

## CROWDFUNDING ACT

New rules applicable to crowdfunding have been recently approved (hereinafter “Crowdfunding Act”)<sup>1</sup>.

According to the Crowdfunding Act and in line with what is being done in other jurisdictions, crowdfunding can adopt one of the following types:

- i. **Donation-based** crowdfunding, which may or not provide a non-pecuniary benefit to the investor;
- ii. **Reward-based** crowdfunding, which entitles the investor to one or more units of the funded product or to a part or the full service, as applicable;
- iii. **Equity-based** crowdfunding, which entitles the investor to have a share of the company's equity or a share of its profits;
- iv. **Loan-based** crowdfunding, which is paid back with a previously fixed interest rate.

Pursuant to the Crowdfunding Act, crowdfunding platforms can be managed by any legal entity, which will be subject to the duties and regulatory penalties provided therein.

The Crowdfunding Act enters into force on October 1<sup>st</sup>, however the provisions applicable to equity-based and loan-based crowdfunding (also known as **investment crowdfunding**), which imply a more complex regulatory framework, will only be applicable once the regulations issued by the Portuguese Securities Market Commission (“CMVM”) enter into force.

Whenever a platform wishes to offer equity-based and/or loan-based crowdfunding, the respective managing entity must previously register its activity before CMVM, which is responsible for the supervision of their activity.

Investors in equity-based and/or loan-based crowdfunding are subject to two cumulative **annual limits**: (i) total amount invested per offer, and (ii) total amount invested. Furthermore, equity-based and loan-based crowdfunding offers are also subject to a fund raising limit. These limits and other complementing measures should be approved via regulation issued by CMVM until November 22<sup>nd</sup>.

Platforms offering donation-based and/or reward-based crowdfunding must previously notify the national Consumer Protection Authority (“Direcção-Geral do Consumidor”) of its commencement of activity. Such process is made online and free of charge.

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<sup>1</sup> Enacted by Law no. 102/2015, of August 24<sup>th</sup>.

The information contained in this review is of a general nature and does not constitute legal advice.

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