

Equity Crowdfunding in Finland, an alternative investment option

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Degree Thesis
International Business
2016

DEGREE THESIS	
Arcada	
Degree program:	International Business
Identification number:	5408
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Commissioned by:	
<p>Abstract:</p> <p>This research is conducted to create transparency for the investment method of equity crowdfunding in Finland and its' current use. By displaying the current lay of the land and available knowledge in comparison with selected experts' opinions, this explorative research approach aims to identify the key problems and factors, society faces in terms of helping crowdfunding to develop into a sustainable investment option for the future.</p> <p>The researcher applies a semi-structured interview analysis to retrieve extensive answers and capture the opinions of a small group of experienced individuals from the field of crowdfunding. The background knowledge and definitions of what crowdfunding exactly means are explained in detail as part of the theoretical framework.</p> <p>The history of crowdfunding and the different variations of it help to build a better understanding for the method, as well as the use of secondary data, which is extracted from electronic sources in form of relevant business journals and other related studies on the topic.</p> <p>The research concludes that the accessibility of equity crowdfunding is granted, yet the presence and public availability is lacking. The results of the study show that education and enhanced media coverage, combined with support of the Finnish Ministry of Finance in terms of quicker cooperation regarding legislations are the main keys to improvement. The discussions in the scope of the research also revealed that Finland has great potential to grow a strong and sustainable market for equity crowdfunding in case the previously named improvements take place.</p>	
Keywords:	Crowdfunding, Equity-based, Investment, Education, Entrepreneurship
Number of pages:	60
Language:	English
Date of acceptance:	10.05.2016

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1 INTRODUCTION

Crowdfunding is a modern way of private equity investment, which is mainly focused on start up companies and entrepreneurs who are in the need of capital money to execute or expand their business operations in various ways. This topic stands in good context to the steadily growing entrepreneurship society in Finland, which requires monetary support for mostly technology related businesses. "The Nordics serve as a home for industry-defining technologies and tech companies such as Skype, Spotify, Supercell, Zendesk, SSH, IRC, Linux and MySQL."(Slush 2015) Not every entrepreneur venture is willing to get into debt by relying on large bank loans, simply because of the fear of failure and private bankruptcy. For unknown companies that just entered a business market with various competitors or high entry barriers it is extremely difficult, if not impossible, to become successful or even create a competitive venture.

In order to help figuring out if equity crowdfunding is a sustainable investment method, which could improve the growth and success rate of start ups across Finland by providing financial support without seeking bank or state related sources, the outcome of this research should give a reliable overview on the current status of the method.

Due to recent interest and importance of the topic on how to create better financial possibilities for new and uprising companies, the conduction of this research is undoubtedly of high value.

1.1 Background

The reason why I chose this topic for my research was the interest in how start-up companies get access to funding if they are not able to provide starting capital themselves. This is often the case especially with young entrepreneurs that are still in their studies or have just graduated. There are many eager and intelligent minds out there that do simply not have enough monetary resources to execute their eventually successful ideas. Many entrepreneurs are afraid to take big financial risks by taking out large bank loans or asking friends and family for money in case their idea fails,

which is not too seldom the case, as nine out of ten start-ups fail. (Patel 2015) My interest in the topic developed from the thought that there are enough wealthy private individuals and institutions that have the possibility to invest their equity in the future economy of Finland. To get more private investors to participate in equity crowdfunding it is essential to lay down the information about how it works and what the possibilities are.

1.2 Problematisation

The main problem in the field of crowdfunding is that it has not been researched enough in Finland and is still in its' starting years. The model is still far from being as established as in for example the United States. To identify the lay of the land and current status on basic laws, legislations and if the processes are compatible with Finnish entrepreneurs and investors has therefore to be researched to contribute clarity to the society.

1.3 Research aim

Investigating if equity crowdfunding as a sustainable investment option for the future of Finnish start up businesses is essential to highlight its' importance to possible investors, as well as to entrepreneurs. The financial barriers to enter markets, especially in technical segments, are comparably high, which eventually requires companies to take out big loans from banks to gain enough start capital for executing their ideas, not knowing if they will be successful or able to return these. This way of thinking could stop many possibly lucrative business ideas from ever being brought to life. Monetary resources should not be the only factor to rule over an idea or projects outcome or existence.

The specific aim of this research is to identify the availability of equity crowdfunding processes for entrepreneurs and uncover vulnerabilities and gaps in the current forms of information delivery. Or in other words, what can be done to increase the use of this highly potential funding option. Determining the current lay of the land is set to help improving the processes and accessibility of monetary sources to start-up companies. Displaying the results of this research aims to create more transparency

in this alternative investment option. Making more financial resources available to the ones who need them to expand the drive of their developing ventures, and therefore also the improvement of Finland's economy, through informing about the method of equity crowdfunding and supporting the need of education in the field.

1.4 Demarcation

This scope of this research is focused on individuals, who are directly or indirectly linked to entrepreneurial ventures and investment parties. The research is focuses on perspectives from entrepreneurs and private investors. Organizations that operate as mediums for investors and entrepreneurs to interact, as well as entrepreneurship societies from universities in the metropolitan area of Finland will also be used as informative sources.

The research takes place in Helsinki, and the greater southern Finland area (Uusimaa). This applies to the collected empirical data. The theoretical research implies literature and electronic sources from what has been investigated so far regarding crowdfunding in Finland and Sweden. Although the scope focuses on the two countries mentioned before, examples from North America will eventually be used for comparison.

1.5 Research Questions

The main question to be answered by this research is: What can be done to access the full potential of equity crowdfunding in Finland and increase the use for entrepreneurial ventures? Exploring the current situation out of the entrepreneurs and investors perspectives contributes to answering this and the following questions.

Would an improved availability of equity crowdfunding encourage more potential entrepreneurs to start own companies?

The research is aimed to also figure out if the investment model of equity crowdfunding is a sustainable method for Start-ups in Finland. Will it work as well in the future for Finland, as it does in other countries as the USA for example, where crowdfunding is already established and well functioning?

2 METHODOLOGY

2.1 Research methodology

Most suitably defined, research means to gather and collect information to afterwards analyse it in an organized way. There are various ways to conduct research, such as observation, interviewing and surveying. For this topic and the aim of the research the latter of the previously named options was chosen. (Saunders;Lewis;& Thornhill, 2009, pp. 5)

As Research is usually divided in two main categories, qualitative and quantitative. Quantitative research is mostly conducted in a large scale and aims to receive big amounts of data to create statistical and numerical results based, which leaves most of the subjective interpretation aside and displays rather simple and factorial results. (Saunders;Lewis;& Thornhill, 2009, pp. 482-484)

In the qualitative method information is received in more detailed and subjective form, which allows very specific insight into the matter. Rather complex topics can be explained better and put into context of current happenings or societal circumstances. The understanding of a topic is hereby in the spotlight and leaves also room for interpretation unlike a quantitative approach would allow. (Saunders;Lewis;& Thornhill, 2009, pp. 482-484)

2.2 Research design & approach

The material selected to be used for this thesis in form of secondary data is collected from mostly electronic sources and previously conducted thesis research data. As primary data the results and analysis of a semi-structured interview, conducted with selected experts of the field in form of individuals from crowdfunding portals and or investors/entrepreneurs, regarding the guidelines of the previously described demarcation, is used. Most of the secondary data is withdrawn from educational and

business related journals from the recent years, due to the fact that there is very little scientific literature in form of books available.

Due to the general lack of knowledge in the field by the broad society, using a qualitative research is the appropriate approach. Therefore a small sample group is inevitable and the responses are provided by 2 to 4 individuals at most. These results are then compared to the current theories and available knowledge described in the next section of this paper. The withdrawn results are also meant to display the different perceptions of crowdfunding from the main characters in the process. This qualitative approach is chosen to ensure the in depth analysis and extended understanding of the topic and its' current perception in Finland, as well as to give an educated outlook for the future of the field.

The primary data collection is conducted in form of semi-structured interviews and in case of unavailability of the interviewee for a personal interview, written responses are also accepted, for example via email. If written replies are handed in, the author has the possibility to perform follow up phone calls or written responses, if the need for clarification on certain answers or part of answers occurs. This option of conduction was added to the research approach due to the fact that the targeted participants are often hard to reach for a separate interview session during their work time and could answer the interview questions themselves whenever they find the time to do so.

The expected research results will be in form of summarized statements, which are supposed to answer the predefined research questions through intensive questioning in form of the interview structure and questions. The core opinions and statements of the interviewees are strongly valued due to their experience and detailed knowledge of the field.

2.3 Reliability and validity

To ensure the reliability of a research it is unavoidable to define to which extend the research conduction and analysis processes ensure consistent findings. The reliability of a research can be rated by the following three questions, according to Mark Easter by-Smith et al (2008):

- “ 1 Will the measures yield the same results on other occasions?
2 Will similar observations be reached by other observers?
3 Is there transparency in how sense was made from the raw data?”

(Saunders;Lewis;& Thornhill, 2009, pp. 156)

As reliability is an important factor when research is conducted and later publicized, there are certain issues that could interfere with it. For example the subject or participant errors that can occur when interviewing or surveying people. To avoid the typical “Monday morning” or “Friday afternoon” moods another suitable time that would erase this error source should be chosen to receive the most accuracy in answers. Similar to the first issue, the problem of subject or participant bias can occur in a strongly authority ruled company for example. Employees should not be afraid to tell their own opinion and state their supervisor or bosses’ point of view on the topic. To avoid this reliability issue it is extremely important to ensure all participants in the research anonymity unless wished otherwise by the participant.

Other possible reliability encounters such as observation errors and bias can be ignored in this research as it is conducted by the author only and without further contributors. (Saunders;Lewis;& Thornhill, 2009, pp. 156-157)

The validity of researching is focused on if findings stand in the right relationship between two variables and if they really are about what they seem to be about. The most important, and therefore to be taken into concern, threats to the validity of research are: history, testing, instrumentation, mortality and maturation. (Saunders;Lewis;& Thornhill, 2009, pp. 157-158)

Generalizability or “external validity” is a concern that regards the outcomes of a research. Can the results be generalized in similar conditions or not? (Saunders;Lewis;& Thornhill, 2009, pp.158) This could eventually be an issue in the qualitative form of research if the participants, although supposed to be in similar positions in each firm, could end up giving very different answers due to the size of their company or the industry they operate in.

To avoid sources of error the selection of surveyed individuals is done carefully regarding the participant’s relation to the specific topic. It is important to receive sur-

vey answers from individuals that are directly in charge of making investment decisions or are seeking for funding. To obtain the expected quality of data the chosen participants have to be informed properly about crowdfunding, which is inevitably the case if they are actively practicing the method or cooperating with one any of the creditable platform organizations that operate in Finland (Invesdor, Innovestor, Vauraus etc.). Furthermore the asked questions in the survey would be clearly structured and very hard to misinterpret for the readers. To do so, avoiding complex formed sentences and phrasing will be prior whilst forming the survey. In case of an unforeseen source of errors (e.g. misinterpreted question with non-related results, etc.), it would be considerable to eliminate the misunderstood question's results in terms of analysing useful data.

Analysing secondary data will take place mostly through comparison of previously conducted research in the field of crowdfunding, as well as the results of the primary research.

3 THEORETICAL FRAMEWORK

3.1 Historical background of crowdfunding

Although crowdfunding seems to be a very new and by modern society created form of monetary funding, its' origins go further back than many would imagine – all the way to the 1700s. But before the timeline of historical happenings is listed it must be defined what crowdfunding actually means.

According to Fundable, we can define crowdfunding as:

“Crowdfunding is a method of raising capital through the collective effort of friends, family, customers, and individual investors. This approach taps into the collective efforts of a large pool of individuals—primarily online via social media and crowdfunding platforms—and leverages their networks for greater reach and exposure.”
(Fundable n.d.)

The first documented examples of crowdfunding date back to the 1700s in Ireland. In that time it was more known micro lending, which implied the provision of loans to low-income families in the rural areas of Ireland. The so-called Irish Loan Fund was one of the bigger programs, initiated by Jonathan Swift who had figured that there were many people with little or no experience with loans and mostly small financial securities. According to Swift, even these poorer individuals had credibility and were worth lending money to. This lending model developed further and by the 1800s over 300 such programs were established. (Clark 2011)

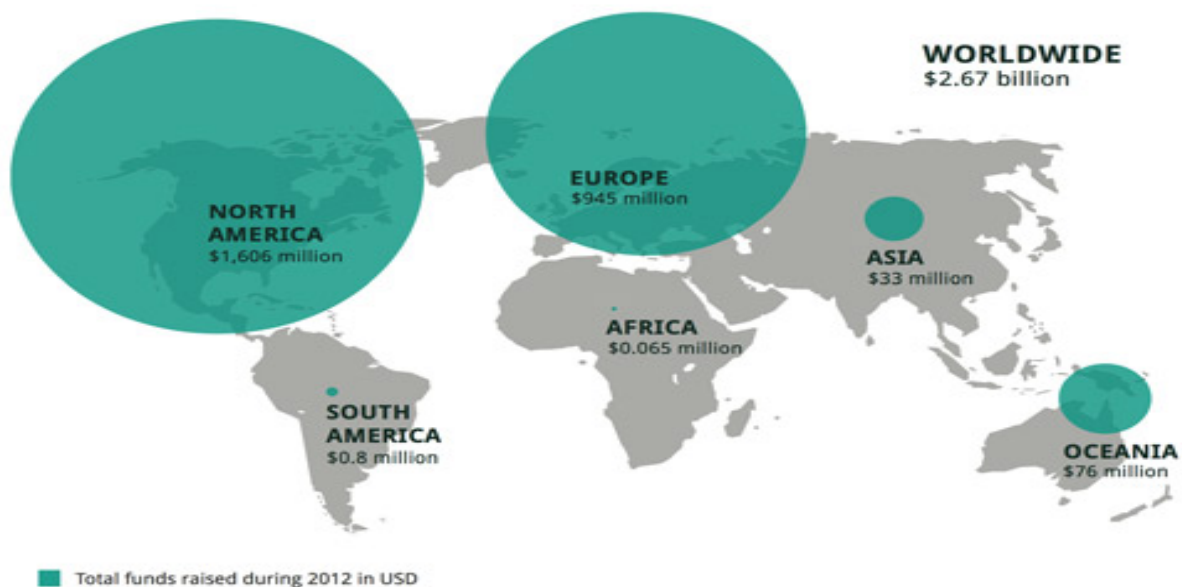
A name that appears a lot within the context of micro financing is Dr Mohammad Yunus. The Bangladeshi economist and Nobel Prize winner started a research project together with his graduate students in 1976 that aimed to create opportunities for low-income individuals. The outcome of his project was so successful, that it had over 30,000 members after 5 years of operation time. In 1983 the program was transformed to the Grameen Bank, which has now more than 8 million borrowers. Yunus was therefore awarded with the Nobel Prize in 2006 for his and the Grameen Banks efforts in economic and social development. (Clark 2011)

In the more recent past and age of the Internet the first micro lending website Kiva.org, was founded in 2005. This portal lets lenders from anywhere give entrepreneurs with different projects small loans on a very personalized base. The personal touch of the portal might be one reason for their very high payback rate (98,83%), as the receivers also know who lends them the capital, which creates a deeper bonding between them. Another portal that operates quite similar to Kiva.org and the micro financing model of Yunus was then founded in 2006. Prosper.com was the first Peer-to-Peer lending site.

Only a few years later in 2009 one of the nowadays most known portals launched its' website Kickstarter.com. Kickstarter allowed a group of people to make creative ideas more popular and fund interesting projects with minimal contributions. This portal aims more to creative projects, such as new technologies or even documentaries. The projects funded via Kickstarter do usually not pay back to the funding crowd but rather reward the supporters if their raising goal is reached. This form of

funding is called Reward-based crowdfunding and is explained in an upcoming section of this paper. (Clark 2011)

To this day crowdfunding is growing exponentially mostly in the United States and in Western Europe. Due to the easy access in form of crowdfunding portals, such as Invesdor, Innovestor, Vauraus and others, the investment model gains popularity with every month. Although the amounts raised in Europe are still below the ones of the United States. By the end of 2012 crowdfunding reached a global volume of 2.8 billion USD as seen in *figure 1*.



Global crowdfunding volumes; the Crowdfunding World Map.

Figure 1 - Global crowdfunding volumes 2012 (Entrepreneur)

The streak did not break ever since and the global amounts raised in 2013 were 6.1 billion USD, 16.2 billion USD in 2014 and according to the 2015CF - Crowdfunding Industry Report from the research specialist Massolution the worldwide raised amount through crowdfunding is expected to reach as high as 34.4 billion USD. (The Paypers 2015)

To visualize this shocking growth worldwide see *figure 2*. The raised amount has nearly tripled over the last 3 years and the trend does not seem to stop anytime soon.

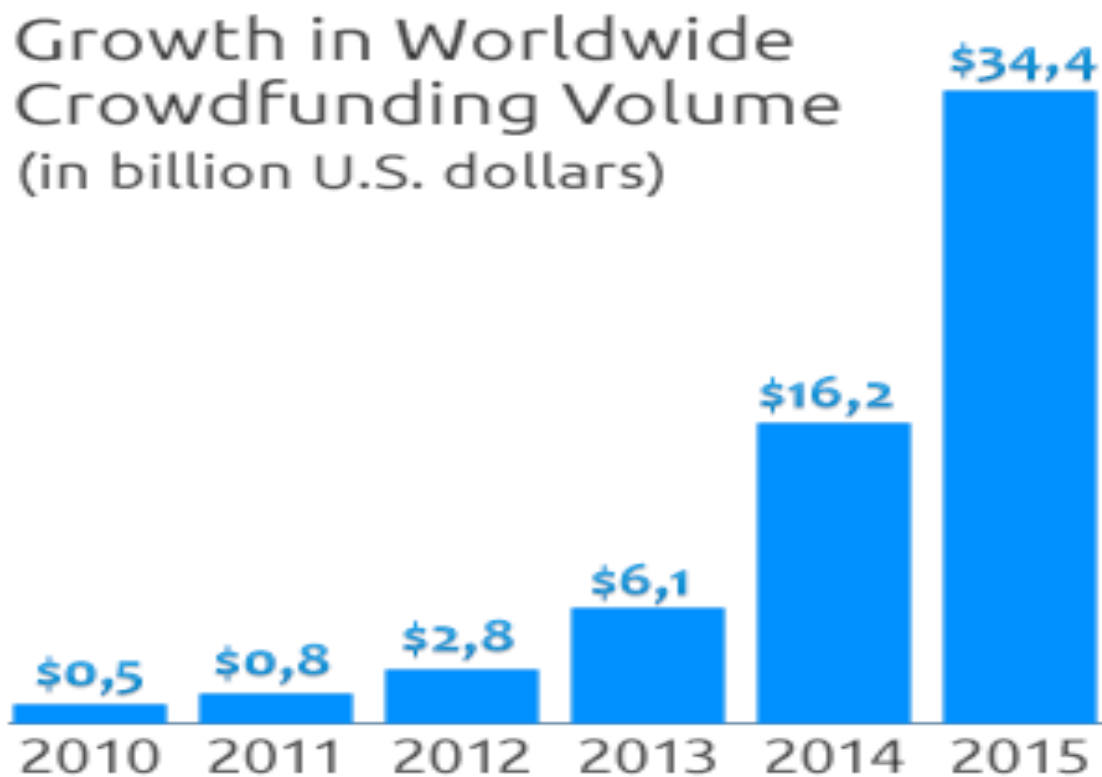


Figure 2 - Growth in Worldwide Crowdfunding Volume (My Life Crowdfunding 2015)

The total amounts raised in Finland were in 2013 still comparably small with 2 million Euros, but as everywhere else on the globe the numbers skyrocketed in Finland as well. Seen on the amount raised by only one crowdfunding portal – Invesdor very recently cracked the 10 million Euro bar in total amounts raised. (Ministry of Finland 2014) (Invesdor 2015)

3.2 Types of crowdfunding

In the following sections the different variations of crowdfunding are explained and defined as they play important roles in the investment choice for both entrepreneurs and investors. A simplified overlook on what types of funding exist and the various web portals that practice them is displayed below in *figure 3*.

	Form of funding	Form of refund	Motivation for funding	Examples of service providers	Domestic legislation
Donation-based crowdfunding	Donation	No refund	Social	-	Money Collection Act
Reward-based crowdfunding	Donation, pre-purchase	Reward, product	Social, but also reward-based	Mesenaatti.me (FI) Kickstarter (US) Indiegogo (US)	Money Collection Act; Consumer Protection Act; Sale of Goods Act (incl. supplementary decrees)
Peer-to-peer lending	Loan	Loan with interest, but social lending generally without interest	Economical, social	Lainaja.fi (FI) Fixura (FI) Kiva (US)	Legislation on financial markets (e.g. AIFML, AML, LLL, SIPAL, MLL) ¹
Equity-based crowdfunding	Investment (often in shares)	Appreciation of the investment if the company is successful and/or dividend	Economic, social	Invesdor Oy (FI) Venture Bonsai (FI) Kansalaisrahoitus Oy (FI) FundedByMe (SE)	Legislation on financial markets (e.g. AIFML, AML, LLL, SIPAL, MLL)

¹ Significance of the abbreviations: **AIFML**: Act on Alternative Investment Fund Managers (162/2014), **AML**: Securities Markets Act (746/2012), **LLL**: Act on Credit Institutions (121/2007, thorough reform under preparation), **SIPAL**: Act on Investment Services (747/2012) and **MLL**: Payment Institutions Act (297/2010)

Figure 3 - Types of crowdfunding explained (Finnish Ministry of Finance)

3.2.1 Equity based crowdfunding

The most desired and used form of crowdfunding is the so-called equity funding, which is defined by Zack Miller on the portal Aboutmoney as:

“Instead of offering incentives to donate (like Kickstarter's brand of crowdfunding), in equity crowdfunding, companies sell off actual shares to interested investors.”
(Miller n.d.)

Besides reward based funding and charity funding, equity funding is the most popular version of crowdfunding. To be more exact, about 40 times more popular than all other methods combined. (Wagner 2014)

Many entrepreneurs and inventors consider exchanging parts of their venture in form of owner equity for capital to expand or start their production/distribution to get their business to take off in the market. In nowadays society it seems to be one of the greatest achievements for entrepreneurs to pitch their business idea in front of possible investors and influential persons to get known and receive capital funding for their idea. Many do not consider that not every idea is ready to storm the market or become successful and therefore it can be difficult to get funding.

The possibilities to apply for funding and to present ones projects are large. Portals like the Finnish based Invesdor and Innovestor let entrepreneurs pitch in front of open audiences with possible investors and interested voyeurs to raise awareness for their latest supported projects. (Invesdor n.d.) (Innovestor n.d.)

Rather small amounts of people get the chance to present their ideas in front of some of the worlds most famous investors and business moguls as Marc Cuban, Kevin O'Leary and Robert Herjavec in the TV show The Shark Tank (U.S.) or The Dragons Den (UK, Canada), which are broadcasted in many countries worldwide. (Shark Tank 2015) (Dragons Den 2015)

Depending on the evaluation of their companies worth of possible investors and market experts, entrepreneurs can ask for certain amounts of money in exchange for percentage equity.

3.2.2 Donation based crowdfunding

3.2.2.1 Charity crowdfunding

Charity crowdfunding relies on a group of individuals to invest in a cause or project, while expecting nothing in return but the hope of a successful outcome. Good examples here fore are any kinds of charity programs that for example try to improve the educational or health system in third world countries. (Masscatalyst 2014)

One great example is the portal GlobalGiving, which lets the donor decide what cause they want to support, in which country and the field of interest, for example

health, education, economic development or women and girls support. (GlobalGiving 2015)

Although listed as a type of crowdfunding, the idea of charitable support for the unfortunate and poorer people has been practiced far longer than the existence of other crowdfunding methods. Individuals unifying to help the less fortunate goes as far back as the fourth century, although in these times the funding was more based on people giving free food to the sick and ones in need. (Woods 2005)

As companies' images become more important in nowadays society, most bigger organizations do care a lot of their perception amongst their customers and possible customers, as well as business partners and social institutions. To improve the way people look at companies, they often want to publicize their good intentions for their surroundings and causes connected to the business branch or else. To get this kind of "green" image, many organizations found own charities or support existing ones with financial aid or products/services out of their manufacturing. Portals like JustGiving.com are strongly connected to social media channels, which let the donors show their involvement and share their results of good will with their customer base. (JustGiving n.d.)

Other websites, such as causes.com function even more like social media platforms. Cause lets users create profiles and friend bases to share how much and to which causes they have donated. Same as JustGiving, the activities and accounts can be directly linked to Facebook, Google+ or Printerest profiles. (Causes n.d.)

3.2.2.2 Reward based crowdfunding

As the name already tells, rewards are given to the ones that fund a certain project or company. These rewards can be in form of discounts, merchandise or priority advantages on new products of the business being supported. The rewards can be anything besides actual money in return for the donation.

Small start-up companies in the technical industry mostly use this sort of crowdfunding for the development of prototypes, as well as artists for any kind of creative purpose or idea. Often used and quite successful portals for these sorts of funding are Kickstarter (US), Indiegogo (US) and Mesenaatti (Fin). (Masscatalyst 2014)

The motivations for reward-based crowdfunding vary from project to project, as the targeted range is quite big. Some people eventually want to support the development of a promising technology that could improve human’s everyday life and others would want to support for example the uprising of a new fashion brand created by their friends or relatives. The causes are countless and the intentions mostly good. The only real difference to charity crowdfunding is that the donors in reward based crowdfunding receive physical rewards in form of presents, products, discounted services or privileges for releases of the supported product or service, while charity donors get “nothing” but the satisfaction of helping others.

The figure below from Vera Peerdeman’s article (2012) on crowdfunding displays the various motivations people have when it comes to donating money for various causes.

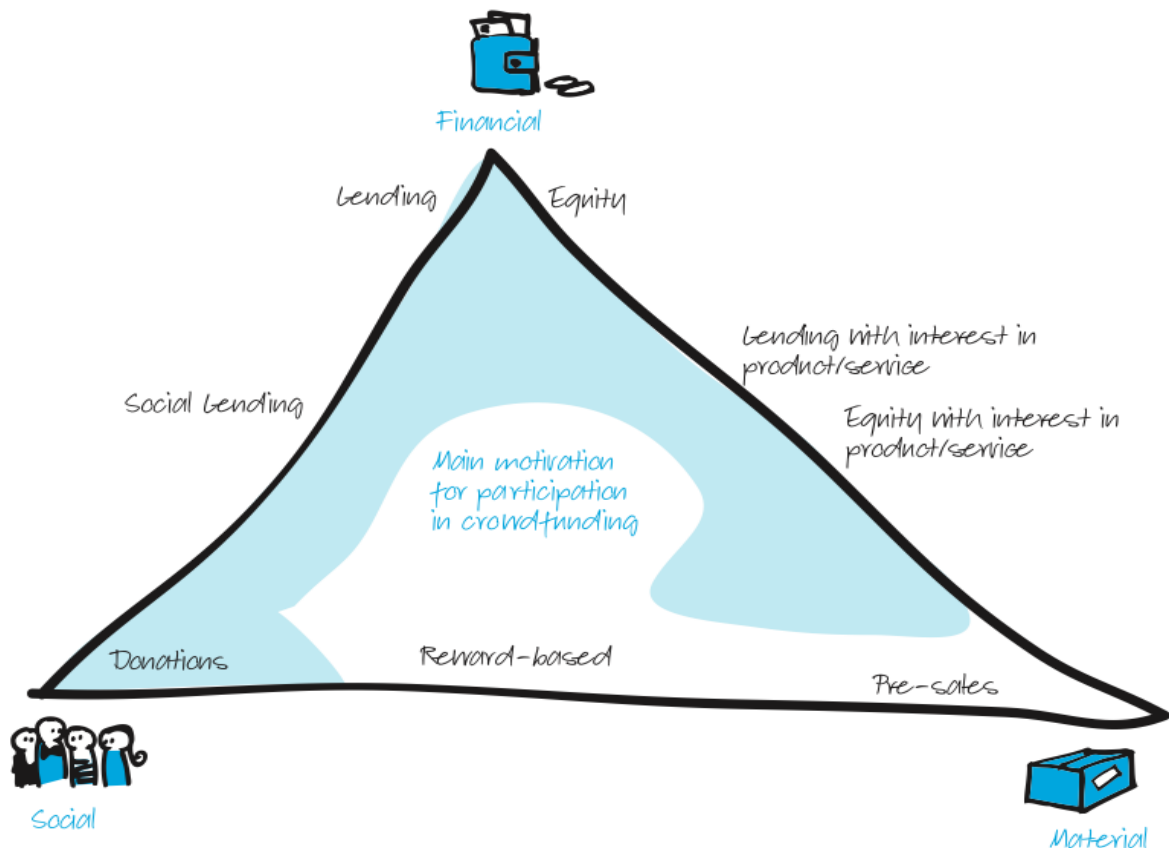


Figure 4 - Donation motivations. (Peerdeman 2012)

In her article “Charity Crowdfunding: What’s in it for you?” Peerdeman describes the differences and various motivations of charity and reward based funding.

Quoting Vera Peerdeman:

“It’s true. Sometimes people are triggered to donate (more) by the option of receiving rewards. They don’t want you begging on your knees to thank them, or bringing them flowers personally. But receiving behind-the-scenes tickets for a band repetition, handwritten letters of beneficiaries, or a phone call from a project leader can add just that little bit extra to the feeling that you’re really connected to a project, as a donor.” (Peerdeman 2012)

Peerdeman also categorizes the different types of returns donors expect when supporting projects. In charity the returns are social (good feelings), in reward based funding they are material (products or services) and lastly financial (money) which equity crowdfunding. (Peerdeman 2012)

3.2.3 Peer-to-Peer lending (P2P) / Debt funding

Peer-to-peer lending is also described as debt funding because the lenders loan money to a business or individual to help them achieve their goals. The ideal outcome is for the lend money to be paid back in case of successful execution of a project. It works basically like a private loan from a group of individuals. Here we also need to differentiate between the private-to-private lending and the professional lending (debt funding) that some crowdfunding portals like Invesdor OY and Vaurus OY offer. This option is similar to a bank loan, simply with lower interest rates, more flexibility and further options for securing a start-up’s resources. The model is very close to equity crowdfunding and therefore another very popular and growing funding method. (Hoey 2015)

The process is not as easy and based on the fact if the donors believe in it, as in donation based crowdfunding, but rather focused on numbers and financial details as Warren Lee (2015) describes in his article published on the website The Lending Mag:

“The people that donate and/or invest in your business often want to see a detailed plan, financial statements, appraisals and information about the central figures who are going to be involved in running the business. For start-ups looking towards

crowdfunding, the business plan is often the key factor of your campaign's success since they won't have a track record to judge you by.

Peer-to-peer loans will be easier to get if you can show a 2-year or more business history along with your business plan. Another major difference between p2p loans and crowdfunded financing is that peer-to-peer lenders are out of your hair as long as you are paying your loan back on time. With crowdfunding, you may have to report to your donors /investors and deal with some legal obligations after you've received the funding. Your big-money investors may want detailed reports and even a seat on the board of your business to keep track of how the money is being spent and how the business is being run.” (Lee 2015)

The article clearly differs and states that Peer-to-Peer Financing is a loan and not a donation, which brings much more responsibilities and pressure with it.

P2P is not only applied to start up businesses but also to private persons seeking for small loans, which they would eventually not be able to get from banks in case they already have loans taken out or simply want to avoid the background check ups and policies of their own banks. Portals like Auxmoney and KreditvonPrivat offer these private loans from several individuals to others with acceptable interest rates for both investor and receiver. Their emphasis lays mostly on the relinquishment of credibility checks and fast payments. (Auxmoney n.d.) (KreditvonPrivat n.d.)

A simple visualization of the P2P lending process is explained in 4 steps of the figure below.



Figure 5 - Peer to peer loan process. (Peerfinance101 2015)

It is doubtful if peer-to-peer financing should be considered crowdfunding, as it is just an abbreviated form of private loaning that eventually takes place with several investors instead of only one individual.

3.3 Legal situation in Finland

Due to the uprising interest in crowdfunding and its' increased use in Finland and globally, also the Finnish authorities are more aware of the legal framework and existing laws the investment method has to underlay. There haven't been made any specific laws, but due to the growth rate of the sector, attention has been drawn to it more and more.

Therefore the Securities and Exchange Commission SEC has created a framework proposal for the regulation of registered crowdfunding portals and service providers in the field. (SEC 2013)

Venture capital adviser Antti Hemmilä (2012) described the important outlines of equity crowdfunding, which is the most important form for Finland regarding start-ups, in his article Legal Challenges Related To Crowdfunding: Volume 2. One major advantage for the concept of crowdfunding regarding regulations is that the rules are extremely similar in the EU and EEA (European Economic Area). (Hemmilä 2012)

Quoting Antti Hemmila:

“Under EU rules, no EU/EEA country can require a prospectus to be prepared for rounds of less than 100,000 euros, and for rounds of 5 million euros or more, an EU prospectus is required (the euro amounts described herein are however calculated taking rounds for the previous 12 months into account). This means that in general rounds of less than 100,000 euros are good to go without a prospectus in all EU/EEA countries. As for rounds between 100,000 and 5 million euros, national prospectus rules need to be investigated. In Finland a prospectus under the national prospectus rules needs to be prepared when the size of the round is 1.5 million or more. It is important to remember that the company offering its shares must comply

not only with the regulations of its home country, but also with the country or countries where the shares are being offered to the public. . . . Under the Finnish Securities Markets Act, a company must make available sufficient information on matters that are relevant for evaluating the value of the shares, and there is general prohibition on misleading marketing of issue. Similar provisions are also included in other national securities laws. . . . From the legal perspective, equity crowdfunding is nothing new but it needs to fit into the existing legal framework.” (Hemmilä 2012)

According to the Securities Markets Act (1989) the correct outlines of the prospectus are as followed:

“The prospectus shall provide sufficient information to the investor for the making a founded assessment on the securities and their issuer as well as on the possible guarantor. The prospectus shall contain essential and sufficient information on the assets, liabilities, financial position, result and future outlook of the issuer and the possible guarantor as well as on the rights attached to the securities and other factors with a material effect on the value of the securities. The information shall be presented in a logical and easily comprehensible form.” (Finlex 1989)

More recently the European Crowdfunding Network ECN published the latest data about the legal and political developments regarding crowdfunding. Specifically about equity based funding the most important changes in regulations state:

“According to the new interpretation of the FIN-FSA, an investment-based Crowdfunding service is an investment service for which the service provider must be authorized according to the Finnish Investment Services Act (Sijoituspalvelulaki).” (ECN 2014, pp. 84)

All recent developments were summed up in the conclusion of the ECN’s report as followed:

“At present, there is no regulatory regime specially adapted to Crowdfunding in Finland. Since the existing Finnish legislation (e.g. the Act on Credit Institutions, Act

on Investment Services, Securities Markets Act and Consumer Protection Act) also covers Crowdfunding activities, the Finnish legislator is more or less waiting for the European Commission's initiative and the development of the Crowdfunding market in Finland before starting any legislative actions. The current expectation is that, rather than imposing new legislation, the regulator will guide the market towards self-regulation or other soft-law solutions.

Currently, Crowdfunding works well in the Finnish market, especially when the platform provider benefits from statutory exemptions regarding licensing and prospectus requirements, and provided that the financing is carefully planned.” (ECN 2014)

According to the data mentioned above Crowdfunding does have very positive outlooks and the regulatory legislations should rather support the method instead of prohibiting it in the future through unnecessarily strict outlines. (Hemmilä 2012)

3.4 Investment Risks

Quoting Luke Landers (2012) from his article in the Forbes Magazine to define Risk in investment:

”No investment is without risk. You may feel safe even when you do what financial advisers consider the “right thing” — invest in a broad stock market index fund with a long-term view — but there is risk there as well.” (Landers 2012)

Landers describes in his article the four main risks in investing, market risk, default risk, inflation risk and mortality risk.

Market risk considers the overall economic factors of the geographical region an individual might invest in. Including political and social happenings that can affect the market in a broader picture.

Default risk describes the occurrence of for example failures in company projects etc. As if a person would invest in single stocks and the company would then go bankrupt due to mismanaged processes etc.

Inflation risk is as the name implies the risk of lower returns on investment due to the occurring inflation of a country, which experts usually take into account with approximately 3-4% per year. There is the risk of the inflation rate to be much higher than estimated, which would result in lower returns or even losses on investments.

At last there is the *mortality risk*, which assumes that in case individuals invest into something, they could for example die before their investments yield profits.

(Landers 2012)

3.5 Important crowdfunding portals for Finland

As Finland has quite the big entrepreneur scene built up over the last years it is essential to back up the better part of these projects with financial support. This support is made available by portals like Invesdor, Innovestor, Mesenaatti and Vaurus.

Except for Mesenaatti, which focuses on reward-based crowdfunding same as Kickstarter (U.S.), the majority of portals focuses on equity-based crowdfunding.

Table 1 - 3 most important equity crowdfunding portals in Finland

Portal	Innovestor	Invesdor OY	Vaurus Suomi OY
Area	Finland	Nordic Countries	Finland
Total Money raised	Ca. 6,3 million €	Ca. 10 million €	Ca. 30,7 million €
Average financing round volume	500.000 – 5 million €	100.000 €	1 million €

(Innovestor 2015) (Invesdor 2015) (Vaurus Suomi OY 2015)

As seen in the table above, which was created from the available data on each of the portals websites, Innovestor and Vauraus focus on wealthier investors, foundations and corporate institutions. This can also be seen from the average financing round volume, which is targeted. (Anderson 2014)

Although Invesdor's average financing rounds yield at least 5 times less than Innovestor and 10 times less than Vauraus Suomi, their total raised capital for projects is quite remarkable, as the very recently in 2015 cracked the 10 million € mark.

3.5.1 Innovestor OY

Innovestor OY offers services for growth companies and investors preferably in the section of B2B based technology companies with proprietary IP. Less than 5% of the by Innovestor analysed companies fulfil the company's own investment criteria and are then offered as investment options to customers. This very strict selection is set to guarantee investors with a diversified portfolio at Innovestor an annual return rate on investments of 20%. On the other side Innovestor offers growth companies help to accelerate their funding and business growth. The portal is focusing on northern European companies that have already passed the seed phase and are looking forward to bigger financial funding for extensional growth. The funding seeking companies must always present a clear plan for the use of all sought investments. The average company that uses Innovestor's services seeks for equity funding amounts between 0,5 and 2 million Euros. The founders then, of course remain as shareholders. To gain their customers trust credibility on their investment selections, Innovestor invests themselves in the companies, which they offer to other investors. Therefore the low rate of invested objects. (Innovestor OY 2015)

3.5.2 Invesdor OY

Located in central Helsinki, Invesdor is one of the fastest growing equity crowdfunding portals in Finland. Similar to Innovestor, Invesdor offers services for both entrepreneurs and investors by providing streamlined and partly automated

processes for equity founding rounds. The acceleration of processes is one of Invesdor's main targets, as well as to take the investor's and entrepreneur's thoughts off the seeking part and rather help them focus on their own business than the funding practicalities. Currently Invesdor operates in Finland, Sweden, Denmark, Norway, Iceland and the United Kingdom. The offered funding options of the portal include equity funding (share issues) and debt funding (bond issues). The services offered are available to both big and smaller investors worldwide. Invesdor aims to be very transparent towards investors and entrepreneurs in terms of presenting detailed steps of all processes and listings of their pricing system. Availability and approachability are heavily emphasized on Invesdor's website as well as their Facebook page. (Invesdor OY 2015)

3.5.3 Vaurus OY

The in Helsinki, Espoo, Oulu, Pori, Tampere and Turku located Vaurus OY is same as Invesdor a service providing crowdfunding platform that operated in equity / debt funding. Although there are some differences, as at Vaurus takes the investors money to then invest in various projects and hand selected companies with the provided funding to create a diverse portfolio, in which the company itself invests. Using this method, Vaurus only earns money if their investments operate well and is therefore in the same boat as their customers. The selected entrepreneurs are therefore very carefully picked and have to survive various selection rounds and expert evaluations by Vaurus. (Vaurus OY 2015)

Combined these portals and others that operate from other Nordic / European countries build a solid base that can enable an increasing amount of start-ups to raise capital and develop fast in the near future.

4 EMPIRICAL FINDINGS AND ANALYSIS

4.1 Obtained data

In this part, the by the conducted interviews collected raw data is presented in summarized form and in regards to each interview question. The questions are labelled as Q3, Q4...Q7 to identify them easily in connection to the interview structure and questions part, which is available in full extend as Appendix 1. The answers to the questions Q1 and Q2 are being implemented in the following part, labelled “Interviewee backgrounds”, as they only state the interviewees name, company and occupation.

4.1.1 Interviewee backgrounds

Pauliina Seppälä:

Pauliina Seppälä was interviewed due to her position as the co-founder of one of Finland’s most important crowdfunding portals Mesenaatti OY. At Mesenaatti Ms Seppälä is in charge of the design and marketing of crowdfunding campaigns, client organization and partnerships, as well as educational aspects, such as assignment and thesis topics. The work of Mesenaatti as a portal focuses on reward and donation bases financial services through crowdfunding since the founding year 2010. Because of Ms Seppälä’s early involvement in the crowdfunding scene, she was elected to be interviewed for this research in the believe she would give valuable answers and insightful statements based on her experience in the field.

Malin Lundsten:

Ms Lundsten has presented herself available upon the author’s request for an expert to Invesdor OY in the scope of this research. As a former marketing student at Arcada UAS and graduate of the year 2011, Ms Lundsten has always had an interest in the entrepreneur and start-up scene, which also lead to her being an active member in Arcada’s Entrepreneurship Society AES up until today. Ms Lundsten is currently employed at Invesdor OY, one of the most important equity crowdfunding

platforms in Finland, as their marketing manager. Her employment started nearly one and a half years ago in the beginning of 2015. Due to her personal interest and professionally gained knowledge and experience in the field, Ms Lundsten has presented herself as a great asset for this research.

Mathias Dahlqvist:

Mathias Dahlqvist was asked to participate in this research for several reasons, such as his past as the founder of Arcada's Entrepreneurship Society AES and his personal past as entrepreneur, as well as his employment at one of Finland's biggest equity crowdfunding platforms, Vauraus OY. At Vauraus Mr Dahlqvist was placed in the sales department, as well as in the team lead for customer acquisition. Besides his professional experience at Vauraus, Dahlqvist has experienced the steps of founding own businesses and closely following funding processes and entrepreneurial actions during his time as executive chairperson of AES. At AES, Mr Dahlqvist was involved in many informative events with known entrepreneurs, as well as active participation in events like Slush and Start-up Sauna. What made him an interesting option for this research was the fact that he has seen both sides of the business, as an entrepreneur and professional for an equity crowdfunding portal.

4.1.2 Summarized answers and statements to the interview questions

The interviewee's names are abbreviated in the following as **PS** (Pauliina Seppälä), **ML** (Malin Lundsten), and **MD** (Mathias Dahlqvist).

Q3: Do you think the access to equity crowdfunding options in Finland is made available easily to investors and entrepreneurs?

PS: Surely the options are available enough, but eventually not enough people really know about them.

ML: Yes, if one starts looking into crowdfunding, it is possible for them to find all the information they need. The problem is that many people do not even know about crowdfunding. It is not present enough.

MD: The options are available easily, people are just not aware of the possibility to use them. There are more people eager to invest, than there are investment opportunities.

Q4: What can in your opinion be done to increase the use of equity crowdfunding for both investors and entrepreneurs?

PS: The main obstacle is the lack of information in the media about it. The focus lies rather on problems and why it does not work in Finland, than how it is already working and that it has great potential. People get the wrong idea and might think that it is difficult or even illegal. Also how to realize these investments has to be clarified to the public.

ML: People have to be educated and informed about the field and its' processes. Also the whole process needs to be streamlined, so that at some point it will be quite automated and easier to use for everyone. All the information that is needed by investors and entrepreneurs has to be available online. Manual processing and lack of education is what keeps crowdfunding from becoming better known. In addition to education, different barriers have to be broken down to make crowdfunding an investment option that gets taken seriously. Too many people associate the term crowdfunding with reward based small investments with

thousands of investors. It has to be clearly differentiated what equity crowdfunding means.

MD: There are enough investors and monetary funding available, but there also have to be good investment options and ideas. It needs to be secured that there is the right infrastructure in form of education, mentoring and support from both the public side and private individuals and corporations.

Q5: Which actions in equity crowdfunding could encourage potential entrepreneurs to start their own businesses?

PS: Finns have problems looking towards other countries like the USA and getting excited or hyped about what is happening in Finland. Business schools should have lectures about crowdfunding and cooperate with the platforms to educate possible entrepreneurs more detailed. Crowdfunding should be a separate education path or specialisation field for students in the later phase of their studies. Governmental accelerator programs should support crowdfunding platforms as well, also financially.

ML: Better education would definitely lower the threshold for entrepreneurs or potential entrepreneurs. This lack of education still scares many people, because they think a big amount of shareholders also means giving up too much control of their company. To them it is still more of a burden than an asset.

MD: The efforts have to come from the entrepreneur's side in form of them wanting to educate themselves and being eager to present their ideas to possible investors.

Q6: How can the investment model of equity crowdfunding be sustained in Finland in the future?

PS: The trend will grow into more of a peer economy with more entrepreneurial ventures, micro work, micro pay and opportunities where anyone can do some sort of investments. All these things are currently in a transformation, so crowdfunding will sustain in the future. It is only the question if bigger foreign companies will take over the portals or if the

public sector of Finland decides to join and make things more democratic and people could choose where their tax money will be spent. Public support from the state is therefore very important for the development of crowdfunding in Finland.

ML: Yes, it will definitely sustain in the future in Finland. When people get over the education phase, crowdfunding will become a modern and reliable investment option. Maybe in 5 years there will be already progress and better acceptance of the crowdfunding model.

MD: First there need to be better regulations and legislations for the use of crowdfunding investment methods by the Finnish ministry of finances to eliminate the grey zone that many people fear. Without proper rules and surveillance, people will never feel completely safe regarding investment options. The authorities also need to move faster to avoid making crowd funding more accessible too late or too slow as it has massive potentials to create profits and therefore tax income. If they do not act in a timely manner, entrepreneurs and investors will go somewhere else to spend and make money. Also the crowdfunding portals have big responsibilities education people about the investment risks to clarify. Creating credibility is crucial for those portals to make investors feel more comfortable investing via crowdfunding.

Q7: Does equity crowdfunding in Finland have the potential to grow as strong as in other countries, for example as in the USA?

PS: Yes, if the public sector comes in with monetary and educational support. The media coverage also has to increase a lot to help spreading the word about crowdfunding and the current happenings.

ML: Yes, as soon as the education is sorted out and improved, crowdfunding will have an equally strong position as it does in other countries. In the equity sector Finland already has strong players but it will still take some time for the market to grow as strong as in other countries. It is hard to specify how many years it will take, but since it is growing very quickly nowadays, there might even be noticeable results in a few years. After the establishing phase is completed, portals can focus more on the actual

process than mostly educating and teaching. Building up trust also plays an important role in the growth process to create a sustainable method of investment.

MD: Proportionally seen, Finland has good chances to grow crowdfunding as big as it is already in other countries. People in Finland have a decent living standard and are mostly well educated. If crowdfunding works well, it will grow strong. As soon as the regulations are more clear and also known, people could also consider this option instead of normal saving funds from banks. If banks would look into working together with crowdfunding portals in the future and offering these options to their clients, the full potential of crowdfunding could be unlocked much faster. Banks still symbolise security and trust to customers, which crowdfunding on its' own has hard times acquiring.

4.2 Data analysis

After reviewing the answers of all three experts in the field, most answers have yielded very clear opinions and views on the topic. Even though the questioned individuals currently work in different fields of business, their answers often matched up or interlinked regarding content and point of view. The findings of this research can be reported as follows.

The first question, which asked about the accessibility of crowdfunding options, all three interviewees answered nearly identically. They were all certain about the options being available and easy to access, as well as about the main problem. It was clearly stated that not enough people know about crowdfunding and that there is a lack of presence in Finland. Additionally, Mr Dahlqvist mentioned that there are more investors with available funding ready to participate in crowdfunding, than there are opportunities to invest.

On the topic about how the use of crowdfunding options can be improved, the main focus laid on the need for better education from both the public and the professional sectors. Pauliina Seppälä was of the opinion that society rather focuses on the prob-

lems than the actual processes and good developments. In Malin Lundsten's opinion there is a great need for clarification to help people understand that crowdfunding does not only refer to reward based options but also to the option of becoming an equity shareholder. According to her it is also important to streamline processes to guarantee faster development for the processes, since manual processes would prevent the much-needed improvement of quicker and better practicalities, which eventually keep crowdfunding from developing further in the right pace.

When asked which actions could encourage more possible entrepreneurs to start own businesses the experts emphasized the early involvement of the educational sector. Ms Seppälä suggested cooperation between universities and crowdfunding portals to reach out to students in a more direct and detailed way. She also mentioned the option to make crowdfunding a separate field of specialisation for the latter part of business student's studies. Besides the education, governmental support in form of financing crowdfunding portals to help educating people would also be very helpful, since the professionals are the ones who should teach about the field. Regarding the lack of education, Ms Lundsten implied that proper information would also lower the threshold for entrepreneurs to get funding, as these are nowadays often afraid of giving up too much control and decisive power over their companies in early stages. Mr Dahlqvist's input on this topic referred more to the need for entrepreneurs wanting to educate and inform themselves, since they would be the ones that want to succeed in business.

When the sustainability of equity crowdfunding in Finland was discussed, all experts shared the same opinion, which showed that all of them were convinced about the future success and exponential growth in the future. The necessary steps that have to be taken are, according to Ms Seppälä, the timely actions of the Finnish government in terms of enough support and cooperation to avoid the market loss to bigger foreign companies. If the state would not endorse crowdfunding and support its' development, surely companies from abroad would take over the local portals businesses to leave Finland empty handed. In Ms Lundsten's eyes the sustainability will follow when the education progress has reached a level where crowdfunding is better known and more accepted in society. This will lead the crowdfunding method

to a point, in which people see it as a normal investment option, besides the traditional variations. For Mr Dahlqvist the emphasis was clearly on securing the regulations and legislation for crowdfunding. Cooperation between the Finnish Ministry of Finance and the crowdfunding portals is a must for a future in which private investors are supposed to feel safe and can act with proper state surveillance. Corresponding with Ms Seppälä's statement, Dahlqvist also mentioned the need for a faster acting government to avoid the procrastination of potential growth in the sector. The older ways of thinking and operating including Finland's bureaucracy are a major key part in the process of creating decent rules and guidelines for crowdfunding. Besides the legislation issues, Mr Dahlqvist also intensively reminded that the clarification of investment risks lies with the portals and their obligation to educate people for full transparency in the processes in terms of creating trust for the future of investments.

At the end of all interviews and after all discussions, the experts were all certain of Finland's ability to grow strong in the crowdfunding sector compared to other countries. The proportionality of Finland's population towards other countries has been considered. Ms Lundsten was sure of Finland's strong development, even though in her opinion Finland was a few years behind other countries, such as the USA and the UK. She also mentioned Finland's potential for fast growth in the sector due to the current boom and fast development.

Ms Seppälä's opinion implied the need for more media coverage and public presence to get people interested and create greater demand for crowdfunding, as well as public support.

The development of more security through legislations and regulations was one of Mr Dahlqvist's prior key points for comparative growth in the future, besides the option of cooperation between banks and crowdfunding portals to create more investment diversity and accessibility for the available investment opportunities.

5 DISCUSSION

When conducting this explorative research, the main emphasis was not put on comparing theories to people's perceptions of the equity crowdfunding methods, because the aim was not to prove or disprove a hypothesis. The purpose of this study was to reveal the current situation and lay of the land regarding equity crowdfunding in Finland by appointing the right questions to the few experts in the field. A topic, new like this one, and with very little research conducted, needs to be questioned differently than already existing fields. Therefore this research focused on the "what?" and "how?" in crowdfunding to clarify and explain the urgently needed changes for the future success of the investment option.

Through questioning three versed individuals in the business, this research has resulted very valuable and clearly structured answers to the initially asked research questions. The interview questions were formed to extract more detailed answers to the slightly more generalized research questions.

By asking the experts about the ease of access and how processes can be improved to use more of equity crowdfunding's potential, not only answers and suggestions were stated, but also the current problems that create the need for improvement were identified.

The accessibility is there and it is easy to get, if one only looks for it. But how does one know where to look, when he or she does not know what to look for? The availability and visibility are the ones that show strong deficits. This is where the main problem lies, attention. Again this is easier said than done, as gaining the attention and interest of the public can be difficult if not enough support is given. Identifying this problem is not the hardest part of trying to achieve change. Actually acting to create more awareness and improve education is a measure that needs time, intensive work and also bigger powers to realise this support. Education, study specialisation, cooperation with professionals and portals, as well as media coverage are just some of the main steps that need to be taken to elevate the crowdfunding option to a more serious level.

When questioning the sustainable future of crowdfunding and what would make the option more attractive to entrepreneurs it was shown that the lowering of the threshold through succeeded education and transparency are the main conditions that first have to be fulfilled. In order to sustain and expand, a solid foundation has to be secured and pursued.

It will take some time to overcome these barriers, around 5 to 10 years to be more clear. But once society has reached a certain level of education and social acceptance of the equity crowdfunding model as investment option, more entrepreneurs and private investors will be using these services. All this provided the positive development of fair legislations by the state of Finland. Again the solution to more success and use of crowdfunding sounds simple, but only a few people are really eager to put in the work it takes to try and cooperate as good as possible with the Finnish authorities to actually achieve regulations and rules that are fair to both the state and the citizens. These people are usually the founders and executives of crowdfunding portals, who do it for everyone's and of course their own company's good. It may not be the main problem in the whole picture of why crowdfunding is not where it could be yet, but it is definitely the one that will take more man-hours to resolve, especially if the state institutions keep up their slow pace and refuse to see the massive potential of crowdfunding.

Lastly the comparison to other countries' growth and strength in development was targeted. All experts were sure that Finland could catch up and grow as strong in the crowdfunding field. That can be true, if everything works out as it is supposed to. As described earlier, there are certain barriers, and it might be of help if the Finnish authorities would look up every once in a while towards the countries where crowdfunding is successfully operating and creating very accountable tax incomes. Learning from others who have been through the same stages is an advantage for a late bloomer like Finland in this sector that can and definitely should be taken by being more open-minded and future oriented. Equity crowdfunding is a chance, and a very good one if the right measures are applied in the right time. It would be sad to miss out on something that could improve a country's economy simply because of missed actions and cooperation.

6 CONCLUSION

The financial investment industry is a very vivid and active one. If we close our eyes for just a few months, we would eventually miss out on changes that could throw us back years.

If too many stones are put in the way of new and innovative ways to create tax income and workplaces, everyone loses. The much-needed stabilisation of the world economy starts in each and every single country. Finland has now the opportunity to jump on board and make a very promising and profitable investment option easier, safer and better by cooperating with the ones that know how to realise these goals. In the authors opinion it is simply not justifiable by any means to procrastinate or slow down development of this kind. We live in the year 2016 where basically anything is possible due to modern communication tools, the Internet and the interactivity of experts around the globe. The fact that some state institutions are proceeding in “old-school” ways or do not take new ideas serious enough is unacceptable. Especially in a country like Finland, which has so much potential to act through their free education, portals and steadily growing tech start-up scene.

To fully understand the relevance of this study and the topic, the author urges any reader, but especially the ones interested and active in the investment sector to take a few steps back and look at the broader picture. This research is not just about unveiling the current status, problems and needed changes in crowdfunding, but also about re-thinking our whole perception of what can be achieved and what is possible nowadays.

The results of analysing expert’s opinions and suggestions leave the author to make the following assumptions about the current status of crowdfunding. Better education and more attention for the method are extremely needed. Without these two steps, crowdfunding and especially equity crowdfunding will eventually fail on the walls of neglect, and lack of trust and security.

To back these fields up, the involvement of the media, educators and the government has to be provided. The infrastructure for education and media presence is definitely available, now it is just up for the right actors to properly put them in use.

The authorities' involvement should not even have to be questioned, but it certainly is. Fast actions are required here to secure the proper and legal development of private investment in the future.

Answering the first research question this study has brought to light that the access for crowdfunding options is already present enough. Yet these options have to be made more available by education and promoting equity crowdfunding to the people. It has to be clearly identified what equity crowdfunding is, does and how it can be used by private individuals, as the fact that only experts really know what is going on is not enough to secure and increase the use of the method.

In addition the second research question was answered by revealing that higher availability through knowledge would most likely yield in more potential entrepreneurs taking the step into starting their own business.

Furthermore the last research question regarding the sustainable development of crowdfunding in comparison to other countries was discussed critically, yet answered with a yes, under the conditions of the success in the earlier mentioned and yet to be accomplished changes.

6.1 Recommendations for future research

The future development can be accelerated by the following measures

- Research about the proper use of legislations for Finland with comparison to other countries who are already successfully using crowdfunding
- Market analysis about the present perception of people and the creation of better distribution and marketing tools for crowdfunding
- Case studies of succeeded funding rounds within the scope of equity crowdfunding (including seeding rounds, equity rounds and marketing campaigns)
- Involvement in the national higher education curriculums by crowdfunding professionals and portals

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APPENDIX 1. INTERVIEW STRUCTURE AND QUESTIONS

Crowdfunding in Finland, an alternative investment option

This survey is a part of a degree thesis with the topic "Crowdfunding in Finland" and if the method is a suitable option for the future of investing and therefore a good opportunity for entrepreneurs and inventors across the country. The aim of this research is to unveil the current availability of equity crowdfunding processes and eventual vulnerabilities to improve access to funding and inform about the possibilities to help maximize the use of this very valuable method.

*All information given in this survey will be handled with care and treated with confidentiality.

Questions:

1. Name of interviewee and company (For referencing and quoting reasons)
2. Position / Occupation of interviewee
3. Do you think the access to equity crowdfunding options in Finland is made available easily to investors and entrepreneurs?
4. What can in your opinion be done to increase the use of equity crowdfunding for both investors and entrepreneurs? (e.g. regarding education, promotion or ease of processes)
5. Which actions in equity crowdfunding could encourage potential entrepreneurs to start their own businesses? (e.g. regarding availability and entry barriers)
6. How can the investment model of equity crowdfunding be sustained in Finland in the future? (Avoiding being just a trend)
7. Does equity crowdfunding in Finland have the potential to grow as strong as in other countries, for example as in the USA? Yes/No - please specify.

APPENDIX 2. WRITTEN INTERVIEW RESPONSE IN EMAIL FROM

Email conversation between the author Marco Eckhardt and interviewee Pauliina Seppälä.

31.03.2016, the answers were received from the interviewee's email address "hannapauliinaseppala@gmail.com" to the authors email address "marco.eckhardt@arcada.fi".

Interviewer: Marco Eckhardt

Interviewee: Pauliina Seppälä

*Due to Ms Seppälä's unavailability for a personal interview, it was agreed upon her sending her answers and opinions to the interview questions in written form via email.

Von: Pauliina Seppälä hannapauliinaseppala@gmail.com
Betreff: Re: Degree Thesis Crowdfunding
Datum: 31. März 2016 um 12:06
An: Marco Eckhardt marco.eckhardt@arcada.fi

PS

Crowdfunding in Finland, an alternative investment option

This survey is a part of a degree thesis with the topic "Crowdfunding in Finland" and if the method is a suitable option for the future of investing and therefore a good opportunity for entrepreneurs and inventors across the country. The aim of this research is to unveil the current availability of equity crowdfunding processes and eventual vulnerabilities to improve access to funding and inform about the possibilities to help maximize the use of this very valuable method.

*All information given in this survey will be handled with care and treated with confidentiality.

Questions:

1. Name of interviewee and company (For referencing and quoting reasons)

PS: Pauliina Seppälä, Yhteisörahoituspalvelu at Mesenaatti.me OY

2. Position / Occupation of interviewee

PS: Co-founder

3. Do you think the access to equity crowdfunding options in Finland is made available easily to investors and entrepreneurs?

PS: Surely it is made available, but I'm not sure if everyone already really knows about it.

4. What can in your opinion be done to increase the use of equity crowdfunding for both investors and entrepreneurs? (e.g. regarding education, promotion or ease of processes)

PS: I think in Finland the main obstacle is the media that doesn't tell about crowdfunding projects and provide links to them - in a way that , e.g. in USA the New York Times and Washington Post do. Also the public discussion seems to focus on problems and how crowdfunding doesn't work in Finland, rather than on how crowdfunding is already working in Finland and a great potential. People get the wrong idea that the Finnish laws somehow make crowdfunding difficult or even illegal. Of course also the realization of investments in crowdfunding is an important question - how to sell your investment?

5. Which actions in equity crowdfunding could encourage potential entrepreneurs to start their own businesses? (e.g. regarding availability and entry barriers)

PS: I guess in equity crowdfunding platforms prefer established companies with proven products and bigger investment potential. At the same time, Kickstarter style reward based crowdfunding in Finland doesn't attract companies in the same way, as the market is quite small for projects where the motivation for investors is not making money, but something else. So there might be a gap that still makes it hard for new companies and business ideas to gain money. But mostly, I think the Finns have a problem of looking towards USA and Kickstarter, but not really being excited about what is happening in Finland, and this lack of hype - and maybe jealousy - makes crowdfunding a slowly growing sector. Business schools should have lectures about crowdfunding, and deals with the platforms. Crowdfunding should be a facility specifically offered for students in their later phase of their studies.

Governmental accelerator programs an ELY_keskukset etc. should also support platforms in all possible ways, including financial support.

6. How can the investment model of equity crowdfunding be sustained in Finland in the future? (Avoiding being just a trend)

PS: I think it is not a trend, but related to the social media and new phase of connectivity in the Internet age. The trend will grow - and change into new yet unknown directions. More peer economy where everyone is doing some kind of investments and entrepreneurial ventures, micro work, micro pay.... all these are in transformation. So it is sustainable. The question is whether the big foreign companies take over the platform market, or whether we can have a strong national platform scene. I think public sector should jump in and use crowdfunding in novel Nordic welfare state kind of ways, and make everything more democratic as people could themselves choose where they want their tax money to be spent etc. And people could design their own local environments and services, and public sector could support.

7. Does equity crowdfunding in Finland have the potential to grow as strong as in other countries, for example as in the USA? Yes/No - please specify.

PS: Yes, if the public money comes in and if the media covers the campaigns more. Maybe someone needs to start a new media for this.

APPENDIX 3. INTERVIEW TRANSCRIPTION 1

Interview with Malin Lundsten (ML)

29.03.2016, at the University of Applied Sciences Arcada

Interviewer: Marco Eckhardt (ME)

ME: Could you state your name and the company you are working for please?

ML: Malin Lundsten, Invesdor OY and I work there as the marketing manager.

ME: Ok, and you have been working there since 2015?

ML: Yes, yes.

ME: So, first question: Do you think the access to crowdfunding options in Finland is made available easily to investors and entrepreneurs?

ML: Well I think, when you start looking into crowdfunding, then there is. It's possible for you to get all the information you need. The problem I think is that many people don't even know about crowdfunding. That's the biggest point and they don't even consider that as a possibility instead of like, umm...traditional ways of funding, of getting capital funding. So I think the biggest problem at the moment still is, that it's new, the whole field, so for people to find it and even start looking at the information, that's the tricky part.

ME: So you think it's maybe just not present enough.

ML: Yes.

ME: But if people would look into it they would find the information they need easily?

ML: Yes and that is the biggest struggle for us as well actually, that we want to educate people and we still feel that that's what we're mostly doing, that we are getting out with just telling that we are here and then when they get so far that they actually ...umm... show an interest in us, then like, just then we can start telling what we are doing and so on. And then we do it like, we're happy to do it for everyone and we try to have like as much material as needed on our website.

ME: Mhm (agrees with the interviewee). I think you also just answered my second question: “What can in your opinion be done to increase the use of crowdfunding for both investors and entrepreneurs? (e.g. regarding education, promotion or ease of processes).

ML: Yes, and what we would like to do with this is also to streamline, because the idea of what we are doing with crowdfunding is also to like, streamline the whole process. Taking the whole process online with raising funding, so that some it’s going to be like quite automated. So that we’re going to be at a certain point and you will know as an entrepreneur that you will go through some sort of a selection process and then after that when you are through you can just upload your pitch and be ready to start raising funding. So in that sense we also want to provide all the information that you might need online. So far, since I’ve said – it’s in the beginning, we still need to do quite a lot manually and explain quite a lot also during the process manually and face to face and so on, which decreases how much further we come and how well known crowdfunding gets.

ME: I can imagine that the more you have to do manually and actually adapt, the slower the process gets of course.

ML: Definitely.

ME: I think the key is here to educating entrepreneurs as well as that the process gets smoother and becomes pretty much a self-runner with very little manual input.

ML: And also in addition in the funding, finding the entrepreneurs the problem is also that, you took as an example the USA, where reward based crowdfunding is the like ...umm... top model of crowdfunding that they have. In Europe it’s not. Well, ok they have like these big ones like Indiegogo, Kickstarter, which are in Europe as well, but what we at Invesdor are doing is equity and debt crowdfunding and equity is actually also in Europe really big as a funding method and ...umm... the difference there also is that many people don’t see crowdfunding as a serious option, because they only think about it like: “Ok I fund a project, like then I get the product when it’s ready.”, which is not the basics of equity crowdfunding where you actually become a shareholder and where actually your own interest is to see the company grow and develop as much as possible.

ME: Exactly.

ML: So, umm... what I feel like we're also in addition to only educating about what crowdfunding is and what we do, we have to break through a lot of different barriers.

ME: Like these stereotypes. Many people think of, when they hear crowdfunding, first thing – Kickstarter, where there is about 100.000 really random people that all sponsor about 5 Euros so that they will get a little reward or that they sponsor a project that will then eventually happen.

ML: Exactly.

ME: But I also think that we should get away from this thinking, just in terms of what people are associating with the term crowdfunding. And that requires education.

ML: Exactly, exactly. Sure. So like in that way I just feel that there is a long way to go before that and also for serious investors that they understand, these are serious investment opportunities, and not just like – ok, high risk investments – but also like, there might be a really good chance to jump on board on a really early stage with a smaller amount of money.

ME: Ok. what do you think? Which actions in crowdfunding could encourage potential entrepreneurs to start their own businesses? (e.g. regarding availability and entry barriers). As many people are eventually afraid of taking a loan from the bank or whatsoever or they don't like to take the private risk of their own money. Do you think that if they would be educated enough about what crowdfunding is, especially equity crowdfunding, they would rather start a business based on that opportunity?

ML: Absolutely. At the point that we are now ... (short interruption of the interview due to a personal conversation) ... I think definitely it could lower the threshold of where to go and start your own business, because also like as we can see from events like Slush. All entrepreneurs are there for one purpose and that's just finding an Angel or VCs (Venture Capitalists) and so on. A lot of people are still afraid of crowdfunding, because you get a lot of shareholders, a lot of people involving. They think that it's a really hard

thing to handle, but there are tools nowadays, also for that. People are still like, a lot of entrepreneurs are still seeing it as a burden than an asset.

ME: Do you think they are eventually afraid that there would be such a great amount of people?

ML: Yes, and the thinking that they would take over your company. In the shareholder agreements we can still see that many people are so afraid of giving out their power over the company, that they have like crazy shareholder agreements where they are not giving out any power to anyone else than the founders, which is also like ...umm... if you get in with a big, like VCs for example, they actually get more power over the company compared to what money they usually put in you could get like a lot of people even if they have like the same voting rights as every shareholder, it's still not giving out too much. It's just like, usually in crowdfunding you give out, from 10 to 30% of your company, not more than that. And so you can still have your majority and be perfectly fine.

ME: Ok, next question – almost the last one. How can the investment model of equity crowdfunding be sustained in Finland in the future? (avoiding being just a trend) Do you think it will sustain?

ML: Yes, definitely. I think so. I think when we get over the education phase, then it's going to be like one of the modern models of how to get funding. At the moment we have bank loans, and that's not for start-ups. We have VCs, we have Business Angels, and we have like all these types of different models on how, for a company to start. I think that crowdfunding in the future, in like a few years, 5 years or something like that, it'll be so established that it's just like everyone thinks of it like: "Should we maybe do a seed round with one of the reward based crowdfunding platforms and then after that when we're a little bit down the way, then when our pre money evaluation is better – then we can do like another round, an equity round maybe to get the brain capacity into the company as well." So I definitely think that it'll be in the future one method amongst others to get funding.

ME: I think this will also create more availability around the year and not just so that entrepreneurs will wait for their one and only chance at Slush once a year. It's just like, you not just waiting for something that's eventually not going to happen

in anyway. I mean the amount of entrepreneurs that come there and pitch is incredible.

ML: The amount of people and noise at Slush is so immense and it's not for everyone.

ME: Right. It's a really good idea – you can have a great project or product, but one can for example just not be good at pitching it in front of thousands of people.

ML: Exactly!

ME: And that would be a shame. Those are ideas lost.

ML: Yes, that's true.

ME: Alright, so – last question. Does equity crowdfunding in Finland have the potential to grow as strong as in other countries, for example as in the USA? Yes/No - please specify.

ML: Yes, yes I definitely think so. When we get over all the... this phase where we're all still new to this. I think that it will be, or have an equally strong position as in other countries. Of course since we are talking about the equity crowdfunding here, there are reward based crowdfunding platforms. We don't maybe have the strong player yet, because there is Indiegogo and Kickstarter already so established in Europe as well. So we're probably not going to see any European players in this, or maybe we will – who knows (laughs). But in equity where we actually have European players we are going to see an as strong culture here as we do in the US. But it's going to take time.

ME: What do you think? How many years approximately?

ML: It's hard to say because if you look at the UK. There it's already established. People know it. Since we are expanding to the UK now and it's actually what has surprised us it that people there are already well educated. So when you come there, we have actually had to refocus our whole strategy for the UK, because they are already five steps ahead of us. It's like you go there and they actually know much. Most of the company already had some funding rounds, equity crowdfunding rounds as well. So the already know everything about having a big shareholder pool, they know everything about running a campaign. It's not like here. So ...umm... I would say since Finland is always like 5-10 years behind the rest of Europe, I would guess ... but okay, things are moving fast

here. Because already since I've started one and a half years ago at Invesdor, I've seen change in how people actually take on and accept crowdfunding in here. So I would say that within actually already in a couple of years, since we're seeing a boom in crowdfunding right now, it will be so well known and established that we can switch focus from the teaching to actually applying crowdfunding.

ME: So where the real money is made? (laughs)

ML: Yes! (laughs)

ME: But I think you have a very important position in educating people and therefore in building your platform in that way.

ML: We want to build it up on trust, in that way because there are so many players that are now already misbehaving and taking advantage of the lack of knowledge and legislations at the moment. That's the problem in Europe – making laws takes forever. So that if you have this kind of new field, things like – Europe should also understand that they have to start moving more quickly. It can't be like this that you're semi allowed to do a lot of weird things. It can't be like that.

ME: True. But I think you've answered all my questions very well. Thank you for taking the time.

ML: Great, you're welcome.

APPENDIX 4. INTERVIEW TRANSCRIPTION 2

Interview with Mathias Dahlqvist (MD)

07.04.2016, at the interviewee's workplace

Interviewer: Marco Eckhardt (ME)

ME: Please tell your name, your current position, where you work and eventually a little bit about what you've done before that to clarify your background.

MD: Alright, yes. So, my name is Mathias Dahlqvist, currently partner at Dahlqvist & Saarinen Ventures. We do IT consulting, IT project management and we have worked with big telecom companies and global IT companies in the past. And ...umm... yes, before that or in the past 2 years we have been doing this and before that I've studied at Arcada UAS, marketing. My studies are not finished, but ...umm... yeah. I've founded Arcada's Entrepreneurship Society (AES), ran it for a few years, worked at Vauraus Suomi in the sales department and as team leader for the customer acquisition department as well. I've been a lot involved in the Finnish Start-up scene, for example Aalto ES (Entrepreneurship Society), Slush, Start-Up Sauna and I've always been really eager on entrepreneurship and have started a few other businesses.

ME: So you know your ways around crowdfunding and investments around entrepreneurs?

MD: Mhm (agrees with the interviewer).

ME: Ok, first question. Do you think the access to equity crowdfunding options in Finland is made available easily to investors and entrepreneurs? Basically – can people that seek crowdfunding as an option access it easily?

MD: I would say so. There are platforms such as Invesdor, where you can go online and then invest equity-wise in a company. Obviously we have to separate now, since there is two sides to crowdfunding – the reward based model where people can for example fund a company or project for privileges like getting a product for free or having exclusive pre-ordering rights, as on platforms like Kickstarter and Indiegogo, or crowdfunding in the sense of making more money. So in the equity crowdfunding part it's actually not so easy to enter, because people are not aware of the possibility to do it. But since I

know the players, I know that the ones who know about them get access to it, but there is definitely more people wanting to invest, than there are investment opportunities. So let's say that, my previous employer (Vaurus OY) has struggled with the problem of having a lot of investors with a lot of money but not enough investment opportunities. So there is a lot of money laying around just waiting to be put in the right place.

ME: That sounds like such a first world problem. “We have the money and we don't know where to put it”. But it's understandable, there is not enough entrepreneurs or start-ups that actually seek for crowdfunding.

MD: Yes. And also there is like equity crowdfunding based start-ups platforms, but also I think that Vaurus offers crowdfunded loans to companies, which are also super interesting and super hot, like people who understand it, really like to invest in it because today's global economy is not so good and the return on your money that you're looking for is quite risky and on these loan-websites you get easily 7 to 10% interest rates annually, which is very hard to get on the stock market for example.

ME: Ok, that leads us to the next question. What can in your opinion be done to increase the use of equity crowdfunding for both investors and entrepreneurs? (e.g. regarding education, promotion or ease of processes). You could explain more what entrepreneurs can do, since you've said that the investors are already doing enough.

MD: Yeah, well I think that obviously there are probably a lot of people that would like to use crowdfunding in a way or another, but the thing is that also there is a lot of dumb money and a lot of smart money, and people with that extra money that are smart, aren't going to invest in some random bullshit ideas. So you also need to come up with good ideas that are investable. So I think it like comes down to the thing that we need to make sure that there is the infrastructure, like the possibilities for people to educate themselves, start their businesses, get good mentoring and support from both the public side and from private individuals and corporations to buy services from smaller companies and so on to be able to provide a service or product that is investable.

ME: Understandable. There is still a lack of education. Schools do it, that's a fact – there are entrepreneurship classes in pretty much every university or university of applied sciences. I think it's also a task for the professional market that the com-

panies that offer crowdfunding have to be out there, they have to provide this kind of service to educate, to inform and to show the possibilities. Because if they were available and more visible, I would say, then more people would use them and their services. Ok, it's also their task to sort out a little to maybe make the crowdfunding investable and worth investing for people.

So, next question. Which actions in crowdfunding could encourage potential entrepreneurs to start their own businesses? (e.g. regarding availability and entry barriers)

MD: There is a saying I've heard many times before and it goes somewhat like this: "The best management consulting you can get is from a venture capitalist (VC)." So you go to a venture capitalist and tell them your business idea and they're going to tell you if it's shit or not. If they like it – they're going to give you money, if not – they won't. So obviously that is only one man's opinion but these guys are usually pretty into these things and they know quite a lot. So for someone to figure out if his or her business is investable I think the only way is to pitch it to someone who has the real money. Like, you're not going to get the right answer from me or from you or your mom or your neighbour, because they're not going to give you 200.000 € or whatever you're looking for, probably. So the best idea is to ask someone with the money, because those are the people who are deciding and evaluating you based on their knowledge of the scene.

ME: The crowdfunding portals should offer those kind of pitching sessions a lot more to entrepreneurs, because in Finland, or Southern Finland especially, most people think – "well, I can go to Slush once a year and try my luck". That's just not enough. If crowdfunding wants to be an investment option for the future, sustainable, there have to be for example pitching rounds at least once a month.

MD: When I think of it from like, the Vauraus point of view where I've worked a few years back, they didn't have the issue of too little amounts of applicants for receiving crowdfunding. So they are drowning in emails from people who beg them to look at their idea and help them to get funded. They don't need to organize more events for that. But I know for example that the Finnish Business Angels Network hosts events every once in a while. I don't exactly know if it's 4 times or 8 times a year, when you can apply and come to the session where the members are there and will listen to your

pitch. Business angels also work sort of in a crowdfunding way, so that they might work together with others and 5 or 10 angels invest together in a project. But since the market of crowdfunding portals is quite small and people can find them easily – there is no lack for investment seeking entrepreneurs.

ME: So you thin that the crowdfunding scene does its’ part – it is available?

MD: Yes definitely, and from the entrepreneur’s side has tom come the effort to woo the investors with presenting their ideas.

ME: Do you think if you were an entrepreneur and seeking for funding it would be easy for you to get in front of investors to get the chance to present your idea?

MD: Not if your idea is crappy (laughs). When I’ve worked at Vauraus, friends have often asked me to get them in front of investors or into the same room with decision makers with their ideas. But here is how it works – you have to send an email with your idea etc. and then they scroll through the slides of your power point like click, click, click, and that’s it. If they like it, they’re going to be like: “cool, you can come over and tell us more”. But 9 times out of 10 they’ll just say: “no thanks”.

ME: Isn’t that the basic rule of entrepreneurship – 9 out of 10 fail? (laughs)

MD. Exactly (laughs). I mean you could also just burst into someone’s office with your papers and demand 5 minutes of their time. It’s very much depending on your hustle.

ME: Very unlike in Finland though (laughs). Alright, second last question. How can the investment model of equity crowdfunding be sustained in Finland in the future? (avoiding being just a trend)

MD: I think that first off we need super good regulations from the Finanssivalvonta (Finnish Ministry of Finances). Because I know that both Invesdor and Vauraus, when they started there was no regulation and it was sort of like a big grey zone. So al lot of people got irritated, also other players in the field, same as the finance authorities. I know that some of the companies have when they started... We have to remember that it’s not idiots that have started those companies. These guys knew that, ok – this is going to be big and whilst we get big, someone is going to want to surveillance this one way or another. When they wen to the finance authorities, don’t quote me on that because it’s just the story I’ve heard, but when they went to the authorities – they were just

like: “ Okay – you little boys go and play in your sandbox and just do your thing”. They probably didn’t think that it would work out as well as it did. What then happened is, that these companies came out and they raised millions over millions. Then the finance authorities showed back up and said: “What happened here? We didn’t think this would work out.” And then the entrepreneurs went just like: “Well, we’ve asked how we should go about this and you’ve ignored us.” After that the bureaucracy got into the rolling, and it took the authorities extremely long to get anything done. I understood that the finance authorities is not the easiest institution do deal with. So what needs to be done is obviously, that they need to be involved but it’s a really old fashioned place. It’s clear that we need the surveillance for crowdfunding and the guidelines to be made clear. They just need to keep in mind that if they don’t let these entrepreneurs and portals do their thing – they are going to quit this and go somewhere else. So you need to cut them some slack, because they are doing a real good and important job. People are getting their money out of their bank accounts to entrepreneurs who are creating jobs and to those portals who also create jobs and in the long run people are going to make money on these investments, which they then can spend and pay more taxes and so on.

ME: So the initial thought here is, why would the government want to block something that can create jobs and tax income? In times of bad global economy every country should take opportunities like these with pleasure. It’s good for the ones that are versed in the field to make money – grey zone ore not – they know what they are doing and it works for them. Regulations could in this way help also less educated people in investments to feel safer and protected to some extend. Regulations and surveillance are a must to guarantee fairness for both sides – the state and the citizens.

MD: Yes. And also the legislations are good, because people feel safer to invest their money. I think in the beginning all these equity based crowdfunding portals’ problem was that no one really knew about it and when they came and heard about it, they were like: “Ok, so what is this?”; because they’ve never heard about it before. Maybe then people would start to do some research and they find out that there is no real legislations and regulations – sort of a grey zone. No one wanted to be doing this without real regulations that say how it should be done and how it works. Everyone benefits from that.

ME: Without any restrictions this would be like a fight without rules. No one wins, except the best ones in the field who know their ways around.

MD: Exactly. These companies that offer crowdfunding services have also a huge responsibility educating people about the risks of these investments. I don't know the minimum investment limit at Invesdor, but at Vauraus an investor needs at least a few thousand euros to invest. And as in the basic venture capital rules, where 9 out of 10 investments fail it is crucial that people are informed well enough. Even though Vauraus and Invesdor are working on better chances for returns on investments, I'd say that if one invests in 10 companies – at least half of them are going to fail and maybe one is going to bring home some good cash to break you even or make you money. Therefore it's very important that these portals educate people in these ways. If you think about a business angle that does this for a living, they are usually highly competent, former entrepreneurs or CEOs of big corporations that have made a lot of money before. These are really skilled business people, for whom these investments are a calculated risk. But then there is for example Matti, who is a schoolteacher in the fifth grade who has no experience in business whatsoever. If this guy goes to Invesdor's website or sees and add on Facebook, listens to some pitch at the Vauraus Suomi office and thinks like: "Oh, these are good opportunities to earn some money." He just blindly listens to these things and thinks: "Wow, I'll invest 5.000 euro in this!" and 1 year later the company is bankrupt and this guy lost all his money.

ME: For a private person this hits much harder than for a professional investor who does this on a daily base with a lot of experience and money to risk. The responsibility for those private investors here lies with the portals. Part of their service is to filter the investment options well so they can guarantee better possibilities, although even the experts can never be 100% sure of course. Because I'm not sure if these companies want to handle the burden of ruining plenty of private individuals by presenting them bad investment options and still taking their share of it. That would be horrible for the reputation of crowdfunding.

MD: Yes exactly. And for example at Vauraus things work in a way, that wherever their customers invest – Vauraus is in the same boat. If the entrepreneur or funding seeker doesn't make any money, neither will the investor nor Vauraus. This creates credibility for the portal and shows that they really believe in the projects they present to investors

themselves. This makes the investor feel safer, since the service provider also relies on the investments success. So – regulations and education on the service provider’s side – that’s what it’s about for the future.

ME: Ok. Now we’re at the last question already. Does equity crowdfunding in Finland have the potential to grow as strong as in other countries, for example as in the USA? Yes/No - please specify. If we look ahead like 5 or 10 years.

MD: I think this is also a question of proportions. I mean in Finland we have less than 6 million people and in the United States approximately 300 million. I think that Finland could get a good ratio here, compared proportionally. People have a decent living standard, a lot of people have some money saved on the side. Pretty much everyone has their basic Nordea savings fund or whatever and they put their money there, every month a hundred or few hundred euros. In the same way they could invest in something like this – crowdfunding. If people could save money on a monthly base in for example the debt based crowdfunding models this is possible. This way private persons could get a really decent return on their savings. Obviously there is a little bit more risk in there , but since people make quite good money it’s easily accessible and once we get the regulations fixed and people really know what’s going on and how crowdfunding works – this could be an option for the future. Basically if banks would work together with crowdfunding portals to offer these investments to people through the banks with a better return on their investments and bigger variety of options, crowdfunding would reach so much more people. I really hope these portals can stand on their own legs, but this cooperation with banks and the huge access to every person with a bank account would be a great asset. The banks would of course take their share and the end consumer gets a little less, but the option alone would make a great deal for any bank.

Nowadays if you’re talking to you bank advisor, who is usually the average 50 year old aunt Rita – type and you tell them about this investment option in crowdfunding you saw online or in an add – of course they would do anything to get you off the thought of giving your money to anyone else than the bank. But that’s how it currently works. Pretty much everyone goes to his or her bank for money or investment advice.

ME: Of course, that’s how it usually works – it’s safe, it’s regulated and established.

MD: Exactly, safe. If these two players (banks and crowdfunding portals) could play together – we can achieve this kind of safety in the future for this new investment model. Even if banks would only tell customers for example like: “You have now 1 million in your investment portfolio, how about we’d invest around 5 or 10% of it in a different option like crowdfunding?” That would already be a huge step. I mean the banks, they are the rocks. They are what’s considered solid and safe to people. I’ve seen it so many times while working at Vaurus and booking these meetings. You call someone about an investment and after a few days they call you back saying that their banker thought this wasn’t a good idea and then they blow the investment off because they’ve been told to do so. Ah, well obviously this wasn’t a good idea, because it would mean the bank doesn’t earn anything! (laughs) Even if it would be a good idea – the bank is afraid of losing customers and that’s where the tricky part is – if I tell my bank that I want to take my money for example to Nordnet, where the fees are much lower and the options for investments are much bigger for me whatsoever, they will tell me that something or come up with some excuse why I should keep my money at their bank.

ME: Simplest example, if you go to a tech store and ask the salesman if you should buy a phone there or if you should get it online for 200 € less, they will always try to keep you there for whatsoever reason.

MD: Banks are really old school in that way. Of course people can make money investing at a bank but now there are all these smart people coming up with more profitable options. The banks have hard times letting go, but if they could work together with some of the new players and be a little bit more open to new methods, many people could profit from that.

ME: Interesting point there. But I think you’ve answered all my questions well and very extensive. Thanks a lot.

MD: Sure, anytime.