating platforms and successfully funded projects, crowdfunding shows its potential in bridging the funding gap between concept design and later-stages of innovation development.³

¹ Current State of Crowdfunding in Europe, CrowdfundingHub, 2016 (link)
² (Staszkiewicz, et al. 2014)
³ Casi Project Policy Brief for Czech Republic (link)
Total crowdfunding platforms

Five platforms are active in the Czech Republic according to a 2015 study of the European Commission.\(^4\)

Zonky.cz is a P2P consumer lending platform launched in 2015.
Hithit.com is a reward-based crowdfunding platform that launched its operations in 2013.
Startovac.cz is the second biggest reward-based crowdfunding platform. It was launched in 2013.
SymCredit.com is a P2P business lending platform that was launched in 2014.
Benefi, a P2P consumer lending platform, started operating in 2014.

Crowdfunding models

| Equity-based crowdfunding | In 2015, only €28K were collected through equity crowdfunding platforms. According to the Act n. 240/2013 Coll., on management companies and investment |

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\(^4\) European Commission (2015). Crowdfunding: mapping EU markets and events study. 30th of September (link)
funds ("AMCIF"), equity platforms would fit the definition of "investment fund" and therefore be subject to this regulation. Furthermore, they would have to be properly licensed by the Czech regulator (Czech National Bank), according to Act n. 256/2004 Coll., on capital markets ("Capital Markets Act").

Lending crowdfunding

Peer-to-Peer Consumer Lending: €1.5M in 2015. There are no regulatory requirements for lending activities. Nonetheless, lending platforms would have to obtain a trade licence, in order to be entitled to organise collective lending and borrowing.

Others

Invoice Trading: €5.6M in 2015.

**B. Regulatory context**

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<th>Country Summary</th>
<th>Czech Republic</th>
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| Recent developments in Crowdfunding regulation | • Under the new Consumer Credit Act, consumer loans providers and intermediaries must obtain a licence from the Czech National Bank  
• New Corporations Act enables more flexible structure of target companies using Equity Model  
• No new regulation is expected in the near future |
| Current / planned Crowdfunding regulation | • Project company or Crowdfunding platform acting under Equity Model can be qualified as an Investment Fund un- |

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<th>Regulatory Barriers</th>
<th>Description</th>
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| Prospectus Requirement | • General prospectus requirement for offering of investment securities  
  • Exemptions apply under threshold of EUR 1,000,000 per issuer for investment securities offered in any Member State of EU within 12 months |
| AIFMD Regulation | • Operating company like start-up or developing company will not be qualified as AIF under AMCIF → no licence required  
  • A project company/Crowdfunding platform acting under Equity Model could possibly be qualified as AIF under AMCIF → licence from Czech National Bank required  
  • Project company/Crowdfunding platform acting under Lending or Rewards Model will not be qualified as AIF → no licence required |
| Payment Service Regulation | • Provision of payment services as defined under Payment Services Act by a project company or a Crowdfunding platform triggers licencing requirements (licence granted by Czech National Bank) |
| Consumer Credit Regulation | • The Consumer Credit Act only applies to individuals who are consumers. The Consumer Credit Act does not apply to business relationships. |
| Further Possible Requirements | • Trade Licensing Act  
  • Capital Markets Act  
  • AML Act |

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Further Possible Requirements:
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- Capital Markets Act
- AML Act

Regulatory Barriers in Inbound:
- In case of distant provision of financial services, it is deemed that the service is provided in the Czech Republic.
if the Czech market is targeted, e.g. by addressing potential investors by direct e-mails, calls or by advertisement in national newspapers

- The financial services provided via the Internet fall under Czech regulation if the website focuses on Czech investors, the website and the entire communication is in Czech and if the financial services are actually being offered to Czech clients

- As a general rule a foreign platform that has MiFID/MiFID II or Investment Fund licence can offer its products/services in the Czech Republic on the basis of such licence provided that it has been passported into the Czech Republic

- In the case a foreign platform does not hold a passportable licence it needs to obtain the respective regulatory licence in the Czech Republic

- The project/company must adhere to the prospectus rules (exemptions) under the Prospectus Directive

| Outbound | • In the case solely the investors outside the Czech Republic are targeted either by the Crowdfunding platform or the project/company, Czech law does not apply |
| Impact of EU regulation |
| Prospectus regulations | • Equity Model in the Czech Republic is made subject to prospectus exemptions under the Prospectus Directive and mostly the exemption in respect of the total volume of shares offered is use |
| AIFM-Directive | • AIFM Directive and its implementation in the Czech Republic has no impact on Crowdfunding in the Czech Republic |
| MiFID / MiFID II | • MiFID /MiFID II has a significant impact on the platforms offering the Equity Model – the platform must have an investment firm licence or alternatively, depending on the exact scope of services it must have a local law licence of investment intermediary. The local investment intermediary licence is not passportable |
| PSD / PSD II | • Any transfer of funds through the operator of a Crowdfunding platform constitutes money remittance service within the meaning of the Payment Services Act, the Czech implementation of PSD/PSD II in Czech law. PSD/PSD II has significant impact regarding the transaction of investments |
C. Disclosures & safeguards
No professional industry association exists. To foster the professional and transparent development of the local market, the establishment of a Code of Conduct by a national crowdfunding association, with which platforms should be obliged to comply, might be advisable. Examples exist in a number of countries, such as the UK, France, Germany or the Netherlands. Alternatively, the open adoption of the European Crowdfunding Network Code of Conduct and its Charter of Crowdfunders Rights by market players could help in markets without critical mass of platforms.

Platforms themselves, to the extent that they can serve as marketplaces, have the potential of aiding regulatory developments through early self-regulation and transparency. But this will require credible and enforceable quality and transparency standards as well as level playing fields. Any such initiative should aim to cover key performance indicators for the industry, conflict of interest rules and platforms remuneration. However, regulation will always play the main role in establishing and ensuring a functioning market with an adequate level of safeguards and disclosures.

D. Support policies

Overview
Currently, matching funds, state aid or tax benefits for alternative finance are not available in Czech Republic.

Market Supervision
Ministry of Finance, Czech National Bank

E. Additional insights
The expectation that crowdfunding further expands is present now that the platforms Fundlift has recently entered the market. It is a pure equity crowdfunding platform.

Banks have not made any significant steps yet towards becoming an active part in the crowdfunding industry. One of the Czech branches of Raiffeisen bank tried unsuccessfully to run its own rewards-based crowdfunding platform called “Odstartováno”.

The successful exception is the direct investment from credit company Home Credit in the Zonky P2P consumer lending platform. Home Credit wanted to diversify its credit activities into trendy P2P loan financing.

Investors have been mostly investing in Czech P2P consumer loans like Bankerat, Benefi or Zonky. The platform Zonky has gained the biggest attention, with several thousand investors wanting to invest in the loans on the platform. Czech investors are currently also investing in several international P2P platforms such as Bondora, Mintos or Twino.

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11 Expert opinion of Martin Střecha in CrowdfundingHub, The Current State of Crowdfunding in Czech Republic (link)