



EU4Digital

EU4Digital: supporting digital economy
and society in the Eastern Partnership

Digital innovation SMEs' access to finance: policy recommendations: Ukraine

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1 Background

The EU4Digital Facility (a programme under the umbrella of the EU4Digital Initiative) was launched by the European Commission in January 2019. The EU4Digital Facility aims to extend the benefits of the European Union's Digital Single Market to the Eastern partner states – Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova (hereinafter – Moldova) and Ukraine. The Facility focuses its support across six key policy areas, including ICT innovation. The activities in the ICT Innovation policy area are aimed to support reforms and actions favouring the development of ICT research, start-ups & innovation ecosystems across the Eastern Partnership region, drawing from the EU experience and best practices.

In 2019 - the first half of 2020, the Facility focused its work to identify and share at the regional level the best EU practices for regulation in the policy areas pre-selected by the Eastern partner countries:

- Intellectual property rights management for digital innovations (Armenia);
- New organisational forms for supporting ICT Innovation (Azerbaijan);
- Digital innovation SMEs' access to finance (Georgia, Ukraine);
- ICT innovation ecosystems for start-ups and scale-ups (Moldova);
- Digitising industry (digital transformation of SMEs in traditional sectors) (Belarus).

This report provides the results of the gap analysis related to the policy area 'Digital innovation SMEs' access to finance' in Ukraine, and the recommendations for the development of relevant innovation policy. The recommendations formed the basis for elaboration of the national policy implementation action plan for Ukraine.

2 Results

The scope and the information type sought during the gap analysis is explained by the scope of the EU4Digital Facility, as well as by the intervention logic of the Facility. Being one of the first endeavours of the EU assistance to the Eastern partner countries in harmonising digital market, the objectives of the EU4Digital Facility at this stage are to **identify the major gaps between the EU and the Eastern partners** and to reveal the directions in which the interested stakeholders can take further active steps to overcome the gaps.

Based on the gap analysis and in tight cooperation with stakeholders, the **recommendations were developed** and can be used as the basis for further activities and possible joint projects. The EU4Digital Facility aims to keep the recommendations as practical and implementable as possible.

These recommendations formed the basis for elaboration of the **national policy implementation action plans** for each Eastern partner country. The action plans identified specific stakeholders in the Eastern partner countries, specific EU tools, platforms, practices that can be mastered by Eastern partner country stakeholders and possible counterparts in the EU countries.

The other activities of the Facility (training, study visit, networking events, promotion activities, etc.) will **support the interested stakeholders in their further activities** on overcoming the gaps.

3 Methodological note

The EU4Digital Facility identified the best EU practices for regulation in the policy areas selected by the Eastern partner countries. These best practices were systematised and formed the basis for analysis of the progress and gaps in the Eastern partner countries.

The gap analysis was performed by comparing the best EU practices and tools with those existing in the Eastern partner country, within the framework of the policy area selected by the country. The national experts in each Eastern partner country collected the field data by means of desk research (study of existing reports and documents), field research (collecting and analysing raw data in Internet space) and interviews with national experts from state bodies and relevant digital innovation ecosystem organisations (see Annex 1. List of organisations and experts consulted during verification process').

Further analysis of the gaps and development of the recommendations was performed by the EU4Digital Facility expert team and aligned through consultations with national stakeholders.



4 Introduction to a framework supporting SMEs in access to finance for digital innovations

This policy area addresses the financing needs of both start-ups and SMEs for which digital innovations make the core of the business model as well as existing enterprises in traditional industries, which can use digital innovations to increase the efficiency of operations.

On their development path, SMEs face different needs both in the size and the type of investment funds. The EC helps SMEs to access finance in all phases of their lifecycle – creation, expansion, or business transfer. The goal of a good policy practice is to compensate for weaknesses in the financial markets and increase access to finance for start-ups and SMEs.

This explains the logic and the structure of the topic 'Digital innovation SMEs' access to finance'.

Section 5 contains an **overview of recommendations** that are further elaborated in detail.

Section 6 updates the **landscape of actors in the country** supporting start-ups and SME's access to finance and development, using the results of [ICT Innovation Study \(2018\)](#) as a background.

Sections 7-12 consider **various types of actors providing funding for digital innovations at different lifecycle stages**:

- Section 7 check whether the regulatory sandboxes for alternative finance are available in the country, thus enabling banks and fintech players to experiment with innovative financial products or services, and whether the baseline principles of their operations are observed.
- Sections 8-10 investigate crowdfunding, business angels and venture capital. They focus on basic terms to be set in the legislation, but also on the degree of internationalisation of these actors. The latter is important because of the small market size of the domestic markets in most Eastern partner countries and the logics of venture capital exit that mostly happens on the level of global equity market.
- Section 11 considers the availability of fast track support for high-risk innovations.
- Section 12 checks whether financing of digital transformation of traditional enterprises is available for the range of necessary areas.

Sections 13 and 14 draw from the need for **special knowledge that should accompany high-risk investments**:

- Section 13 looks whether targeted training opportunities and decision-making tools are available within the country for those investors who wish to perform as business angels, venture capital investors and fund managers, as well as for start-ups and companies wishing to attract venture funding.
- Section 14 checks which information and advisory support is available to SMEs seeking for financing digital innovations, including online database of existing funding sources.

The structure of the policy recommendations within this report is a framework of four elements:

- the suggested actions are listed and elaborated where needed (answering the question what is to be done (*What?*));
- the reason why these actions are important is explained in terms of a broader context of the innovation ecosystem development (*Why?*);
- relevant EU organisations are suggested as potential partners exercising the good practice in the considered area;
- possible counterparts in the Eastern partner country are indicated as the parties potentially interested in taking over of the suggested EU best practices and in performing the recommended actions.



5 Summary of recommendations

Following the status and gap analysis, the recommendations were developed, linked to the EU best practices, on how the further development of access to finance for digital innovations in Ukraine could be maintained. The summarised recommendations in Table 1 are further elaborated in sections 6-14. The order of the recommendations in the below summary corresponds to the recommendations numbering in the sections.

Table 1. Summary of recommendations

Summary of recommendations
1. Regulatory sandboxes for alternative finance
1.1. In collaboration with the National Bank and business community in Ukraine, develop communication with the advanced EU organisations on alternative finance regulation, for quick learning about the progress and failures, mapping and cross border pilots.
1.2. Consider the usage of the best principles of regulatory sandboxes development, elaborated in international practice.
1.3. Consider introducing of an accreditation system for alternative finance providers based on certain eligibility criteria.
2. Crowdfunding
2.1. Consider the legislative proposal for an EU framework on crowd and peer to peer finance adopted by Commission on 8 March 2018 (COM(2018)113/DOCUMENT-2018-31146) and the Proposal for a Regulation of the European Parliament and of the Council on European Crowdfunding Service Providers (ECSP) for Business COM/2018/0113 final - 2018/048 (COD) . In particular, consider the peculiarities of crowdinvesting (equity-based) and P2P lending (loan-based) regulatory framework.
2.2. Register the crowdfunding platforms at the P2PMarketdataplatfoms resource for making the EaP platforms visible in the world (across 171 lending and equity-based platforms in Europe).
2.3. Establish links with the EU professional networks for quick learning about the progress and failures, mapping and cross border cooperation (i.e. join the European Crowdfunding Network ; meet the other members at the specialised events; join working groups for participation in the development of regulation).
2.4. Promote the success stories of start-ups developed with the help of crowdfunding especially with significant social effect to raise level of trust to such kind of investments.
3. Business angels
3.1. Introduce institutional capacity building for existing and proto- digital business associations in the EaP region, to make them an integral part of the EU business community and international associations. Specifically, for business-angels, support further development of Business Angels Associations/networks through specialised training programme for ecosystem builders and integration with international networks of investors at different stages of innovation lifecycle.
3.2. Build the capacity of individual business angels (training and networking) as a main tool for consolidation and increase in the success rate of Ukrainian business angels.
3.3. Consider introduction into a regulatory framework of the definition and rules of application of convertible permissible notes and advanced subscription agreements as specific types of investment (English law elements) for better business angel investments protection and incentives to invest.
3.4. Introduce tax benefits for business angels on the country level to foster investments into innovative businesses. Consider both income and capital gains taxation of investors. Study the possible schemes including deduction, tax exemption, tax credit, tax deferral, loss relief.
3.5. Introduce co-investments scheme for business angels to further facilitate business angel investments, complemented with expertise and advice from experienced international investors. This co-investment might be done by a dedicated public fund (from the state budget), or be a private-public fund, or a fund established with assistance of international financial organisations (WB, EIB, USAID). The advisory council could be sought from the EU/international BA communities.
4. Venture capital
4.1. Harmonise regulation of venture capital investments in Ukraine with advanced EU legislation (UCITS, AIFM, EuVECA, EuSEF, ELTIF, PRIIPs) in order to provide a friendly and understandable environment for the EU-investors. Introduce the definition of venture capital funds and investment schemes that focus on



Summary of recommendations
start-ups and early stage companies to facilitate their activity and collecting statistics on venture funds activities.
4.2. Compare the venture investments taxation regimes with the other competing jurisdictions.
4.3. Consider the Ukrainian Venture Capital and Private Equity Association (as well as Ukrainian Business Angels Association) as strategic partners of the Government and facilitate their work on establishment of relations with foreign VC funds. Consider establishing of a workgroup involving both regulators and VC association specifically for elaboration of VC legal and institutional support framework (similar to workgroup on crowdfunding under the Ministry of Economy).
4.4. Introduce the national co-investments scheme for venture capital investments strategically along with the country economic growth. In a medium-term, use the EU co-investment tools .
5. Fast track support for high-risk innovations
5.1. Integrate data on support for high-risk innovations from different sources and develop channels of this data update, for SMEs easy access.
5.2. Launch additional online channels via internet banking for fast track support for high-risk innovations and social innovations.
5.3. Use wider the available EU tools (EIC pilot tools as Pathfinder, Accelerator, FTI), promote them via ecosystem actors, study their schemes of decision making.
6. Funding of digital transformation of traditional enterprises for the range of areas
6.1. Consider using the approach applied by COSME Loan Guarantee Facility as well as country-level approaches (including classification of activities and rules of allocating loans) when developing the framework for financing the digital transformation.
6.2. Introduce co-piloting and co-financing of digital transformation cases with the EU enterprises in the common industry.
7. Training opportunities and decision-making tools within the country
7.1. Implement further national training programmes for start-ups and companies wishing to attract business angel and venture funding as well as alternative funding (crowdfunding, ICO) in local language explaining the specifics of operation needed in case of such funding attraction and specifics of exit scheme.
7.2. Introduce national training programmes for business angels, venture capitalists, venture fund managers, link them to diverse training programmes across the world and include an intensive practical component. Provide various channels and forms of trainings.
7.3. Consider using specialised decision-making tools for business angels, venture capitalists, venture fund managers.
7.4. Maintain the decision-making tool for developing and implementation the innovation agenda of the country: <ul style="list-style-type: none">a. communication platform for government bodies, innovation and technology players – corporates, entrepreneurs, scholars and scientists, students and start-ups across the country;b. online matchmaking platform to resolve challenges of Ukrainian corporates through start-up solutions and commercialisation of R&D, like Science2Business.
8. Information and advisory support available to SMEs seeking for financing digital innovations
8.1. Accommodate the opportunities of the existing platforms and discuss the opportunities of joining and expanding their functionalities, preferably at one stop shop, or as complementary resources dynamically linked via open API and referring to complementary opportunities of each other. In particular, accommodate the list of financial sources available to the country to residents from various organisations in an online freely accessible database, and outfit it with a guide/wizard assisting SMEs to select the funding relevant for the organisation, usage case and innovation lifecycle stage.
8.2. Join the existing matchmaking platforms with a big scale connecting finance-seeking SMEs with investors and lenders beyond the traditional banking system.
8.3. Study the innovative approaches on matching companies seeking for funding with risk and alternative funding and consider their possible transfer on the national level.

Source: Developed by EU4Digital Facility



6 The landscape of actors in the country supporting start-ups and SME's access to finance and development

During field research, the landscape of actors in Ukraine, that compound the financial framework at different stages was updated, using results of ICT Innovation Study (2018) as a background (see Annex 2. List of stakeholders/actors 'List of Stakeholders/Actors'). It includes 8 policy agencies; 24 venture capital funds and 4 corporate venture capital funds, 4 business angels networks and 4 crowdfunding platforms. Besides, 18 associations; 4 high-tech parks; 15 universities, 35 ICT training centres, 8 digital innovation hubs, 13 accelerators, 6 business incubators and 6 fab labs support innovative start-ups via knowledge that should accompany investments for a successful innovation process (focusing on or with account of digital technologies specifics).

6.1 Public programmes and actors supporting access to finance for innovations

Recently, new players became operational providing financing to start-ups and SMEs at different stages of business development in Ukraine.

The main one is the [Ukrainian StartUp Fund](#) (USF) officially launched in 2019. USF is a state-owned fund established by the initiative of the Cabinet of Ministers of Ukraine. USF has an independent Supervisory Board consisting of private sector representatives and government officials that defines strategic areas. Start-ups are eligible to receive from \$25,000 to \$75,000. Start-ups are supported in form of a grant. The first option is to allocate \$25,000 for pre-seed teams, when the start-up has not yet created a viable product. The second is \$50,000 for seed start-ups when the start-up has a product and is ready to go on the market. The team can get \$25,000, and then 'grow' and get another \$50,000. In January 2020, an independent jury has selected the first eight start-ups-winners who got support from the Fund (six at seed stage and two at pre-seed stage).

[State Finance Institution for Innovations](#) (SFII) is a state institution established to provide financial support to business entities of various types of ownership, to attract foreign and domestic investments for development of the real economy, to increase capacity of domestic export output, produced by companies of national industries, to protect and promote the domestic commodity producers. SFII has already implemented two programmes and implements pilot project providing financial support to inventions ([Inventors' Support Fund](#)) together with the Ministry for Development of Economy, Trade and Agriculture of Ukraine.

The newly established [National Research Foundation](#) also plans to support innovation companies to some extent. The financing procedures are currently elaborated.

On 15 April 2020, the Government gave the green light to the state programme '[Affordable Loans at 5-7-9%](#)'. This programme is designed for the creation and expansion of domestic micro and small businesses at the record low interest rate – 3, 5, 7, 9% to the tune of 3 million UAH for a term of up to five years. It's not a pure innovation-supporting tool, but it can ease access to finance for Ukrainian SMEs. Four possible lending rates will apply – 3% (for credits, aimed to mitigate COVID-19 consequences), 5%, 7% or 9% – which will depend on the size of the business (up to 100 million UAH for credits, related to COVID-19, up to 50 million UAH in annual revenue or from 50 to 100 million UAH for other purposes). The actual lending will be performed by the partner banks participating in the programme. Under the terms of the Programme, one can obtain a loan of up to 3 million UAH (approximately €100,000) for a period of up to five years, while credit funding should be directed to participating entrepreneurs for the purchase or modernisation of fixed assets, as well as for the repair or reconstruction of manufacturing areas, purchase of intellectual property rights (franchising), financing of working capital, manufacturing of medicines and medical equipment, refinancing of previous credits.

There are also a number of initiatives implemented by international organisations. For instance, [Climate Innovation Vouchers programme](#) was launched as a part of the EBRD programme '[Finance and Technology Transfer Centre for Climate Change](#)' (FINTECC), funded by the European Union. Ukraine became the first country within EBRD operation area to launch such a programme. The programme is implemented by the NGO Greencubator. During the five stages 31 Ukrainian companies have received climate vouchers worth approximately €1 million.

6.2 Private initiatives supporting start-up development

The number of private initiatives supporting start-up development also increased in Ukraine over the last years. The most known among them are:



- [eō Business Incubators](#) - Ukraine's premier seed-stage mentor-driven incubator program (funded by USAID).
- [Open Data Incubator 1991](#) – Ukraine's first non-profit incubator, which helps turn open data into real start-ups providing services to citizens, businesses and government agencies.
- [Open Innovation Platform RE: ACTOR](#) – an open platform for innovations, that provide corporates with infrastructure for systematic work with innovations. The platform has gathered a bank of technology teams, start-ups and open APIs, which are formed by all corporations that are connected to the platform.
- [Open Data Challenge](#) – national competition for IT projects based on open data.
- [U. Ventures](#) – established by Western NIS Enterprise Fund to invest in early stage technology start-ups.
- [AVentures Capital](#) – is a leading investment company and M&A advisory focused on global tech companies that leverage R&D in Ukraine and CEE, founded in 2012. AVentures Capital has the following lines of business: VC fund investing in late seed & series A start-ups, growth stage investments, M&A advisory for technology companies.
- [Horizon Capital](#) – is the leading private equity firm in Ukraine backed by over 40 institutional investors, managing four funds with assets under management of over \$850 million and a tenure of 25 years in the region. Horizon Capital is an active value-added investor, backing visionary entrepreneurs who lead transformational businesses in Ukraine and the region.
- [Western NIS Enterprise Fund](#) – is a \$150 million regional fund, a pioneer in Ukraine and Moldova with over 25 years of successful experience in investing in small and medium-sized companies.
- [DTEK](#) – the largest energy holding group in Ukraine, which includes companies producing coal and natural gas, generating electricity, supplying heat and electricity, and providing related services to end-users. In 2018, jointly with Radar Tech, the company launched the Energy Accelerator for energy projects that support start-ups, companies, and teams that offer solutions for business needs in this industry.
- [MHP accelerator programme](#) – competition programme focused on finding, accelerating, and integrating innovative technologies in agribusiness.
- [Unit.City](#) – Ukraine's first innovation park.
- [Ukrainian Social Venture Fund](#) invests and supports social enterprises, the basis of business models of which is to achieve social and environmental change.
- [Innovation Startup Entrepreneurship Group](#) (ISEG) is a digital innovation hub, launched in December 2019 with support of three ministries: Ministry of Education and Science, Ministry of Economy and Ministry of Digital Transformation. ISEG a consortium of companies and experts implementing the start-up ideas into business, which runs several initiatives: accelerating programmes for start-ups; corporate innovation agenda development and support in piloting and deal structuring between start-ups and corporations; digital innovation hub – communication platform for the dialog of government bodies with innovation and technology players engaging corporates, entrepreneurs, scholars and scientists, students and start-ups across the country for discussion and developing innovation agenda for the State.
- [TA Ventures](#) – an early stage venture capital firm primarily focusing on Mobility and Digital Health.
- [Tech StartUp School](#) – scientific-innovation park for the production and implementation of creative ideas, successful start-ups and transferring the scientific results.
- [Social Boost](#) is an NGO supporting civic tech are services that develop digital society and transform communications paradigm between state, IT sector, business and citizens. Its inhouse team of developers, product managers and designers create e-democracy, e-governance and open data impact projects for ministries, cities and communities. Social Boost is also involved in cultivating the ecosystem of civic tech enthusiasts; teaching start-ups and activists to create nationwide IT solutions via niche hackathons, incubation programmes and camps; consulting international organizations on tech component.
- Other actors.

Generally, Ukrainian accelerator programmes demonstrate good connection to private sector, for example, they help the existing private enterprises from traditional industries with start-ups for digital transformation of the business model and innovations ([MHP](#), [DTEK](#), [Ukrainian Railways](#), etc.).



7 Regulatory sandboxes for alternative finance

Status

The first steps on development of regulation for alternative finance¹ were made by adoption of the Regulation on National Bank's of Ukraine (NBU) communications with innovative companies and projects in 2019 ([Decision 23.04.2019 № 63](#)). It operates the following definitions:

- innovative financial products and/or services – new financial services, payment instruments, technological platforms, sales channels or their totality, which do not have corresponding analogues on the financial market of Ukraine or in comparison with other similar products and services presented on the market, have significantly higher technical and economic indicators;
- the initiator company of introduction of innovative financial products and/or services (hereinafter 'the initiator company') – the company which intends to introduce innovative financial product and/or service.

The initiating company can be economic entities (residents or non-residents) who have developed and/or plan to introduce innovative financial products and/or services in the financial market of Ukraine.

The initiating company can be both the person providing certain financial/banking, technological services on the basis of the relevant authorisation documents, as well as the person planning the provision of the relevant services and obtaining the necessary authorisation documents for the implementation of consistent interconnected activities aimed at implementing the innovative financial product and/or services.

Innovative financial products and/or services offered by start-up companies must meet the following requirements:

- There are no similar products or services on the financial market, or the offered products or services will significantly improve the characteristics of the available ones.
- As a result of their implementation, no grounds for violation of the legislation of Ukraine on protection of economic competition will be created.
- Directly or indirectly improve customer service, simplify the provision of services, contribute to the development of the financial market of Ukraine as a whole.
- There are no norms in the legislation of Ukraine prohibiting the introduction of the relevant innovative financial product and/or service.
- There is an action plan/roadmap for the activities needed to implement the relevant innovative financial product and/or service.
- There are documents confirming the absence of risks or defining the risk management system that may arise when using innovative financial products and/or services and providing an effective system for preventing or minimising them.

The National Bank gives recommendations to the initiator companies on the possibility of introducing innovative financial products and/or services within the requirements of the legislation of Ukraine and regulatory acts of the National Bank.

The National Bank, if necessary, prepares proposals to the Cabinet of Ministers of Ukraine regarding the expediency of introducing amendments to the legislation of Ukraine in order to introduce innovative financial products and/or services.

Expert Council on communications with innovative companies and projects was established under National Bank of Ukraine. Expert Council includes representatives of national regulator – National Commission on Securities and Stock Market of Ukraine and other stakeholders, such as:

- National Commission for the State Regulation of Financial Services Markets;
- Ministry for Development of Economy, Trade and Agriculture of Ukraine;
- Ministry of Finance of Ukraine;
- State Tax Service and State Custom Service;
- representatives of professional associations in the financial market;
- experts in the financial and/or technological markets;

² Alternative finance refers to a range of products emerging outside of traditional banking for businesses that have difficulties in accessing banking loans because of their high-risk business plans. Alternative finance includes and embraces a range of funding schemes from peer-to-peer lending to crowdfunding, marketplace lending and initial coin offering (ICO).



- the Ombudsman of Ukraine.

[Strategy for development of the financial sector in Ukraine till 2025](#) was signed by the NBU, the Ministry of Finance, the Individual Deposit Guarantee Fund and National Commission for the State Regulation of Financial Services Markets and approved by National Commission on Securities and Stock Market on 27 December 2019. Strategic Objective 2 of the Strategy dedicated to the development of FinTech market is 'to ensure the development of the FinTech market, digital technologies and regulatory platforms'. There is a goal of 'enabling development of digital technologies, computer design, big data analysis, blockchain, automation, robotics and AI' within this Strategic Objective. According to this goal, sandboxes should be created during 1 January 2020-31 December 2024. It means that 2020 will be the crucial year defining future development of the FinTech market in Ukraine.

Gaps

The following gaps have been identified:

- The initiative on operation of the regulatory sandboxes is just launched, testing will take place later.
- Thus, the framework for operation of a regulatory sandbox for alternative finance is still under development and would benefit from learning from the practical experience in the EU countries.

Recommendations

❖ What?

1. In collaboration with the National Bank and business community in Ukraine, develop communication with the advanced EU organisations on alternative finance regulation, for quick learning about the progress and failures, mapping and cross border pilots.
2. Consider the usage of the best principles of regulatory sandboxes development, elaborated in international practice (see ESBG's white paper on innovation facilitators ([ESBG, 2019](#)) and Annex 3), with a goal of generating trust and confidence in the alternative finance sector among start-ups and SMEs.
3. Consider introducing of an accreditation system for alternative finance providers based on certain eligibility criteria (see example of catalogue and a certification system for institutions and providers of alternative financing administered by the Catalan Agency for Business Competitiveness ([ACCIÓ](#))).

❖ Why?

Alternative finance refers to a range of products emerging outside of traditional banking for businesses that have difficulties in accessing banking loans because of their high-risk business plans (for example, peer-to-peer lending, crowdfunding, marketplace lending and initial coin offering (ICO)). Regulatory sandboxes help financial authorities and regulators to test the framework for highly innovative technologies and business models in a controlled environment, before they are introduced on the scale of the country.

❖ Relevant EU policy/organisation(s) (non-exhaustive list):

- Annex 3 – recommendations of ESBG on the regulatory sandboxes implementation.
- [Altfinator](#) is the EU-funded consortium oriented toward facilitating access to alternative financing, capacity building of the financial ecosystem and its participants to improve innovative SMEs access to alternative forms of financing in Europe. Its goals include mapping and analysis of alternative finance ecosystems in South, Central and Eastern Europe to establish capacity-building strategy and implementation plan and engage alternative finance community to support provision and absorption of financing for innovative SMEs. Altfinator provides the [matchmaking](#) tool to help small and medium-sized enterprises discover the most relevant financiers. It has a Credit data tool – a list of all available open and limited access sources that are providing detailed financial and credit information of registered enterprises in European countries, including the Eastern partner countries. It also provides training possibilities for SMEs and financial providers. [Altfinator hubs](#) are available in Hungary, Italy, Portugal, Slovakia, Spain, Lithuania, Ukraine and Romania.
- [European Savings and Retail Banking Group](#) (ESBG) – an association that represents the locally focused European banking sector, helping savings and retail banks in 21 European countries (EU and non-EU) strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. See Annex 3 for recommendations of ESBG on the regulatory sandboxes implementation.
- [European Forum for Innovation Facilitators](#) – a platform for supervisors from across the financial sector "to share experiences from engagement with firms through innovation facilitators, – to share technological expertise, and to reach common views on the regulatory treatment of innovative



products, services and business models, overall boosting bilateral and multilateral coordination” (EFIF, 2020).

- The Department of Enterprise and Employment of the Government of Catalonia has introduced a catalogue and an [accreditation system for alternative finance providers](#) administered by the [Catalan Agency for Business Competitiveness](#) (ACCIÓ). The accreditation is based on eligibility criteria specified in a regulation. To be accredited, companies must provide documentation verifying their compliance with the requirements. This accreditation and its seal give visibility to the accredited finance providers and the right to participate in alternative finance events. Four categories of alternative financing entities are established with the same accreditation criteria for the following categories: financing collective investment (crowd equity); collective financing loan (crowdlending); invoice discounting (invoice trading); networks of private investors (Business Angels). Requirements to be accredited by Catalan Agency for Business Competitiveness (ACCIÓ):
 - to be an entity with its own legal personality (public or private);
 - to have management ability – to have a responsible person to carry out the management of the platform or network;
 - to carry out operations on a regular basis and to have operations in Catalan companies carried out with a minimum of three closed financed operations in the case of private investor networks, five – in the case of crowd equity, 20 – in the case of crowdlending and 100 – in the case of invoice trading, between 2015 and the 2019 call for alternative financing entities;
 - to have the total amount of investments financed in Catalan companies equal to €300,000 in the case of private investor networks and €1,000,000 in the case of crowd equity, crowdlending and invoice trading, between 2015 and the 2019 call for alternative financing entities;
 - to have a minimum of 20 investors registered on their platform or network on the date of publication of the 2019 call for alternative financing entities;
 - not to be in any of the circumstances provided in article 13 of Law 38/2003 of 17 November;
 - to comply with tax obligations to the Generalitat de Catalunya, as well as not to have debts with ACCIÓ or its investee companies.
- ❖ **Relevant counterparts in the world (non-exhaustive list):**
 - [Global Financial Innovation Network](#) – a network of over 50 organisations, including regulators, “to collaborate and share experience of innovation in respective markets, including emerging technologies and business models; provide a forum for joint policy work and discussions; and provide firms with an environment for cross-border solutions trial” (GFIN, 2020). It was formally launched in January 2019 by an international group of financial regulators and related organisations. GFIN includes the possibility to apply for a pilot for firms wishing to test innovative products, services or business models across more than one jurisdiction.
 - [The World Savings and Retail Banking Institute](#) – WSBI focuses on international regulatory issues that affect the savings and retail banking industry.
- ❖ **Potential counterpart(s) in Eastern partner country:**
 - Expert Council on communications with innovative companies and projects under the National Bank of Ukraine;
 - Associations of banks and financial organisations (can be attracted by NBU to consultations).

8 Crowdfunding

Status

Policy related to crowdfunding

As of May 2020, there have been no specific regulations on crowdfunding in Ukraine.

The existence of crowdfunding platforms is not prohibited, which means that existing Ukrainian platforms can function. The legal framework currently used by a crowdfunding start-up fundraiser [consists of](#) the following parts:

- formalisation of platform rules which are public offering (or in the form of public offering);



- making a contract between the crowdfunding platform and the project author (the agreement on intentions at the beginning of the fundraising and the grant agreement after the collection of the required sum, and in case of collection as a FOP (individual entrepreneur) – making a joint activity agreement);
- making a contract between the crowdfunding platform and a user;
- concluding an additional agreement for the acceptance of payments;
- concluding confidentiality agreement, and in case of European market orientation – GDPR compliance.

For the convenience of conducting joint activity on contract basis, the project authors, depending on the type of crowdfunding, register a legal entity and act as its representatives or as individual entrepreneurs. However, the only requirements on the platforms now is that the person must be of legal age (above 18 y.o.).

As for taxation, since the contributions from backers are not the income of the project author, they should be considered as 'gifts' within the meaning of the Tax Code of Ukraine, the tax rate of which constitutes 5% – for funds from residents and 18% – for funds from non-residents.

However, the absence of specific regulation provokes a number of legal discrepancies. For instance, the fact of the transit of the collected funds through the bank account of the crowdfunding platform falls within the concept of financial service by all means. Therefore, it is necessary to eliminate the ambiguity of the interpretations at the level of the law and to clearly determine what kind of activity it is ([Anna Titova](#), senior expert lawyer of the business climate reform direction of the Ministry of Economy Reform Support Team, 29 November 2019).

To solve one of the main problems in the development of crowdfunding in Ukraine – the adoption of the specific legislative framework for this type of business – a Working Group on crowdfunding was formed, comprising representatives of executive authorities, experts of the crowdfunding market, founders of platforms, lawyers. The working group was set up under the Ministry for Development of Economy, Trade and Agriculture of Ukraine. Senior expert lawyer of the business climate reform direction of the Ministry of Economy Reform Support Team, leads the working group that consists mainly of market representatives. The group, developing the experience of developed countries, currently develops the concept of regulation of crowdfunding in Ukraine, considering the peculiarities of national legislation and its limitations. The group also drafted a special law governing the fundamental concepts and processes in crowdfunding. As of March 2020, working group held a number of meetings, including meeting with the regulator of the crowdfunding market – National Bank of Ukraine.

According to the [Strategy for development of the financial sector in Ukraine](#) till 2025, development of national regulations on crowdfunding should be accomplished during 1 January 2021-31 December 2024.

Mapping

Crowdfunding platforms are available in Ukraine and are becoming more popular. At least few of them are related to support of business, social and educational projects:

- [Ukrainian Charity](#) – charity platform (the biggest Ukrainian crowdfunding platform);
- [BigIdea](#) – donation/charity platform;
- [GoFundEd](#) – donation/charity platform;
- [Kub](#) – loan-based platform;
- [Na-Starte](#) – donation-based platform (website <http://na-starte.com/> currently being modernised);
- [MoCash](#) – loan-based platform;
- [RazomGo](#) – donation for project product;
- [StartEra](#) – donation-based platform.

Gaps

The following gaps have been identified:

- All identified crowdfunding platforms are donation or loan-based (expecting payback including interest rate) platforms.
- No equity-based crowdfunding platforms investing into companies' shares have been identified in Ukraine.
- A registry of acting crowdfunding platforms is not maintained by the Central bank. Introducing of registry of acting crowdfunding platforms is under discussion in Ukraine.



- As of now, there are no specific regulations on crowdfunding in Ukraine. The need to apply a set of general regulations provokes a number of legal discrepancies due to ambiguity of interpretations.

Recommendations

❖ What?

1. Consider the legislative proposal for an EU framework on crowd and peer to peer finance adopted by Commission on 8 March 2018 ([COM\(2018\)113/DOCUMENT-2018-31146](#)) and the Proposal for a Regulation of the European Parliament and of the Council on European Crowdfunding Service Providers (ECSP) for Business ([COM/2018/0113 final - 2018/048 \(COD\)](#)). In particular, take into account the peculiarities of crowdinvesting (equity-based) and P2P lending (loan-based) regulatory framework. In particular:
 - a. Amendments prepared into the law are recommended to cover the basic definitions that are proposed in Article 3 of the abovementioned EU regulation, including:
 - i. crowdfunding service;
 - ii. crowdfunding platform;
 - iii. crowdfunding service provider;
 - iv. crowdfunding offer;
 - v. crowdfunding project.
 - b. Amendments prepared into the law are recommended to cover the **basic issues** including:
 - i. Provision of crowdfunding services and organisational and operational requirements of crowdfunding service providers, including:
 - provision of crowdfunding services;
 - effective and prudent management;
 - complaints handling;
 - conflicts of interest handling;
 - outsourcing;
 - client asset safekeeping, holding of funds and providing payment services.
 - ii. Authorisation and supervision of crowdfunding service providers, including:
 - authorisation as a crowdfunding service provider;
 - registering of crowdfunding service providers;
 - supervision;
 - withdrawal of authorisation.
 - iii. Transparency and entry knowledge test by crowdfunding service providers, including:
 - information to clients;
 - entry knowledge test and simulation of the ability to bear loss;
 - key investment information sheet;
 - bulletin board;
 - access to records.
 - iv. Marketing communications, including:
 - requirements regarding marketing communications;
 - publication of national provisions concerning marketing requirements.
2. [Register](#) the crowdfunding platforms at the P2PMarketdataplatfroms resource for making the EaP platforms visible in the world (across 171 lending and equity-based platforms in Europe).
3. Establish links with the EU professional networks for quick learning about the progress and failures, mapping and cross border cooperation (i.e. join the [European Crowdfunding Network](#) (association) as a member; meet the other members at the specialised events; join working groups for participation in the development of regulation).
4. Promote the success stories of start-ups with the help of crowdfunding especially with significant social effect to raise level of trust to such kind of investments.



❖ Why?

Crowdfunding platforms in their different models are a new powerful source of alternative funding that make start-ups less dependent on typical venture capital exit models and allow for raising funds without a material collateral that is required by banks. This tool empowered by digital technologies can be very helpful for the Eastern partner countries, allowing to collect micro funding of business development by population, in the circumstances when the institutional investors are still rare.

Throughout the vast experience of regulatory environment collected in various EU countries, the Eastern partner countries can extract the best and implement it at the stage when the EU countries themselves came to the harmonisation of rules.

Harmonising the rules set within the EU to the national crowdfunding platforms in the Eastern partner countries and making them visible will enable the Europe-wide cross-border activity of crowdfunding platforms, including attracting the EU investors to the EaP market of ideas, and thereby increase access to finance for entrepreneurs, start-ups, scale-ups and SMEs in general.

Networking with existing professional actors will allow the Eastern partner countries to quickly learn about the progress and failures in regulation and business models, to map the EaP platforms and raise interest of the EU investors and collaborate in joint cross border projects.

❖ Relevant EU policy/organisation(s) (non-exhaustive list):

- Proposal for a Regulation of the European Parliament and of the Council on European Crowdfunding Service Providers (ECSP) for Business adopted by Commission on 8 March 2018 ([COM\(2018\)113/DOCUMENT-2018-31146](#)). This proposal establishes a European label for investment- and lending-based crowdfunding platforms² that enables cross-border activity. With this Regulation, platforms will have to comply with only one set of rules, both when operating in their home market and in other EU countries. This proposal also seeks to empower investors with the necessary information on crowdfunding, including the information on the underlying risks and support investors' trust in these innovative services. This Regulation establishes uniform requirements for the following:
 - the operation and organisation of crowdfunding service providers;
 - the authorisation and supervision of crowdfunding service providers;
 - transparency and marketing communications in relation to the provision of crowdfunding services in the Union.
- Commission Staff Working Document '[Impact Assessment Accompanying the Document "Proposal For A Regulation of the European Parliament and of the Council on European Crowdfunding Service Providers \(ECSP\) for Business and Proposal for a Directive of the European Parliament and of the Council Amending Directive 2014/65/EU On Markets In Financial Instruments"](#)'.

❖ Relevant EU organisation(s) (non-exhaustive list):

- [Crowd Fund Portal](#) for development of policy strategies and crowdfunding hubs in the Eastern partner countries following the experience of Austria, Croatia, Czech Republic, Germany, Hungary, Italy, Slovakia, Slovenia and Poland.
- [European Crowdfunding Network](#) – an association of crowdfunding platforms (potential membership of the EaP crowdfunding platforms and associations).

❖ Potential counterpart(s) in the Eastern partner country:

- **Working Group on crowdfunding** under the Ministry for Development of Economy, Trade and Agriculture of Ukraine, comprising representatives of executive authorities, experts of the crowdfunding market, founders of platforms, lawyers.

² Donation and reward-based crowdfunding are excluded from the scope of this initiative. The EU consumer protection legislation already applies to reward-based crowdfunding with strict rules to safeguard consumers. The proposal does not include consumers lending for consumption purposes as this is not business lending and it partially falls within the scope of the existing EU legislations, specifically when a consumer is receiving a loan for personal consumption and operating outside of professional capacity this activity falls within the remit of the Consumer Credit Directive and in case of a consumer receiving a loan to purchase an immovable property, (this activity falls within the remit of the Mortgage Credit Directive).



9 Business angels

Status

Policy related to business angel investments

Generally, investments in start-ups are allowed by Ukrainian legislation before the legal entity is established. There are no regulations prohibiting investments in start-ups.

According to the [Law on Investments in Ukraine](#) (1991):

“Article 1. Investments are all kinds of property and intellectual assets that are invested in objects of entrepreneurial and other activities, which result in profit (income) and/or social and environmental effect.

Article 5. The subjects (investors and participants) of investment activity may be citizens and legal entities of Ukraine and foreign states, as well as states.

Article 10. The sources of investment are:

- investor's own financial resources (profit, depreciation, reimbursement of damages from accidents, natural disasters, cash savings and savings of citizens, legal entities, etc.);
- loan funds of investors (bond loans, bank and budget loans);
- attracted funds of the investor (funds received from the sale of shares, unit and other contributions of citizens and legal entities);
- budget investment allocations;
- free and charitable contributions, donations from organisations, businesses and citizens;
- contribution into charter capital (money, IP, equipment).”

However, state funds usually have limitations on such type of investment. That is why usually there are recommendations for investors on how to properly invest into a start-up in Ukraine developed by lawyers and consulting companies. Multiple possible ways are [proposed](#) by law actors:

- *Purchase of shares or equity in charter capital.* It is one of the most popular ways of investing in start-ups in Ukraine. It doesn't increase tax liabilities for start-ups.
- *Loans agreements.* This way of investing is also popular as it is quite easy and loan agreements operate.
- *Convertible loan agreement (convertible note).* The legal framework for such kind of investments is not developed in Ukraine. Given the current regulation in Ukraine, it will look like a quasi-loan conversion, that is, to achieve the desired result, will be needed to conclude via several different agreements and use the offset as the basis for the termination of counter obligations. In particular, for joint stock companies at the regulatory level, it is possible to pay for such shares during an additional issue of shares by offsetting uniform counterclaims with the issuer if the issuer has monetary obligations to the shareholder (future shareholder). This tool is limitedly applicable in Ukraine due to different legal framework, where the freedom of agreement is still limited by the general rules, so that any additional agreements are efficient only if both parties are willing to obey them. Thus, when making their investments in local Ukrainian start-ups in this way, investors should consciously assume that, ultimately, their investment can be treated within the current legislation solely as a repayment of an ordinary interest loan.
- *Joint activity agreement.* It is rarely used due to more complicated taxation. Such agreement should be registered in state fiscal service. The results of activity, including income, IPR, assets etc., will be shared between partners.

At the same time, **tax benefits for business angels** are not provided in the country. Tax benefits are regulated by the [Tax Code of Ukraine](#) (in 2019 version). As of today, Tax Code does not foresee any preferences for business angels.

Also, there are **no co-investments** from the public funds for business angels provided in the country. In Ukraine, public funds can act strictly according to regulations defining their activities including investments. If specific type of activities (investments) is not mentioned in the regulations, it is considered as prohibited. There are no allowed by regulations co-investments from the public funds for business angels, which means that public funds are not allowed to invest into business angels.

Mapping

Business angel networks are available in Ukraine. The main business angels' networks in Ukraine include:



- [Ukrainian business angels network](#) registered as all-Ukrainian NGO. This “closed group of high net worth individuals or entities interested in financing start-ups at their early stage of development”, member of EBAN, is not active at the moment;
- [iClub](#) – venture community with limited membership established by TA Ventures investment fund;
- [Startup Network](#) – reporting 5,094 start-ups involved; 14,431 investment projects made; 3,624 loan (credit) applications submitted;
- [Individual business angels list](#) at [Angel.co](#) (78 reside in Ukraine, with average valuation \$2.5 million).

Gaps

The following gaps have been identified:

- *Convertible loan agreements (convertible permissible note) and advanced subscription agreements* as a kind of investments (i.e. provision of loans on the terms of their possible conversion into shares in the authorised capital) are limitedly applicable in Ukraine due to different legal framework.
- Tax benefits for business angels are not provided in the country.
- Co-investments from the public funds for business angels are not provided in the country.

Recommendations

❖ What?

1. **Introduce institutional capacity building for existing and proto-digital business associations** in the EaP region, to make them an integral part of the EU business community and international associations. Specifically, for business-angels, support further development of Business Angels Associations/networks, through specialised training programme for ecosystem builders and integration with international networks of investors at different stages of innovation lifecycle. Review the measures supporting business associations, networks and communities, their networking and linking with the other actors of the digital innovation ecosystem developed in topics ‘Ecosystem’ and ‘Organisational forms’ developed by the EU4Digital Facility (localisation may be required).
2. **Build the capacity of individual business angels (training and networking)** as a main tool for consolidation and increase in the success rate of Ukrainian business angels. Consider implementing the following activities:
 - a. The Guide for emerging markets ([WB, 2014](#)) provides basic instructions on BA community-building, also involving diaspora.
 - b. Best Business Angels in the country might consider becoming Accredited & Qualified Global Mentors (AQGM) of World Business Angel Investment Forum.
 - c. Further, requests for a mentorship by WBAF Mentors can be spread among the EaP start-ups.
 - d. The national translations of the draft shareholders agreements for business angels can be prepared in partnership with local lawyers (developed through open call for interest and contest) and used by the BA Association as services for local business angels.
 - e. Building communities with local and international lawyers and bridging BAs with them could become an essential service from BA Association.
 - f. Becoming the partner of an international ‘ESIL – Local leaders’ label would mean being a recognised selected organisation which develops the seed investment ecosystem.
 - g. Learning the principles and jurisdictions of applicability of convertible loan agreements (convertible permissible note), advanced subscription agreements as a kind of investments, as well as other legal aspects, for better preparation of start-ups to global market.
3. Consider introduction into a regulatory framework of the definition and rules of application of **convertible permissible notes** and **advanced subscription agreements** as specific types of investment (English law elements) for better business angel investments protection and incentives to invest.
4. **Introduce tax benefits for business angels on the country level** to foster investments into innovative businesses. Consider both income and capital gains taxation of investors. Study the possible schemes including deduction, tax exemption, tax credit, tax deferral, loss relief. [TAIEX](#) and [TWINNING](#) are the EU support tools that could be supportive in transfer of particular EU tax benefits scheme in the Eastern partner countries by consultations from representatives of the EU bodies and organisations regarding the transfer policies and tools that are already applied by them.



5. **Introduce co-investments scheme for business angels** to further facilitate business angel investments; complement it with expertise and advice from experienced international investors. This co-investment might be done by a dedicated public fund (from the state budget), or be a private-public fund, or a fund established with assistance of international financial organisations (WB, EIB, USAID). The advisory council could be sought from the EU/international BA communities.

❖ Why?

Business angels can only be successful and lead their funded companies to success if they are a part of the wide market saturated with funding opportunities at further stages of business development. In case of small domestic markets as in the EaP region, the EaP business angels need to be integrated with the wider networks of business angels (for sharing experience and driving bigger projects up to revenues and exit) and venture capital funds (up to IPO). On the national level, this is best facilitated by associations that perform targeted networking with the international community. However, such facilitation is a complex job.

The difficulty to extract the benefits from international membership is a wide-spread reason for the EaP business associations to not consider/quit the memberships. The problems are multifaceted:

- Existing practices of supporting the members in international associations are oriented at mature businesses and the historically inherited traditions of contribution of the business community to the policy framework.
- For most EaP businesses, that are mostly at the early stages of development, the capital accumulation period (orientation on internal pragmatic goals) has still not been transformed into a stage of investments into the external ecosystem.
- Thus, the services that could satisfy individual businesses in the Eastern partner countries are not normally delivered by international associations or there are limits in their delivering to businesses that are not English-speaking/oriented on international markets.
- The work on identification of such services and on developing the proper value proposition thus lays on the executive office of the EaP associations that are acting as direct members of international associations. Herewith, the financial and staff availability restrictions as well as the time needed for understanding the problem and building an organisational mechanism are the usual constrains for the EaP business associations – especially for those that are recently established around new technological trends.

Hence, specialised institutional and individual capacity building programmes with targeted support to the EaP digital business associations is needed, to make them an integral part of the EU business community and international associations. This is a necessary precondition for the dissemination of good business ethics across the EaP region as well as for intensive network-building.

Specifically, for business-angels, operating as a part of international business network is a direct means of risk-leverage and increase of investments success rate via better decision making and connection to next-stage investors.

❖ Relevant EU policy/organisation(s) (non-exhaustive list):

- [Business Angels Europe](#) (association representing more than 40,000 angel investors from the most advanced European angel ecosystems), including:
 - [Early Stage Investing Launchpad](#) (ESIL) – a Pan-European community aiming to improve angel investment market;
 - [Women Business Angels for Europe's Entrepreneurs](#) – this programme promotes and professionalises female angel investment in six countries (Belgium, France, Italy, Portugal, Spain and the UK).
- [The European Trade Association for Business Angels, Seed Funds and Early Stage Market Players](#) (EBAN) – a pan-European representative for the early stage investor gathering over 150 member organisations in more than 50 countries, including EBAN Knowledge Centre. Expertise in policy recommendations for business angels activity, their status and certification.
- [European Angels Fund](#) (EAF) is an initiative advised by European Investment Fund (EIF) which provides equity co-investments to Business Angels and other non-institutional investors for the financing of innovative companies in the form of co-investments. Expertise in samples of Co-investment framework agreements (CFAs).



- [InnovFin³ Business Angels](#) targets funds pooled by business angels or business angel co-investment funds investing into Horizon 2020-related enterprises. Expertise in samples of co-investment framework agreements) can be sourced. The possibility to apply this tool in Ukraine is to be discussed with EIB.
- Annex 4 – an overview of business angels networks, funds and online platforms.
- Annex 5 – an overview of tax reliefs for business angels and venture capital across the world.
- ❖ **Relevant counterparts in the world (non-exhaustive list):**
 - [World Business Angel Investment Forum](#) (WBAF) (international organisation), including Global FDI Club and Business school for angels to upgrade their investment skills;
 - [Enterprise Investment Scheme](#) (EIS) and [Seed Enterprise Investment Scheme](#) (SEIS), UK. Expertise in Tax incentives for business angels.
- ❖ **Potential counterpart(s) in the Eastern partner country:**
 - [Startup Network](#);
 - [iClub](#) – venture community with limited membership established by TA Ventures investment fund).

³ InnovFin Equity, managed by EIF, is part of '[InnovFin – EU Finance for Innovators](#)', an initiative launched by the European Commission and the EIB Group in the framework of [Horizon 2020](#).



10 Venture capital

Status

Policy related to venture capital investments

Investment activity in Ukraine is regulated by Laws of Ukraine '[On Investment Activity](#)'⁴ '[On the Regime of Foreign Investments](#)'⁵ '[On Collective Investment Institutions](#)'⁶ and other regulatory acts, including the Law of Ukraine 'On financial services and government regulation of financial services markets' (2002) and the Law of Ukraine 'About Securities and Stock Market' (2006). Ukraine is also a party to a number of international treaties on investment protection.

Venture capital funds are considered as a type of institutes of joint (collective) investments.

The regulation on investment funds covers the following issues:

- authorisation from a competent national body;
- independent depositary that is responsible for overseeing the fund's activities and ensuring that the fund's assets are appropriately protected;
- qualification requirements to managers;
- liability.

The regulation on investment funds partially covers the following issues:

- risk management and prudential oversight;
- clear description of their investment policy, including descriptions of the types of assets and the use of leverage;
- requirements with regard to leverage, i.e. the use of debt to finance investment; requirements to investors.

National Securities and Stock Market Commission is a competent national body responsible for regulation of investment funds activities.

There are a number of complementary regulations of the National Commission on Securities and Stock Market of Ukraine in the field:

- [regulation](#) on the procedure for placement, circulation and redemption of securities of a joint venture institute (2013);
- [regulation](#) on the procedure for registration of the issue prospectus and the issue of investment certificates of a mutual investment fund (2013);
- [regulations](#) on the procedure for termination of a mutual investment fund (2013);
- [regulations](#) on the procedure for termination of a corporate investment fund (2013);
- [regulation](#) on the procedure for conversion of securities of a joint venture institute (2013).

The amendments of the current law '[On Collective Investment Institutions](#)' and the development of the Law of Ukraine on venture financing is under discussion for more than 15 years in Ukraine. The Government Plan 2018 envisioned actions to change legislation on venture capital. In 2018, the prime minister informed that the government was developing a draft law on venture capital but the law has not been adopted yet.

Tax benefits for venture capital are partially provided in the country. Tax benefits are defined for collective investment institutions (CIIs). Thus, venture funds can get tax benefits only if they are registered according to the Law of Ukraine '[On Collective Investment Institutions](#)'. Various income from the activities of CIIs have a tax privilege:

- interest on loans that CIIs and mutual investment funds (MIFs) can provide to the fund's shareholder companies;
- rent that a mutual fund can receive if its asset is leased;
- royalty that can be transferred to CIIs if intellectual property rights are issued to the fund.

Usually, CIIs are exempted from VAT, but some operations are not (e.g. real estate renting).

4 [Law of Ukraine "On Investment Activity" No. 1560-XII dated 18 September 1991 \(the "Law on Investment Activity"\)](#)

5 [Law of Ukraine "On Collective Investment Institutions" No. 5080-VI dated 5 July 2012 \(the "Law on CII"\)](#)

6 [Law of Ukraine "On the Regime of Foreign Investments" No. 93/96-BP dated 19 March 1996](#)



Any income that accrues to the CII is exempt from taxes, as long as this money remains in the fund. Tax consequences for income tax or personal income tax occur if the fund decides on the distribution of profits between the participants, the payment of dividends and in case of liquidation of the fund (expiration of the fund).

However, part of the funds operating in Ukraine are not registered according to the Law (e.g. international funds) and thus they can't pretend to get tax benefits.

From the [Tax Code of Ukraine](#):

"57.1-1.6 Collective investment institutions are exempt from the obligation to pay advance contributions from income tax in the case of payment of dividends.

140.4. The financial result before tax is reduced:

140.4.1. for the amount of accrued income from participation in the capital of other corporate income tax payers, single tax payers and the amount of accrued income in the form of dividends payable to it in favour of other tax payers of this tax (excluding joint investment institutions and income-tax payers taxation which are exempted from income tax according to this Tax Code);

141.6. Specific features of taxation of co-investment institutions and non-state pension entities:

141.6.1. Collective investment institutions are exempted from taxation, namely: funds contributed by the founders of a corporate fund, funds and other assets attracted by participants of a joint investment, income from transactions with assets of a joint investment, income accrued on assets of a joint investment and others, income from the activities of the joint investment (interest on loans, rent (leasing) payments, royalties, etc.)".

Co-investments from public funds for venture capital are not provided in the country. In Ukraine public funds can act strictly according to regulations defining their activities including investments. If specific type of activities (investments) are not mentioned in the regulations, it is considered as prohibited. No co-investments from the public funds are allowed by regulations.

Mapping

Venture capital funds are available in Ukraine.

Among the most active funds (known ventures) are AVentures Capital, Digital Future, TA Ventures, and Horizon Capital.

The other well-known venture funds in Ukraine are Chernovetskyi Investment Group, Decarta Capital, Vostok Ventures, Detonate Ventures, Global Technology Foundation, and several small Ukrainian private funds such as Brise Capital. However, these funds don't invest directly in Ukrainian companies – they structure the deals in other jurisdictions.

Overall, Ukraine has 13 local Ukrainian VC and private equity (PE) funds investing in start-ups. Most of the funds are originated in Ukraine and backed by Ukrainian limited partners (LPs). This is an insufficient number given the size of the local start-up market. There is a huge lack of VC financing from Ukrainian side. Thus, most of the seed, Series A, and Growth capital comes from non-Ukrainian investors.

Moreover, some of these local funds in the recent years shifted strategies from early seed to late seed / Series A, making it difficult for entrepreneurs to raise early money.

[Ukrainian Venture and Private Equity Association](#) (UVCA) exists in Ukraine. It is officially registered as NGO. It has 50 members who have invested around €1,5 billion investments over eight years in Ukraine.

UVCA is **part of the international network**: it is a [member](#) of 'Invest Europe' (formerly known as European Private Equity & Venture Capital).

Gaps

Gaps can be summarised as follows:

- the regulation on investment funds needs further development with account of the EU practices;
- tax benefits for venture capital provided in the country need regular update of comparison with the other countries competing with Ukraine for venture capital;
- co-investments from public funds for venture capital are not provided in the country and are not allowed by regulations.



Recommendations

❖ What?

1. Harmonise regulation of venture capital investments in Ukraine with advanced EU legislation (UCITS, AIFM, EuVECA, EuSEF, ELTIF, PRIIPs, see description below) in order to provide a friendly and understandable environment for the EU-investors. Introduce the definition of [venture capital funds](#) and investment schemes that focus on start-ups and early stage companies to facilitate their activity and collecting statistics on venture funds activities.
2. Compare the venture investments **taxation regimes** with the other competing jurisdictions, in a framework of [Guiding principles](#) of good tax policy.
3. Consider the Ukrainian Venture Capital and Private Equity Association (as well as Ukrainian Business Angels Association) as strategic partners of the Government and facilitate their work on establishment of relations with foreign VC funds. Consider establishing of a workgroup involving both regulators and VC association specifically for elaboration of VC legal and institutional support framework (similar to workgroup on crowdfunding under the Ministry of Economy). Next, implementation of some support tools (like supervision of the venture projects in the areas of strategic national importance could be delegated to VC association as an operator).
4. Introduce the national co-investments scheme for venture capital investments strategically along with the country economic growth. In a medium-term, use the EU co-investment tools.

❖ Why?

Raising up national venture investors is a long-term task that includes providing the wealthy citizens with incentives (including trust to national regulation) to make risky investments inside the country and training the very well educated and internationally practiced venture funds managers.

The medium-term task is to attract the venture investments to Ukraine from abroad. This is needed to equip the Ukrainian start-ups with an opportunity to get bigger funding for their development while staying the residents of the country. Attraction of the foreign investors implies creation of clear and understandable rules for them, the same or better than those in their home country or in the other locations with comparable profit rate and supply of innovations.

Thus, making decision about the model regulations should of course take into account the best world practices, but herewith the terms and definitions should be understandable to those countries, from which the investors are expected to be attracted.

Venture Capital Association as well as Business Angels Association should be seen as the segments of the whole chain for funding of innovative companies. Herewith, development of business angels facilitating the business development and public risk investments in cases when the VC-preferred exit models are not desirable (i.e. strategic national interests, exits that lead to blocking of treatments methods, etc.) is important, to avoid the brain drain and businesses drain from the country (business at every stage of development should feel comfortable and find resources within the country).

❖ Relevant EU policy/organisation(s) (non-exhaustive list):

Regulations:

- The directive on [undertakings for collective investment in transferable securities](#) (UCITS) is the main European framework that allows collective investment schemes to operate freely throughout the EU on the basis of a single authorisation from one member state. The directive provides common basic rules for the authorisation, supervision, structure and activities of UCITS established in the Member States and the information that they are required to publish.
- The [alternative investment fund managers](#) (AIFM) directive covers managers of alternative investment schemes designed for professional investors. Alternative investment funds are funds that are not regulated at the EU level by the UCITS directive. They include hedge funds, private equity funds, real estate funds and a wide range of other types of institutional funds.
- The [European venture capital funds](#) (EuVECA) regulation covers a subcategory of alternative investment schemes that focus on start-ups and early stage companies.
- [Regulation on European Venture Capital Funds \(Regulation \(EU\) 2017/1991](#) of the European Parliament and of the Council of 25 October 2017 amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds.



- The [European social entrepreneurship funds](#) (EuSEF) regulation covers alternative investment schemes that focus on social enterprises. These are companies that are set up with the explicit aim to have a positive social impact and address social objectives, rather than only maximise profit. While these enterprises often receive public support, private investment via funds still remains vital to their growth.
- [New rules](#) on venture capital investment (EuVECA) and social entrepreneurship funds (EuSEF) entered into application on 1 March 2018, making it easier for fund managers of all sizes to run these funds and allowing a greater range of companies to benefit from their investments. The new rules will also make the cross-border marketing of EuVECA and EuSEF funds less costly and will simplify registration processes.
- The [European long-term investment funds](#) (ELTIF) regulation covers funds that focus on investing in various types of alternative asset classes such as infrastructure, SMEs and real assets.
- [Regulation on key information documents for packaged retail and insurance-based investment products](#) (PRIIPs) covering all types of investment funds, insurance-based investments, retail structured products, private pensions.
- Measures to facilitate cross-border distribution of funds contained in [Directive](#) and [Regulation](#) that complement and amend an existing EU legislation on collective investment funds. It is expected to increase transparency and create a single access to information on national rules related to marketing requirements and regulatory fees and charges levied by national competent authorities. The package allows for simpler exit of the host market (de-notification) and permits management companies to choose more flexible and cheaper ways of communication and provision of administrative services to investors in other Member States and create conditions for promotion of AIFs and investment strategies and seek for new investors before using the passport for marketing.
- As announced in the [renewed Industrial Policy Strategy](#), the EC is exploring to set up a complementary European Scale-Up Action for Risk Capital (ESCALAR) to enable VC funds to increase their investment capacity.

EU co-funding amplifying VC investments

- European Investment Fund, part of the [EIB Group](#), is a specialist provider of risk finance to benefit small and medium-sized enterprises (SME) across Europe. EIF shareholders are the European Investment Bank (EIB), the European Union, represented by the European Commission, and a wide range of [public and private banks and financial institutions](#). EIF carries out activities using either own resources or those provided by the European Investment Bank, the European Commission, by the EU Member States or other third parties. More than 1 million SMEs have benefited from enhanced access to finance through financial instruments managed by EIF. There is an interactive map on www.eif4smes.com that identifies all the SMEs that have received EU-support from EIF7.
- [InnovFin⁸ Venture Capital](#) targets investments into venture capital funds that provide funding to enterprises (including social enterprises) in their early stage operating in Horizon 2020 sectors. Under InnovFin VC EIF seeks to invest in first closing of the funds. It can also invest in other closings, especially if its intervention is catalytic to further fundraising. 'First-time' or 'emerging' investment teams seeking for the first-time institutional fundraising are also eligible. Through selected venture capital funds, EIF provides risk capital financing to enterprises in their seed, start-up and other early stage phases investing predominantly in their seed and series A rounds. The possibility to apply this tool in Ukraine and other Eastern partner countries is to be discussed with EIB.
- The [Pan-European venture capital fund-of-funds programme \(VentureEU\)](#) launched by the European Commission and the European Investment Fund (EIF) in April 2018. EIF seeks to invest in fund-of-funds which have wide geographical coverage of more than three countries and focus on early stage or follow balanced strategies with at least 30% early stage target allocation. VentureEU will provide new sources of financing, giving European innovators the opportunity to grow into world-leading companies. Around 1,500 start-ups and scale-ups are expected to gain access across the whole EU.

7 In Ukraine, 410 SMEs with 31,111 workplaces have received EIF funding so far, at a total cost of €149 million; in Moldova: 209 SMEs and €81 million.

8 InnovFin Equity contributes to the Pan-European Venture Capital Fund-of-Funds programme. InnovFin Equity is a successor to the early stage window of High Growth and Innovative SME facility (GIF 1) under the Competitiveness and Innovation Framework Programme (CIP) implemented in 2007-2013.



- [Polish Growth Fund of Funds](#) (PGFF) co-managed by EIF⁹ targeting at growth-focused enterprises in Poland, Central and Eastern Europe through portfolio of investments into Venture Capital, Private Equity and Mezzanine funds. EIF, as manager of PGFF, considers the opportunities of co-investments into early to growth phase SMEs alongside institutional investors which are domiciled in a Central and Eastern European country, or can consider investments into this area.
 - [Venture Capital Investment Programme](#) run by EBRD. On 27 November 2019, EBRD approved the empowerment of €30 million with the [Earlybird Digital East Fund II](#) (total project cost €150 million), designed to make equity and equity-related investments in technology-based early and growth stage micro, small and medium-sized companies in Central and South-eastern Europe, Turkey and Jordan. The fund is managed by Berlin-based venture capital firm Earlybird founded in 1997.
 - Annex 5. An overview of tax reliefs for business angels and venture capital across the world – an overview of tax reliefs for business angels and venture capital across the world;
 - Annex 6. Summaries of the regulation on venture investments – an overview of the issues covered by the EU regulations of venture capital investments;
 - Annex 7. Venture capital funds in the EU – a list of venture capital funds in the EU;
 - Annex 8. EIF-managed Fund-of Funds and Guarantee Debt funds – a list of EIF-co-managed Fund-of Funds and Guarantee Debt funds.
- ❖ [Potential counterpart\(s\) in the Eastern partner country:](#)
- National Bank of Ukraine;
 - Ukrainian Venture Capital and Private Equity Association (UVCA).

11 Fast track support for high-risk innovations

Status

Fast track support for high-risk innovations is partially available in the country.

Ukrainian government has developed the step-by-step system of innovations' financial support (announced at the end of February 2020). State financial institutions are created to support innovations at different stages: from inventions to start-ups. There are several newly established state funds to support commercialisation of inventions and start-ups ([Ukrainian StartUp Fund](#), [Inventors' Support Fund](#), [National Research Foundation](#)). The duration of review process is 3-6 months in average that is comparable with grants, e.g. in H2020. StartUp fund acts even quicker – applicants submitted proposal in January 2020 were invited to the pitch session already in March. Start-ups are eligible to receive from \$25,000 to \$75,000.

Support for high-risk innovations in Ukraine could be considered as fast track considering its development almost from scratch, but there is space for further development both in size of funds (to compare, Fast Track to Innovation in EIC Pilot may award grants up to EUR 3 million), and the speed of applications' consideration. Also, the newly established funds lack managerial experience; pools of experts are still in the process of formation.

Gaps

Even though several organisations are taking actions to provide the fast track support for high-risk innovations, the following gaps can be identified:

- The size of funding available is rather small, especially for establishing a high-tech business. Limited financial resources for such support remain the biggest challenge, it means that prioritisation and clear criteria of support play crucial role.
- Application procedure for grants can be further improved by integration of additional channels of application data submission and processing.
- Fast track EU funding for innovations to which Ukraine is eligible (like FTI), is not sufficiently promoted to start-ups.

¹¹ EIF is advising, sponsoring or managing a number of equity Funds-of-Funds and guarantee/debt funds on behalf of third-party investors, including national and regional governments as well as private strategic investors. The objective is to support EU policy objectives and provide a wide choice of financial solutions tailored to complement existing national schemes to support SMEs.



Recommendations

❖ What?

1. Integrate data about available sources of funding from different sources and develop channels of its gathering, for SMEs easy access.
2. Launch additional online channels via internet banking for fast track support for high-risk innovations and social innovations (application to be submitted online with banks being the channels providing passport and credit risk information about clients and a centralised decision being made within a few days by a team of innovation of fund managers).
3. Use wider the available EU tools (EIC pilot tools as Pathfinder, Accelerator, FTI), promote them by ecosystem actors, and study their scheme of decision making.

❖ Why?

In a digital economy, new ideas need to have the opportunity of very fast approbation on the market. The ideas are spreading instantly across Internet and those who launch a reliable service faster may become the global winners just due to a network effect. In such circumstances, the global leaders are often not those companies who build long, but those who move faster. This is true also for big scale digital solutions which become the global standard because they have been the newcomers. Financial resources for such cases need to be open immediately; a 9-month project contest, which is a conservative procedure in many programmes, is an extremely unsatisfactory pipeline for digital innovations.

❖ Relevant EU policy/organisation(s) (non-exhaustive list):

- [Enhanced European Innovation Council \(EIC\)](#) pilot is available to innovators from all EU Member States, [countries associated to the EU Horizon 2020 programme](#), and to innovators from all parts of the world who establish their activities in Europe. The EIC pilot 2019-2020 phase disposes of over €2 billion funding covering the innovation chain via its tools:
 - 'Pathfinder' projects to support creating novel breakthrough technologies from the research base.
 - 'Accelerator' funding to support start-ups and SMEs develop and scale up innovations to the stage where they can attract private investment (open in June). Under 'accelerator' funding companies are able to access blended financing (grants and equity) of up to €15 million.
 - Fast Track to Innovation (FTI).
 - Horizon Prizes.
- [The Fast Track to Innovation \(FTI\)](#) is a fully-bottom-up innovation support programme promoting close-to-the-market innovation activities open to industry-driven consortia that can be composed of all types of participants for close-to-market innovation activities in any area of technology or application. It can help partners to co-create and test breakthrough products, services or business processes that have the potential to revolutionise existing or create entirely new markets. A maximum EU contribution FTI is €3 million per proposal with time-to-grant (from the cut-off to the signature of the grant) of around six months.
- [The Social Impact Accelerator \(SIA\)](#) is the first pan-European public-private partnership addressing the growing need for availability of equity finance to support social enterprises. In the context of the SIA, a social enterprise shall be a self-sustainable SME business model of which serves to achieve a social impact. It shall provide an entrepreneurial solution to a societal issue based on a scalable approach and shall have a measurable impact.

❖ Potential counterpart(s) in the Eastern partner country:

- [Ukrainian StartUp Fund](#);
- [State Finance Institution for Innovations](#);
- [Fund for Invention Support](#);
- [Ukrainian Social Venture Fund](#);
- [GoFundEd](#);
- [Western NIS Enterprise Fund](#).

12 Funding of digital transformation of traditional enterprises for the range of areas

Status

When studying the existing sources of funding for digital transformation, the spectrum of funds available in Ukraine for technological modernisation, innovations, business development, etc. has been considered. The analysis revealed that the available funding is not tailored to cover the needs of digital transformation in Ukraine.

The Ministry of Digital Transformation did not plan to establish any funds as of March 2020. The plans included to create consulting zones for entrepreneurs, that will signpost entrepreneur to relevant institutions (including those providing funding).

Banking financing is available to companies, but it is not adjusted specifically for funding digital transformation.

Table 2. Funding available in Ukraine to companies

Financial Intermediaries	Type of finance	Amount of finance	Investment focus	Sources of finance
Megabank Public Joint Stock Company (APEX Loan)	Loan/ Guarantee	> €25,000 < €7,500,000	All sectors/general, research, development, innovation	EIB
ProCredit Bank JSC	Loan/ Guarantee	> €25,000 < €7,500,000	All sectors/general, research, development, innovation	EIB
UkrGasbank Public Joint Stock Company (APEX Loan)	Loan/ Guarantee	> €25,000 < €7,500,000	All sectors/general, research, development, innovation	EIB
State Savings Bank of Ukraine JSC (Oschadbank)	Loan/ Guarantee	> €25,000 < €7,500,000	All sectors/general, research, development, innovation	EIB
State Export-Import Bank of Ukraine	Loan/ Guarantee	> €25,000 < €7,500,000	All sectors/general, research, development, innovation	EIB
West Finance and Credit Bank Public Joint Stock Company (APEX Loan)	Loan/ Guarantee	> €25,000 < €7,500,000	All sectors/general, research, development, innovation	EIB
ProCredit	Loan/ Guarantee	> €25,000 < €7,500,000	All sectors/general, research, development, innovation	InnovFin

Source: Data from [Your Europe](#)

In case of private investments including business angels and venture capital, it is not possible to track distribution of funding across the components of digital transformation process.

Gaps

While the largest corporates in Ukraine initiated pilots on innovation and digitalisation of their activities via own investments (like [MHP](#), [Dtek](#), [Ukrainian Railways](#), etc.), there is still a big gap in access to finance to cover the needs of SMEs in traditional industries for a scope of activities needed for digital transformation.

Recommendations

❖ What?

1. Consider using the approach applied by COSME Loan Guarantee Facility as well as country-level approaches (including classification of activities and rules of allocating loans) when developing the framework for financing the digital transformation. In particular, the following areas of digital transformation are to be covered:
 - a. Internal processes: the digitalisation of existing business processes leading to significant improvements of the processes.
 - b. Supply chain management: e.g. in terms of interaction with suppliers, inventory management, and participation in integrated supply chains of larger businesses.



- c. Product/service innovations: making use of or by integrating digital technologies into products and services and/or leading to the development of products and services which are new to the business.
 - d. Customer relationships: enhancing the marketing, customer experience, delivery of products and service to customers.
 - e. Business development: preparing the business to expand into new markets in terms of geography and/or in terms of target customers.
 - f. Innovative business models: enabling the business to develop new business models, e.g. servitisation (adding services to products or even replacing a product with a service).
 - g. Security: improving the digital security of business, notably against cyberattacks.
 - h. Digital skills and training: supporting the training of employees and/or management in digital technologies.
2. Introduce co-piloting and co-financing of digital transformation cases with the EU enterprises in the common industry.

❖ Why?

Digital transformation is differing from informatisation because it implies systemic changes, including the revision of a business model because this is enabled by new technologies. A systemic approach to digital transformation is much more cost-efficient than sporadic introduction of new technological tools. All the changes consume time, expertise and hence resources. For traditional industries that are far away from IT this expertise is very rare. Thus, public and private financial support for digital transformation should be per se structured in the way helping the traditional enterprises to understand, that they need to take care not only about the, for example, CRM introduction, but also about, for example, cybersecurity and supply chain management.

❖ Relevant EU policy/organisation(s) (non-exhaustive list):

- [COSME Loan Guarantee Facility \(LGF\)](#) within [COSME \(2014-2020\)](#) (the EU programme to raise SME competitiveness) supports the financing of digital transformation projects by SMEs in all sectors of the economy, regardless of their current level of digitalisation. SMEs from [COSME Associated Countries](#), including Moldova, Armenia and Ukraine are eligible. For Georgia and Belarus, the possibility of extension is to be negotiated.
- On the country level of the EU countries, the examples of Germany and Spain¹⁰ are recommended to be studied in detail when developing the financial support mechanisms for digitalising industry.

❖ Potential counterpart(s) in the Eastern partner country:

- Ministry of Digital Transformation of Ukraine;
- Platform Industry 4.0 Ukraine.

13 Training opportunities and decision-making tools within the country

Status

Training opportunities for **start-ups and companies wishing to attract venture funding** are available in Ukraine.

There are a number of international and national institutions and platforms, like [Unit City](#), [StartupGrind](#), [EO](#) business incubators, Start-up breakthrough of [Tech StartUp School](#), providing training for start-ups and companies wishing to attract venture funding.

However, there are no specialised trainings for **business angels, venture capitalists, venture fund managers**. Knowledge circulation is mainly provided by networks of business angels or during events, like [UNIT Investment Summit](#) – a conference for investors, venture funds, business angels, internet entrepreneurs, start-ups, ecosystem leaders, and IT professionals from over 10 countries in Central and Eastern Europe and Ukraine.

¹⁰ Monitoring progress in national initiatives on digitising industry. Country report: Spain. – EC, 2019. https://ec.europa.eu/information_society/newsroom/image/document/2019-32/country_report_-_spain_-_final_2019_0D31CE69-E569-D4F3-80FD117CBBD43C8D_61222.pdf



Another venue for knowledge-building and decision-making around innovation ecosystem actors is the initiative on joint development and implementation of the innovation agenda of the country ([Digital Innovation Hub](#)), that started in December 2019 with support of three ministries: Ministry of Education and Science, Ministry of Economy and Ministry of Digital Transformation. Weekly meetings are set to maintain the communication platform for government bodies, innovation and technology players – corporates, entrepreneurs, scholars and scientists, students and start-ups across the country. It already engaged over 30 universities, 20 corporations and big businesses to discuss and develop the innovation agenda for the state government. It also serves for matching investors with innovators for the big-scale solutions. The need for a technological platform maintaining further collaboration and decision-making has been emphasised by the operator.

Gaps

The following gaps can be summarised:

- There are no specialised trainings for business angels, venture capitalists, venture fund managers.
- Decision-making tools for business angels, venture capitalists, venture fund managers as well as for government bodies, innovation and technology players including corporates, entrepreneurs are lacking.

Recommendations

❖ What?

1. Implement further national training programmes for start-ups and companies wishing to attract business angel and venture funding as well as alternative funding (crowdfunding, ICO) in local language explaining the specifics of operation needed in case of such funding attraction and specifics of exit scheme.
2. Introduce national training programmes for business angels, venture capitalists, venture fund managers, link them to diverse training programmes across the world and include an intensive practical component. Provide various channels and forms of trainings.
3. Consider using specialised decision-making tools for business angels, venture capitalists, venture fund managers (for example, [InnoRate](#) project).
4. Maintain the decision-making tool for developing and implementation the innovation agenda of the country:
 - a. communication platform for government bodies, innovation and technology players – corporates, entrepreneurs, scholars and scientists, students and start-ups across the country;
 - b. online matchmaking platform to resolve challenges of Ukrainian corporates through start-up solutions and commercialisation of R&D, like Science2Business.

❖ Why?

Though general principles of business relations among start-ups and early stage risk investors are common, important knowledge for both sides are the knowledge of local markets (their legislation, institutional specifics, demand trends, etc.) and knowledge of specific sectors (logistics, healthcare, finances, etc.), which become the critical factors of business success. That is why venture money should also come together with the knowledge of the market. Hence, for enabling a wide international stage for start-ups from small countries, national training programmes should be linked to diverse training programmes across the world.

Besides, training opportunities should be provided through multiple channels, enabling the remote training.

❖ Relevant EU organisations (non-exhaustive list):

- [Altfinator](#). This course introduces the key models and approaches related to raising finance from sources alternative to bank lending (crowdfunding, invoice trading, venture capital, business angels, fintech platforms).
- [European Business Angels Network \(EBAN\) Knowledge Centre](#). Since its inception, EBAN always dedicated its efforts to providing first class documentations, resources, statistics, and many more papers to its members. The robustness and the credibility of these documents were built on several years of experience and expertise in the early stage investing market. Thanks to this, EBAN could assemble a combination of the most important tools needed when it comes to investing, informing, coaching or training about Business Angels, Start-ups, SMEs and the early-stage investors.



- [ESIL](#) (Early stage investing Launchpad). The ESIL community on EuroQuity aims to gather individual investors, Business Angels, Business Angels Networks, Federation of Business Angels, crowdfunding platforms and early stage VCs. The ESIL community members have access to a dedicated set of added value services, including:
 - open days country by country to facilitate collaboration, relationships with policy makers and syndication;
 - webinars, reverse pitches and online conferences dedicated to experience sharing between BAs to increase cross-border investments;
 - trainings based on market development stages and level of angel readiness.
- [Startup Ecosystem EU](#) provides coaching for business executives teaching them into the appropriate operating models for venture funding and helping them to prepare themselves and the business to the dialogue and relations with these types of investors.
- Horizon 2020 project '[INNOSUP-09-2018 – Design and development of a tool to support and improve the decision making process of investors for financing high-growth potential innovative SMEs](#)' (end date – 31 December 2021). [InnoRate](#) project will deploy “a trusted, objective and recognised service platform across the EU and AC” including the package of digitally enabled decision support tools and services provided through the platform (based on semantic technology and existing data sources).
- ❖ **Relevant counterparts in the world (non-exhaustive list):**
 - [World Business Angel Investment Forum Business School](#). As a global organisation, the World Business Angels Investment Forum is bringing together key players of the equity market to discuss the benefits of and the challenges to the angel investment community's achieving successful growth for their businesses and to discuss what more can be done to connect the early-stage market ecosystem.
 - [WBAF Business School](#) helps investors to study the best practices of negotiating deals for early-stage investment. It offers a variety of training programmes, educational webinars and certification programmes through 48 international faculty members from 26 countries with a successful international entrepreneurial background. WBAF Business School offers Certification of Qualifications 'QBAC+ Angel Investor Course & Bootcamp. It also delivers the world's only proficiency test for angel investors 'Proficiency Test for Angel Investors'.
 - [Global Mentors Club](#) established in 2019 by the World Business Angels Investment Forum to support start-ups and to accredit qualified entrepreneurs and investors as qualified mentors.
 - [Venture University](#) (USA). Admission is open to experienced professionals, angel investors, family offices, new fund managers, founders and entrepreneurs, current and recent undergraduates and graduate students, with a preference for those that have evidence of extraordinary abilities and a track record of exceptional achievement.
- ❖ **Potential stakeholders in the Eastern partner country:**
 - training for start-ups and companies wishing to attract venture funding: [Unit City](#), [StartupGrind](#), [EO](#);
 - trainings for business angels, venture capitalists, venture fund managers: business associations;
 - decision-making tools for innovation agenda: Ministry of Education and Science; Ministry of Digital Transformation.

14 Information and advisory support available to SMEs seeking for financing digital innovations

Status

Online freely accessible databases of existing funding sources, listing financial sources are available to the country residents from various organisations.

Case 1. SMEDO: portal for entrepreneurs

[Portal for entrepreneurs](#) developed by SME development office (SMEDO), advisory body affiliated to Ministry of development of economy, trade and agriculture.

The portal is the platform providing access to integrated information on:

- the legislative framework;



- the best financial instruments;
- support educational and coaching programmes;
- institutions providing consulting services and assistance;
- other support programmes for SMEs at the state level.

The goal of portal creation is providing access to information on opportunities for creating, developing, and supporting the small and medium entrepreneurship in Ukraine. Tasks and activities:

- to change the perception that opening and running of the entrepreneurship is complicated in Ukraine;
- to encourage Ukrainians to set up, develop and grow their own businesses;
- to increase SMEs' awareness of opportunities and SMEs support programmes in Ukraine;
- to strengthen the advocacy of SMEs.

SME Web Portal is to develop:

- entrepreneurship culture;
- business standards;
- environment to form skills;
- dialogue between the state and entrepreneurs.

Target audience:

- entrepreneurs;
- start-ups (beginners);
- business associations and business support organisations;
- regional/local authorities.

The main challenges for the platform – its poor promotion, insufficiently user-friendly format of presenting information on possible support for SMEs.

Case 2. EBRD: Merezha

[Merezha](#) (which means 'chain' in Ukraine), is a digital platform aimed at providing different business expertise for SMEs, start-ups, new businesses. It was created by EBRD with the support of EU4Business.

At this platform, Ukrainian SMEs are able to register online and have instant access to registered experts, case studies, business solutions library and useful data necessary for their planning and development activity. It is expected that Merezha will attract up to 30,000 visitors monthly.

Experts and business support organisations are expected to provide services to SMEs via this platform where they will have the possibility to submit case studies of successfully implemented projects, the description of their services and other relevant information. Ukrainian businesses will be able to select the right experts for their purposes applying necessary filters and browsing through the database of registered consultants. The platform will offer an 'Ask the Expert' section, which will streamline the communication between experts and SMEs seeking support and advice. There will be a special analytical tool open to all users designed to monitor typical business problems and their solutions patterns, which among other things will help develop new SME support products. It is expected that during the next development stage, due in the second quarter of 2020, the registration will be open for other market players, such as business associations, accelerators, grants providers and others.

The main challenges for this platform are that they can be useful primarily for enterprises with relatively high level of development, not for microbusinesses and start-ups.

Case 3. U-LEAD Regional Development Financial Instruments Database

[U-LEAD Regional Development Financial Instruments Database](#) was developed within U-LEAD project.

This database is a free open source resource for use by regional and local government in Ukraine as well as by businesses, civil society organisations and NGOs working in Ukraine at regional and local level. The database contains information published in the public domain by sources of finance that can potentially be used to develop projects at regional and local level. It contains the information that provided by the finance sources themselves, but in a standardised format to make comparison easier.

The sources covered include government agencies of Ukraine, the EU Member States, other national states, multilateral financial institutions and other financial institutions, including investment funds.

The database includes debt (credit), equity (participation in ownership of the business), leasing and grants and other sources.



The main challenges for this database are the insufficiently user-friendly format and no resources to maintain the database due to ULEAD being at the transition period. Integration of the database with SMEDO [Portal for entrepreneurs](#) is under negotiations.

Case 4. Ministry of Digital Transformation: Diia.Business

On 28 February 2020, the Ministry of Digital Transformation of Ukraine launched the national online platform for entrepreneurs 'Diia. Business' (in test mode). [Diia. Business](#) is a large-scale national enterprise development project, acting as a one-stop shop platform for SMEs. The platform is designed for entrepreneurs to find the information they need to start and run a business on a single portal.

The platform is useful for Ukrainians who are just planning to start their own businesses, existing entrepreneurs, and anyone who needs professional help from business consultants.

The project has two components: online and offline.

The offline component involves the opening of support centres and hubs for entrepreneurs – small and medium business support consulting centres. The first consulting centre opened in Kharkiv at the end of May 2020.

Before launching the online platform, the Ministry conducted an online survey of entrepreneurs, collected key business pain points, conducted design-thinking sessions with experts and found constructive solutions for entrepreneurs.

A handbook for SMEs, directory of business ideas, templates of the necessary legal documents for starting a business, services and support programmes for business, success stories of Ukrainian entrepreneurs are already available on the online platform for entrepreneurs 'Diia. Business'.

'Diia. Business' now includes:

- 214 useful services for SMEs;
- 46 cases from entrepreneurs and experts for SMEs;
- 94 business ideas for creating a business with interactive tests and required documents;
- 246 useful articles in the entrepreneur's handbook in 19 different directions;
- 142 banking programmes in 27 different directions collected in a separate section;
- 24 grant support programmes, etc.

A new option will soon be available on the platform: entrepreneurs will be able to consult online through video. Consultations on the systematisation of business processes, financial management, HR, marketing, sales, legal support, grants, cybersecurity will be available on the portal.

Platform 'Diia. Business' will be actively developed in 2020 and include new features and services for SMEs. Also, 'Diia. Business' is part of the Diia ecosystem. On the Diia, entrepreneurs can conveniently apply online to open a business, change their information, or close a business in a few minutes.

The main challenge for the platform is that it overlaps with SMEDO portal. Thus, both [sme.gov.ua](#) and [business.diia.gov.ua](#) serve as unified platforms for entrepreneurs.

Gaps

Although the platforms that can serve as unified platforms for entrepreneurs ([sme.gov.ua](#) and [business.diia.gov.ua](#)) are in place, their content overlaps, which may disorient SMEs. Coordination of their efforts and awareness raising among SMEs about their specific opportunities would be useful.

Recommendations

❖ What?

1. Accommodate the opportunities of the existing platforms and discuss the opportunities of joining and expanding their functionalities, preferably at one stop shop, or as complementary resources dynamically linked via open API and referring to complementary opportunities of each other. In particular, accommodate the list of financial sources available to the country to residents from various organisations in an online freely accessible database, and outfit it with a guide/wizard assisting SMEs to select the funding relevant for the organisation, usage case and innovation lifecycle stage.
2. Join the existing matchmaking platforms with a big scale connecting finance-seeking SMEs with investors and lenders beyond the traditional banking system.
3. Study the innovative approaches on matching companies seeking for funding with risk and alternative funding and consider their possible transfer on the national level.



❖ Why?

With a growing variety of funding sources that are coming to Ukraine, especially coming from private and international financial organisations, the availability of one reliable source accumulating the necessary information about funding possibilities available to the country residents from various organisations is a necessary economic instrument. The necessary characteristics of them are:

- online format;
- free accessibility for those looking for funding;
- searchable database (possibility to modify the list depending on the customers' conditions);
- regular updates (best automatically via APIs with information systems of funding providers).

In the EU practice, the portals focused on publicly supported funding schemes, instruments and vehicles are managed by public bodies, such as promotional and development banks (KfW in Germany, AWS in Austria, BBB in the UK, etc.), state agencies for SMEs (IAPMEI in Portugal, Malta Enterprise in Malta, TEKES in Finland, etc.) or other similar structures (for example, the Local Enterprise Offices in Ireland). They are usually administered by promotional and development banks, in some cases in co-operation with partners from the private sector. There are also some state-supported portals that present an overview of all financing products supported by national public funding programmes (like <http://foerderdatenbank.de/> and <http://www.aides-entreprises.fr/>).

Another good practice is a platform allowing the comparison of bank credits and funding opportunities. The costs of developing and maintaining such a platform easily outweigh the costs of hundreds of thousands of SMEs and start-ups who spend dozens of hours looking for a suitable funding opportunity and even more in order to understand where they are applicable and how to prepare the necessary documentation (transaction costs that impact the time-to-market and final price of goods and the international competitiveness of the companies). Hence, such database can be considered a public good that is eligible for funding from public sources. However, in a vibrant market with intensive monetary flows such platform can even become a profitable business case (i.e. covering the operational costs by advertisements or (micro)payments flow generated by the built-in services). Given the high economic impact of such platform, the capital investments of building such a digital platform might be covered through PPP co-investments.

The portals focused on alternative funding sources provided by the private sector are mostly managed by entities representing the private sector.

Since the effectiveness of matchmaking platforms that connect finance-seeking SMEs with investors and lenders beyond the traditional banking system increases with scale, for small markets of the Eastern partner countries the strategic direction would be to become adjoined to the existing platforms with a big scale.

❖ Relevant EU practices (non-exhaustive list):

- Examples of databases of funding sources:
 - The [Irish Government's Supporting SMEs Online Tool](#) provides an interactive easy-to-use online guide on state support.
 - The web portal developed by [Enterprise Ireland](#) provides information on the different publicly supported programmes and funding schemes. It allows companies to select the range of funding supports that best reflects their stage of development and specific funding needs (i.e. high-potential start-ups, SMEs or large companies).
 - [EIC wizard](#) run by the European Innovation Council Pilot assists in identification of the relevant funding for different types of stakeholders.
 - The [Finance Desk](#) developed by the Netherlands Chamber of Commerce is an online platform for first-line support on finance.
- Matchmaking platforms connecting finance-seeking SMEs with investors and lenders:
 - [Access2finance portal](#) of Your Europe provides up-to-date information on how businesses can access the EU financial instruments from various EU programmes in each country and language (search is also possible for Ukraine and Moldova).
 - [EuroQuity](#) is a web platform aimed at matchmaking developing companies with investors and other potential partners for their growth (advisors, technological partners, etc.). Its goal is to gradually move into other countries each time a major public operator is available to lead it, which is a clear recommendation for consideration by the Eastern partner countries.
 - A Horizon 2020-funded EU project [Altfinator](#) offers the services both for financial providers and SMEs improving their understanding and access to different types of funding through a



[matchmaking tool](#). Additionally, the project offers a [Credit data tool](#), listing “all available open and limited access sources that are providing detailed financial and credit information of registered enterprises in European countries”. For the Eastern partner countries, the following tools are available: [Amadeus](#); [Crunchbase](#); [Kompass](#); [European Business Register \(EBR\)](#); [EU Insolvency Registry](#)¹¹. These opportunities are recommended to be widely promoted across the Eastern partner countries.

❖ **Relevant practice in the world (non-exhaustive):**

- Matching companies seeking for funding with risk and alternative funding:
 - The UK government adopted the [Small and Medium-Sized Business \(Finance Platforms\) Regulations \(2015\)](#) which provide for the establishment of private sector finance platforms, designated to match SMEs to a range of finance providers, both traditional and alternative. From 2016, the UK’s biggest SME lending banks (by market share and geographical coverage) are obliged to offer to SMEs rejected for finance the opportunity for their details to be referred to these designated platforms (upon agreement from the applicants). Once information is referred to finance platforms, SMEs are no longer required to actively search for finance alternatives yet keeping control of the process via consent requirements: further initiative rests with the finance platform and its lenders. This helps SMEs to mitigate their lack of experience in the funding market or in approaching alternative finance providers and lack of time and effort in finance options.

❖ **Potential counterpart in the Eastern partner country:**

- National Bank of Ukraine.

¹¹ Ukraine has listed a number of national databases, including: BizBase; Complex information system (CIS) of the State Commission for Regulation of Financial Services Markets in Ukraine; Service of the State fiscal service of Ukraine ‘Business Partner’; Stock market infrastructure development agency of Ukraine (SMIDA); Stockmarket; The ICAEW Library & Information Service; Transferta (First national transfer pricing database); UA region; Ukrainian Credit Bureau (‘Ukrayins’ke Kredytne Byuro’, ‘Byuro Kredytnykh Istoriy’); YouControl; Zvitnist.



Annex 1. List of organisations and experts consulted during verification process

Organisations	Experts
Ministry of Digital Transformation of Ukraine	Deputy Minister
Ministry of Digital Transformation of Ukraine	Head of the Expert Group on Euro integration
Ministry of Economic Development, Trade and Agriculture of Ukraine	Deputy Minister
Ministry of Education and Science of Ukraine	Director of the Directorate for innovation and technology transfer
National Bank of Ukraine	Director of the Department for Financial Sustainability
Project 'The EU financial sector as a driving force for sustainable development'	Expert
Institute for Economic Research and Policy Consulting	Leading expert
Civitta Ukraine	Associate Partner, expert on innovation financing
Synergy Development Consulting	Founder and CEO
Ukrainian Social Venture Fund	Co-founder
Institute of Economy and Forecasting of NASU	Leading Researcher
Centre of Innovations	Director
UNIT City	CEO
Agency of European Innovations	President
SME Development Office under the Ministry of Economic Development, Trade and Agriculture of Ukraine	Advisor on Access to Finance
FORBIZ EU4Business	Senior SME Policy Advisor
German-Ukrainian Fund	Acting Head of Department for Investment Consulting and Asset Management
Start-up Fund	Director
Reform support team under the Ministry of Economic Development, Trade and Agriculture of Ukraine	Senior expert Business Environment Lawyer



Annex 2. List of stakeholders/actors

Institutional framework of the ecosystem	
Governmental agencies	
1	Ministry of Digital Transformation of Ukraine
2	Ministry for Development of Economy, Trade and Agriculture of Ukraine
3	Ministry of Education and Science of Ukraine
4	National Bank of Ukraine
5	State Agency of Ukraine for e-governance
6	Hi-Tech Office Ukraine
7	The State Finance Institution for Innovations (SFII)
8	State Service of Intellectual Property of Ukraine
Centres of competence	
Universities	
1	State University of Telecommunications
2	Taras Shevchenko Kyiv national university
3	National Technical University of Ukraine "Igor Sikorsky Kyiv Polytechnic Institute"
4	National Aviation University
5	National University of 'Kyiv-Mohyla Academy'
6	Sumy State University
7	V. N. Karazin Kharkiv National University
8	Kharkiv National University of Radio Electronics
9	National Aerospace University named after M. Y. Zhukovsky 'Kharkiv Aviation Institute'
10	Ivan Franko National University of Lviv
11	Oles Honchar Dnipropetrovsk National University
12	National Technical University 'Kharkiv Polytechnic Institute'
13	Lviv Polytechnic National University
14	Odessa National Polytechnic University
15	Vinnitsia National Technical University
ICT training centres	
1	UNIT.Factory
2	Beetroot Academy
3	KmBS 'CREATING A GLOBAL IT-STARTUP'
4	STEP Computer Academy
5	ITEA (IT Education Academy)
6	CyberBionic Systematics
7	Source IT
8	GoIT
9	Web Academy



10	Prog.Kiev.Ua
11	Brain Academy
12	QALight
13	Lviv IT School (LITS)
14	Telesens Academy
15	PHP Academy
16	Spalah IT School
17	QATestLab Training Center
18	Hillel
19	Luxoft Training
20	U-Rise
21	IT Labs
22	ITBursa
23	Logos IT Academy
24	EPAM, Training Centre
25	CodeFire
26	QA Start Up
27	BIONIC School
28	NetCracker Technology, Educational centre, NTU KPI
29	GURU IT School
30	SkillsUp
31	StartIT
32	Soft Training Club
33	EasyIT
34	Fabrika, IT courses
35	Projector. School of Design & Development
#	Framework for launching and development of businesses
High-tech parks	
1	Science park 'Kyivska Polytechnika'
2	UNIT.City
3	Science Park of Kyiv Taras Shevchenko University
4	Science Park of Kyiv National Economic University
Fab labs	
1	IoT Hub
2	FabLab Fabricator
3	IZOLAB
4	ProtoRoboLab
5	HackLab
6	IoT Lab



Incubators	
1	1991 Open Data Incubator
2	IT Launchpad Business Incubator
3	Continuum
4	InnovationBox
5	SYWORKS
6	IQspace Business Accelerator
Accelerators	
1	IoT Hub
2	GrowthUP
3	Happy Farm
4	EY Start-up Accelerator
5	Startup depot
6	Wannabiz
7	Ihub Network
8	Carrot
9	StartupUkraine
10	NDI Foundation
11	Reactor
12	INTECRATOR
13	Sectro X
Crowdfunding Platforms	
1	Big Idea
2	Startup.UA
3	GoFundEd
4	KUB
Network of Business Angels	
1	UAngel
2	Ukrainian Venture Capital and Private Equity Association (UVCA)
3	Association 'Private Investors of Ukraine'
4	iClub
Venture Capital Funds	
1	GrowthUP+
2	WannaBiz
3	Aventures Capital
4	Ukrainian StartUp Fund
5	Fund for Invention Support
6	Concorde Capital
7	Detonate Ventures



8	Digital Future
9	ES Ventures
10	Fison
11	Imperious Group
12	Intergum Ventures
13	Magnetic One Ventures
14	Noosphere Ventures Partners
15	SMRK VC Fund
16	TA Ventures
17	SYWORKS
18	Vostok Ventures
19	Chernovetskyi Investment Group
20	Uventures
21	Horizon Capital
22	Almaz Capital
23	Imperios Group
24	Ukrainian Social Venture Fund
Corporate Venture Capital	
1	Ventures
2	Intel Capital
3	HP Tech Ventures
4	DTEK
Digital Innovation hubs	
1	Ukrainian Venture Hub
2	IHUB
3	Sikorsky Challenge
4	iCity Kyiv
5	Radar Tech
6	Kyiv Smart City Hub
7	Hub Laboratory Internet of Things
8	Blockchain Hub Kyiv
Business associations	
1	KyivITCluster
2	Association of IT enterprises of Ukraine
3	ITUkraine
4	Ukrainian Association for Innovation Development (UAID)
5	HI-TECH CLUSTER
6	EBA IT Committee
7	Digital Ukraine



8	AgTech Ukraine
9	Vinnytsia IT-cluster
10	IT Dnipro community
11	KONOTOP IT CLUSTER
12	Odesa IT cluster
13	Lutsk IT cluster
14	Cherkassy IT cluster
15	IT Cluster Ivano-Frankivsk
16	Kharkiv-IT
17	Lviv IT Cluster
18	Association of enterprises 'Ukrainian Network Information Centre' (UANIC)



Annex 3. Recommendations of ESBG on the regulatory sandboxes implementation

“Selection criteria. As a prerequisite, regulatory sandboxes should be open to every kind of FinTech firms, including not only newly founded financial institutions, but also incumbent institutions and technology providers, given the importance of cooperation among established firms and financial start-ups.

However, access to sandboxes provides participating firms with a potential advantage compared to those that develop the same innovation outside the sandbox. These advantages can be of both an operational nature (e.g. less time required from innovation to market, lower costs, accelerated authorisation processes, etc.), as well as of regulatory nature (e.g., a more proportionate treatment by supervisors, deposit insurance, consumer protection measures). The sandbox approach therefore carries a potential risk to undermine the level playing field.

In the light of the above, the selection criteria for sandboxes are a topic that needs to undergo a thorough discussion involving firms and authorities at the EU level.

ESBG’s suggestions for the sandbox selection process:

- Supervisors should be entitled to identify and select innovative projects. Selection process should have as an object the type of innovation to be tested, and not the type of innovator; for instance, a call for tender on a specific innovation could be organised to allow several actors to take part on a voluntary basis.
- As the regulator could use the result of a sandbox test as inspiration for new regulatory rules, it would be important to have many actors involved in a test order to grant market representativeness and not to ground regulatory reforms on outcomes given by only one type of actor.
- Sandboxes should involve European regulators, as there is a risk that regulatory reforms based mainly on inputs coming from markets outside the EU (as in the case of the so-called ‘global sandbox’) will not take into account the specific issues of the Single Market. The ‘global sandbox’ proposal came during early 2018 from the UK Financial Conduct Authority – FCA – and the Global Financial Innovators Network – known as ‘GFIN12’. A network of currently 29 organisations supporting financial innovation was built on it.
- An innovator using the sandbox space test should bear in full the financial risk of the test, in order to ensure consumer protection.

Framework for participants. Once the selection process is completed, a protocol has to be signed by the firm. The protocol will be flexible in determining an ad hoc instrument, the scope of the project, the planning, guarantees, responsibilities and other specific conditions of each test or set of tests.

Transparency and confidentiality of the results. Innovation is a major tool of competition and innovations are usually kept confidential before market launches. Nevertheless, as there are several advantages to be part of a test within a sandbox and to ensure a level playing field with those outside the sandbox, transparency on the results of the test should be ensured.”

Source: ESBG’s white paper on innovation facilitators ([ESBG, 2019](#))

¹² The [GFIN](#) has the tasks of ‘act(ing) as a network of regulators to collaborate and shar(ing) experience of innovation in respective markets, including emerging technologies and business models; provid(ing) a forum for joint policy work and discussions; and provid(ing) firms with an environment in which to trial cross-border solutions. It was formally launched in January 2019 by an international group of financial regulators and related organisations, including the Dubai Financial Services Authority (DFSA)’.



Annex 4. Business angels networks, funds and online platforms¹³

[World Business Angels Association](#) was founded by 12 leaders of federations of business angel networks around the world. The idea is to create the first international community of business angel networks and leaders for the promotion of innovation and entrepreneurship through the financing of high growth start-up companies with the support of Business Angels worldwide.

- [AEBAN](#) (SPAIN) represents 26 Spanish business angels networks with over 1,000 members.
- [BAND \(Business Angel Netzwerk Deutschland\)](#) – German Angel Network and Community.
- [BANN \(Business Angels Network Netherland\)](#) represents 13 Angels networks with over 2,500 members.
- [BAE \(Business Angels Europe\)](#) represents the European Business Angels' Federations and Trade associations in Europe. BAE brings together the most active and developed countries operating in the angel market in Europe.
- [EBAN](#) is a non-profit association representing the interests of business angels, business angels networks (BANs) and federation of networks, seed funds and other entities involved in bridging the equity gap in Europe. EBAN was established with the collaboration of the European Commission in 1999 by a group of pioneer BANs in Europe and EURADA (European Association of Development Agencies).
- [ESBAN](#) (Espana Business Angels Network) coordinates and promotes the different Business Angels networks in Spain. For these networks ESBAN has a number of roles ranging from highlighting the contribution that business angels make to the entrepreneurial culture, supporting its members and lobbying government to encourage the exchange of the best practices, experiences, and ideas among members. ESBAN counts with the support of the Spanish Government through the DGPYME (General Secretariat of SMEs) which is a member of ESBAN foundation Board.
- [IBAN](#) (Italian Business Angel Network) is the Italian National Association focused on the development and the growth of the Business Angels phenomena in Italy. IBAN's members are BAN's, investors clubs, business angels and professionals in matching investors (formal and informal) with entrepreneurs.
- [LINC Scotland](#) is the national association for business angels in Scotland, with a membership which includes individual investors, angel groups & syndicates.
- [TBAA Business Angels Association Turkey](#) enables Turkish entrepreneurs to become familiar with a culture of partnership.

FUNDS

- [European Angels Fund \(EAF\)](#) is an initiative advised by the [EIF](#) which provides equity to Business Angels and other non-institutional investors for the financing of innovative companies in the form of co-investments. The initiative is already operational in Germany through a virtual structure and a fund vehicle is planned to be established to implement the initiative in other European countries and/or regions. The EAF works hand in hand with Business Angels and helps them to increase their investment capacity by co-investing into innovative companies in the seed, early or growth stage. The activity of the European Angels Fund is adapted to the Business Angels' investment style by granting the highest degree of freedom in terms of decision-making and management of investments.
- [European Angels Fund \(EAF\) Germany](#).
- [European Angels Fund \(EAF\) Spain](#).
- [European Angels Fund \(EAF\) Austria](#).

ONLINE PLATFORMS

- [AngelList](#) – a platform for start-ups – angels, angel investors, start-ups, VCs, venture capital.
- [Angels Den: Crowdfunding and Angel Funding Events](#) – The World's First Integrated Angel and Crowdfunding Platform.
- [Gust – Startup Funding & Angel Investing](#) – the global platform for start-up funding and investing. Gust is the largest network of entrepreneurs, start-ups, angel investors, VCs, and early-stage investors.

¹³ <https://www.startup-ecosystem.eu/angel-investors-europe/>



Annex 5. An overview of tax reliefs for business angels and venture capital across the world

Country	Name of scheme	Tax deduction	Tax exemption	Tax credit	Tax deferral	Loss relief
Australia	Early Stage Venture Capital Limited Partnership programme	X	✓	✓	X	X
	Venture Capital Limited Partnership programme	X	✓	X	X	X
	Tax incentive for Early Stage Investors	X	✓	✓	X	X
Belgium	Tax shelter for investments in start-ups	X	X	✓	X	X
	Tax treatment of crowdfunding loans	X	✓	X	X	X
	Win-Win Lending Scheme	X	X	✓	X	X
	Loan "Coup de pouce" (Wallonia)	X	X	✓	X	X
Canada	Provincial Labour-Sponsored Venture Capital Corporation Tax Credit	X	X	✓	X	X
	Federal Labour-Sponsored Venture Capital Corporation Tax Credit	X	X	✓	X	X
	Provincial Investment Tax Credits	X	X	✓	X	X
France	Additional allowance on sale of shares in young SMEs	X	X	✓	X	X
	'Madelin' tax reductions	X	X	✓	X	X
	Wealth tax reliefs	X	X	✓	X	X
	Venture Capital Firms (Sociétés de Capital Risque or SCR)	X	✓	X	✓	X
	Venture Capital Funds (including FCPR, FCPI and FIP)	X	✓	✓	X	X
	PEA-PME	X	✓	X	X	X
Germany	"INVEST - Venture Capital Grant"	X	X	✓	X	X
Ireland	Employment & Investment Incentive	X	X	✓	X	X
Israel	Plan for Encouragement of Institutional Investment in Hi-Tech	X	✓	X	X	X
	The Angels Law	✓	X	X	X	X
Italy	Tax incentives for investing in Venture Capital Funds (VCF)	X	✓	X	X	X
	Tax incentives for investing in innovative start-ups and innovative SMEs	X	✓	✓	X	X
	PIR (Piani Individuali di Risparmio)	X	✓	X	X	X
Japan	Tax Incentives to Promote Venture Investment	X	X	X	X	✓
	Angel Tax System	X	X	✓	X	✓



Malta	Seed Investment Scheme	X	X	✓	X	X
Poland	Tax exemption on the disposal of stocks and shares	X	✓	X	X	X
Portugal	'Programa Semente' (tax relief for investing in start-ups)	X	✓	✓	X	X
	Tax Relief for Business Angels	X	X	✓	X	X
Slovenia	Corporate income tax regime	X	✓	X	X	X
South Korea	Tax exemptions for venture capital companies	X	✓	X	X	X
	Tax deductions and exemption from capital gains tax for individual investors in venture capital funds	X	X	✓	X	X
Spain	Deduction for investments in newly or recently created companies	X	X	✓	X	X
	Regional incentives for business angels	X	X	✓	X	X
Sweden	New Investment Incentive	X	X	✓	X	X
Turkey	Business Angel Scheme	X	X	✓	✓	X
	Venture Capital Investment Trust Tax Exemption	X	✓	X	X	X
	Private Equity Investment Fund	X	✓	✓	X	X
United Kingdom	Enterprise Investment scheme	X	✓	✓	✓	✓
	Seed Enterprise Investment Scheme	X	✓	✓	✓	✓
	Venture Capital Trust	X	✓	✓	X	X
	Social Investment Tax Relief	X	✓	✓	✓	X
	Private Placement Withholding Tax Exemption	X	✓	X	X	X
	Business Property Relief	X	✓	X	X	X
USA	Qualified small business stock (QSBS)	X	X	✓	X	X
	Investment tax credits	X	X	✓	X	X

Source: https://ec.europa.eu/taxation_customs/sites/taxation/files/final_report_2017_taxud_venture-capital_business-angels.pdf, pp. 198-102



Annex 6. Summaries of the regulation on venture investments

1. The directive on [undertakings for collective investment in transferable securities \(UCITS\)](#)

[Directive 2009/65/EC \(rules relating to undertakings for collective investment in transferable securities \(UCITS\)\)](#) is the main European framework that allows collective investment schemes to operate freely throughout the EU on the basis of a single authorisation from one-member state.

Undertakings for collective investment in transferable securities (UCITS) are investment vehicles that pool investors' capital and invest that capital collectively through a portfolio of financial instruments such as stocks, bonds and other securities.

This directive lays down rules on:

- investor information via a standardised summary information document to make it easier for the consumer to understand the product;
- European passport for UCITS management companies, which will allow a management company located in one EU country to manage funds in other EU countries;
- marketing of UCITS in other countries, e.g. by simplifying administrative procedures;
- mergers of UCITS in other countries;
- stronger supervision of UCITS and of the companies that manage them, e.g. through enhanced cooperation between national financial services supervisors.

Directive 2009/65/EC is the fourth version of UCITS legislation, replacing UCITS Directive [85/611/EEC](#).

Directive 2009/65/EC was amended by [Directive 2014/91/EU](#) (UCITS V) which introduced new rules on UCITS depositaries (the asset-keeping entity), e.g. the entities eligible to assume this role, their tasks, delegation arrangements and the liability of depositaries.

It was also supplemented by [Regulation \(EU\) 2016/438](#) which addresses non-market risks related to the depositaries' activities. It covers aspects of depositaries' duties such as:

- safekeeping of UCITS assets;
- oversight duties (e.g. checking that UCITS investments are consistent with their investment strategies as described in their rules and offering documents or ensuring that UCITS do not breach their investment restrictions);
- the liability for the assets.

Regulation (EU) 2016/438 also lays down specific due diligence requirements for insolvency protection of UCITS assets, as well as detailed independence requirements for managers and custodians of UCITS.

Directive 2009/65/EC is complemented with the requirements for UCITS assuming exposure to [securitisation](#) ([Regulation \(EU\) 2017/2402](#)).

MAIN DOCUMENT

[Directive 2009/65/EC](#) of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, pp. 32-96).

Successive amendments to Directive 2009/65/EC have been incorporated in the original text. This [consolidated version](#) is of documentary value only.

RELATED DOCUMENTS

[Regulation \(EU\) 2017/2402](#) of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, pp. 35-80).

[Commission Delegated Regulation \(EU\) 2016/438](#) of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries C/2015/9160 (OJ L 78, 24.03.2016, pp. 11-30).

[Directive 2014/91/EU](#) of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (OJ L 257, 28.08.2014, pp. 186-213).



Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website (OJ L 176, 10.07.2010, pp. 1-15).

Commission Regulation (EU) No 584/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities (OJ L 176, 10.07.2010, pp. 16-27).

Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (OJ L 176, 10.07.2010, pp. 42-61).

Commission Directive 2010/42/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder structures and notification procedure (OJ L 176, 10.07.2010, pp. 28-41).

2. The alternative investment fund managers (AIFM) directive

Directive 2011/61/EU covers managers of alternative investment schemes designed for professional investors. It establishes a legal framework for the authorisation, supervision and oversight of managers of a range of alternative investment funds (AIFM), including hedge funds and private equity. Alternative investment funds are funds that are not regulated at the EU level by the UCITS directive.

Key points of the Directive:

- **Exclusions from scope.** The directive lists a number of entities to which it does not apply, including:
 - holding companies (as defined in the directive);
 - management of pension funds;
 - employee participation or savings schemes;
 - supranational institutions;
 - national central banks;
 - insurance contracts.
- **Passport.** AIFMs can 'passport' their services in different EU countries on the basis of a single authorisation. Once an AIFM is authorised in one EU country and complies with the rules of the directive, the AIFM is entitled to manage or market funds to professional investors throughout the EU.
- **Authorisations.** To operate in the EU, fund managers are required to obtain authorisation from the competent authority of their home EU country. To obtain authorisation, AIFMs have to hold a minimum level of capital in the form of liquid or short-term assets.
- **Depositary.** AIFMs are required to ensure that the funds they manage appoint an independent depositary, for example a bank or investment firm, that is responsible for overseeing the fund's activities and ensuring that the fund's assets are appropriately protected.
- **Risk management and prudential oversight.** AIFMs are required to assure the competent authority of the robustness of their internal arrangements with respect to risk management. This includes a requirement to disclose, on a regular basis, the main markets and instruments in which they trade, their principal exposures and their concentrations of risk.
- **Treatment of investors.** In order to encourage diligence amongst their investors, AIFMs are required to provide a clear description of their investment policy, including descriptions of the types of assets and the use of leverage. An annual report for each financial year has to be made available to investors on request.
- **Leveraged funds.** The directive introduces specific requirements with regard to leverage, i.e. the use of debt to finance investment. Competent authorities have the right to set limits to leverage in order to ensure the stability of the financial system.
- **Private equity funds.** Where an AIF acquires control of a non-listed company or an issuer, the AIFM is subject to the anti-asset stripping provisions. For a period of two years, the AIFM must act against any distribution, capital reduction, share redemption or acquisition of own shares by the company.



- **Funds and managers located in non-EU countries.** Subject to conditions set out in the directive, the 'passport' may be extended to non-EU AIFMs and to the marketing of non-EU funds, managed by either EU or non-EU AIFMs.
- **Opt-outs for smaller funds.** The EU countries may choose not to apply the directive to smaller AIFMs, i.e. funds with managed assets below €100 million if they use leverage and with assets below €500 million if they do not. Smaller funds are however subject to minimum registration and reporting requirements.

A number of [delegated and implementing measures](#), adopted subsequently by the [European Commission](#), offer technical guidance on the application of the directive.

ACT

Directive [2011/61/EU](#) of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 01.07.2011, pp. 1-73).

The successive amendments and corrections to Directive 2011/61/EU have been incorporated into the original document. This [consolidated version](#) is of documentary value only.

RELATED ACTS

[Commission Delegated Regulation \(EU\) No 231/2013](#) of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 83, 22.03.2013, pp. 1-95).

Report from the Commission to the European Parliament and the Council on the exercise of delegation of powers to the Commission to adopt delegated acts pursuant to Article 56 of Directive 2011/61/EU of 8 June 2011 ([COM\(2015\) 383 final](#), 03.08.2015).

3. The [European venture capital funds \(EuVECA\)](#) regulation

[Regulation \(EU\) No 345/2013 on European venture capital funds](#) covers a subcategory of alternative investment schemes that focus on start-ups and early stage companies.

Collective investment undertakings are investment vehicles that pool investors' capital and invest that capital collectively through a portfolio of financial instruments such as stocks, bonds and other securities.

It introduces a **European Venture Capital Funds label**, also known as **EuVECA**, and measures to allow managers to set up and market their funds across the EU using a single set of rules. It will also enable venture capital funds to be better positioned to attract more capital commitments and expand. The regulation aims to boost venture capital funds so that they become larger, to adopt a more diversified investment strategy, so that they can specialise in sectors such as IT, biotechnology and healthcare.

To register for the **EuVECA label** and market their funds across the EU, managers of venture capital funds must set up a fund that:

- invests 70% of the capital it receives from investors in supporting eligible companies, such as young and innovative SMEs;
- provides equity or quasi-equity finance (i.e. fresh capital) to these companies;
- does not use leverage (i.e. the fund is not indebted, because it does not invest more capital than is committed by investors).

The regulation sets out uniform **quality criteria** for managers of qualifying venture capital funds that wish to use the EuVECA label. These requirements cover everything from the way they organise and conduct themselves to the manner in which they inform investors about their activities and investment policies.

These managers must also **register** in the country where the fund is established and provide annual reports. The country where these funds are located is obliged to ensure all the regulation's rules are respected.

As investing in venture capital funds can be **risky**, the regulation defines **who can invest in EuVECA**: professional investors and certain other categories such as high net worth individuals.

[Regulation \(EU\) 2017/1991](#) amends Regulation (EU) No 345/2013 on European venture capital funds and its sister-regulation (Regulation (EU) No 346/2013) on [European social entrepreneurship funds \(EuSEF\)](#), extending the use of the designations 'EuVECA' and 'EuSEF' to managers of collective investment undertakings authorised under Article 6 of [Directive 2011/61/EU](#). It also expands the range of eligible companies, and decreases the costs associated with marketing the funds across the EU.

MAIN DOCUMENT

[Regulation \(EU\) No 345/2013](#) of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.04.2013, pp. 1-17).



Successive amendments to Regulation (EU) No 345/2013 have been incorporated in the original text. This [consolidated version](#) is of documentary value only.

RELATED DOCUMENTS

[Regulation \(EU\) 2017/1991](#) of the European Parliament and of the Council of 25 October 2017 amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds (OJ L 293, 10.11.2017, pp. 1-18).

[Regulation \(EU\) No 346/2013](#) of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.04.2013, pp. 18-38).

[Directive 2011/61/EU](#) of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 01.07.2011, pp. 1-73).

4. The [European social entrepreneurship funds \(EuSEF\)](#) regulation

[Regulation \(EU\) No 346/2013 on European social entrepreneurship funds](#) covers alternative investment schemes that focus on social enterprises. Social enterprises are companies that are set up with the explicit aim to have a positive social impact and address social objectives, rather than only maximise profit. While these enterprises often receive public support, private investment via funds still remains vital to their growth.

Regulation introduces the **European social entrepreneurship fund (EuSEF)** label which is designed to identify funds focusing on European social businesses, making it easier for them to attract investment. The label:

- makes it easier for investors to identify and choose EuSEFs;
- helps social businesses through easier access to finance;
- enables investment fund managers to raise finance with less cost and complexity.

Funds that market themselves using this label have to direct at least 70% of their investments to social businesses. In addition, they have to provide key information to investors in a standardised way. This information covers areas such as:

- the fund's social objectives;
- the social businesses it invests in;
- how it assesses whether these businesses achieve their social goals.

Once a fund has provided the required information and meets some important conditions on its organisation and operation, it can gather investments from across the EU without incurring major costs.

- In addition to the 70% rule, a fund manager must demonstrate good conduct of the business and effective systems and controls and avoid any conflict of interest. The funds are supervised by the national authorities in the country where they are based, and the label can be withdrawn if they do not fulfil any of the essential conditions.
- In 2014, the [European Commission](#) adopted an implementing regulation ([Regulation \(EU\) No 593/2014](#)) which deals with the notification of events related to the passport of the managers of qualifying social entrepreneurship funds and with aspects concerning the removal of a manager of a EuSEF from the register.

MAIN DOCUMENT

[Regulation \(EU\) No 346/2013](#) of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.04.2013, pp. 18-38).

RELATED DOCUMENTS

Commission Implementing Regulation (EU) [No 593/2014](#) of 3 June 2014 laying down implementing technical standards with regard to the format of the notification according to Article 16(1) of Regulation (EU) No 345/2013 of the European Parliament and of the Council on European venture capital funds (OJ L 165, 04.06.2014, pp. 41-43).

Proposal for a Regulation of the European Parliament and the Council amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds ([COM\(2016\) 461 final](#), 14.07.2016).

5. The [European long-term investment funds \(ELTIF\)](#) regulation

[European long-term investment funds – Regulation \(EU\) 2015/760](#) covers funds that focus on investing in various types of alternative asset classes such as infrastructure, small and medium sized enterprises and real assets. It sets out the EU-wide rules for the authorisation, investment policies and operating conditions of European Long-Term Investment Funds (ELTIFs).



European Long-Term Investment Funds (ELTIFs) are aimed at investment fund managers who want to provide long term investment to institutional and private investors across Europe. They target specific types of projects which require long-term funding to develop successfully but struggle to get financing.

Types of investment

ELTIFs are targeted at particular types of alternative investment including:

- unlisted companies;
- debt instruments for which a buyer cannot be easily identified;
- real assets* that require significant initial investment;
- small and medium sized enterprises (SMEs) with capitalisations of up to €500 million that have been admitted to trade on a regulated market.

Authorisation

An application to become an ELTIF must include:

- the fund rules or instruments of incorporation;
- information on the identity of the proposed manager of the ELTIF and their current and previous fund management experience and history;
- information on the identity of the depositary;
- a description of the information to be given to investors, including the arrangements for dealing with complaints submitted by retail investors.

To apply and to get authorisation, fund managers themselves must be authorised under [Directive 2011/61/EU](#). The [European Securities and Markets Authority](#) keeps a central public register of each authorised ELTIF along with its respective manager and competent authority.

Liability

Managers are responsible for ensuring compliance with the Regulation and for any infringement. They are also responsible for any losses or damages which result from non-compliance.

Investment policy

ELTIFs are subject to specific investment rules, amongst others they:

- must invest at least 70% of their capital in clearly defined categories of eligible assets;
- are only allowed to trade up to 30% of their capital in assets other than long-term investments.

Different types of assets are eligible for investment including:

- real assets with a value of more than €10 million that generate an economic and social benefit commercial property or housing that contribute to [smart, sustainable and inclusive growth](#) or to the EU [energy, regional and cohesion policies](#).

Protection of investors

The Regulation sets out rules to strengthen the protection of investors:

- The manager of the ELTIF or any distributor, should ensure that a retail investor (with a portfolio not exceeding €500,000) does not invest in total more than 10% of the investor's portfolio in ELTIFs.
- An ELTIF should be able to offer investors, under certain conditions, the opportunity to redeem their units or shares before the end of the life of the fund. Those rights and their main features should be clearly predefined and disclosed in the rules or instruments of incorporation of the ELTIF.
- Where an ELTIF offered or placed to retail investors is due to last more than 10 years, the manager or distributor should indicate clearly in writing that the product may not be suitable if the investor cannot support a long-term investment or if they need their investment to be easily redeemable.

ACT

Regulation (EU) [2015/760](#) of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

RELATED ACTS

Directive [2011/61/EU](#) of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 01.07.2011, pp. 1-73).

6. [Regulation on key information documents for packaged retail and insurance-based investment products \(PRIIPs\)](#)



[Regulation \(EU\) No 1286/2014 on key information documents for packaged retail and insurance-based investment products \(PRIIPs\)](#) covers the following types of investment funds:

- insurance-based investments;
- retail structured products;
- private pensions.

The regulation obliges those who produce or sell investment products to provide retail investors with 'key information documents' (KIDs) a maximum of three pages about the products before any agreement is made. The aim is to help investors to understand and compare the key features and risks of these products, allowing the investor to take an informed investment decision.

KIDs should include the following information:

- the name of the product and the identity of the producer;
- the types of investors to whom it is intended to market the financial product;
- the risk and reward profile of the financial product, which includes a summary risk indicator, the possible maximum loss of invested capital and appropriate performance scenarios of the product;
- the costs associated with the investment in the financial product to be borne by the investor;
- information about how and to whom an investor can make a complaint where there is a problem with the product or the person producing, advising on or selling the product;
- 'Comprehension alert' for investment products that are difficult to understand. When an investment product is very difficult to understand, the provider has to ensure the KID contains the following warning: 'You are about to purchase a product that is not simple and may be difficult to understand'.

Investment products covered

The rules apply to packaged retail and insurance-based investment products (also known as 'PRIIPs'). They include investment funds, insurance-based investment products, retail-structured securities and structured-term deposits (structured products are investments with a pre-set formula for calculating returns and a pre-set formula for calculating risk).

[Delegated Regulation \(EU\) 2017/653](#) supplements Regulation (EU) No 1286/2014. Its Annex 1 establishes a common template for the KID describing the purpose of the investment product to help investors understand the nature, risks, costs, potential gains and losses of the product and help them compare it with other products.

For example, the KID must provide the following:

- Standardised information on the type of the PRIIP, its investment objectives, how these will be achieved and the key features of aspects of the product such as the insurance cover.
- Information on the risks of a PRIIP in an aggregated form (as far as possible) and present it numerically as a single summary risk indicator with sufficient narrative explanations.
- Information on potential consequences of a PRIIP manufacturer not being able to pay out. The degree of protection of the retail investor in such cases under schemes (investment, insurance or deposit-guarantee) must be clearly set out.
- Clear information on recommended holding periods and required-minimum holding periods, and the possibility of partial or complete early exit in the event that the investor needs to disinvest.

MAIN DOCUMENT

[Regulation \(EU\) No 1286/2014](#) of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 09.12.2014, pp. 1-23).

Successive amendments to Regulation (EU) No 1286/2014 have been incorporated into the original document. This [consolidated version](#) is of documentary value only.

RELATED DOCUMENTS

Commission [Delegated Regulation \(EU\) 2017/653](#) of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents (OJ L 100, 12.04.2017, pp. 1-52).

Measures to facilitate cross-border distribution of funds



Common objectives of Directive 2009/65/EC of the European Parliament and of the Council and Directive 2011/61/EU of the European Parliament and of the Council include ensuring a level playing field among collective investment undertakings and removing restrictions to the free movement of units and shares of collective investment undertakings in the Union, at the same time ensuring more uniform protection for investors. This Directive is complemented by Regulation (EU) 2019/1156 of the European Parliament and of the Council⁵. That Regulation lays down additional rules and procedures concerning undertakings for collective investment in transferable securities (UCITS) and alternative investment fund managers (AIFMs). That Regulation and this Directive should collectively further coordinate the conditions for fund managers operating in the internal market and facilitate cross-border distribution of the funds they manage.

7. **Regulation that complements and amends existing EU legislation on collective investment funds**

[Regulation \(EU\) 2019/1156](#) of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and (EU) No 1286/2014.

In order to enhance the regulatory framework applicable to collective investment undertakings and to better protect investors, marketing communications addressed to investors in AIFs and UCITS should be identifiable as such and should describe the risks and rewards of purchasing units or shares of an AIF or UCITS in an equally prominent manner. In addition, all information included in marketing communications addressed to investors should be presented in a manner that is fair, clear and not misleading. To safeguard investor protection and secure a level playing field between AIFs and UCITS, the standards for marketing communications should apply to marketing communications of AIFs and UCITS.



Annex 7. Venture capital funds in the EU¹⁴



EIB



Enternext



Eban



AngelList



Earlybird



Moor



Partech Ventures



High Tech Gründerfonds



Kiboverventures



Connect Ventures



Portugal Ventures



Mojo Capital



BBVA



Microsoft Ventures



Orange Fab



¹⁴ <http://startupeuropepartnership.eu/investor/>





Cisco Entrepreneur



Seedcamp



H-Farm



Frontline Ventures



Primus Capital



United Ventures



Business Angels Europe

Open Future



360 Capital



Nesta Impact Investment



Frumtak Ventures



3TS Capital Partners



Invitalia



Borsa Italiana

Startup Bootcamp



UStart



Innogest



Attica Ventures



Mind the Seed Fund



dpixel



BSE



ZernikeMeta Ventures



Ingenium Fund Slovenia



Ingenium Fund Poland



Capricorn Venture Partner



RSG Capital



Credo Ventures



iEurope Capital



P101



Endeavor



Paris Region Lab



France Digital



Idealabs



included.co

Included



NUMA



Digital knights



Crosspring



iCatapult



Bisite Accelerator



Annex 8. EIF-managed Fund-of Funds and Guarantee Debt funds

Geographical scope	EIF-managed Joint Initiative /Fund-of Funds	Sector / Target Group	Business
Austria, Czech Republic, Slovakia, Hungary & Slovenia	<ul style="list-style-type: none"> • Central Europe Fund of Funds (CEFoF) 	Growth phase SMEs and small mid-caps through a portfolio of investments into Venture Capital, Private Equity and Mezzanine funds.	Equity
Cyprus	<ul style="list-style-type: none"> • Cyprus Entrepreneurship Fund (CYPEF) 	SMEs	Loans
Latvia, Lithuania & Estonia	<ul style="list-style-type: none"> • Baltic Innovation Fund 	Co-investments alongside business angels, family offices and institutional investors into early to growth phase SMEs.	Equity
France (Languedoc-Roussillon)	<ul style="list-style-type: none"> • JEREMIE Languedoc-Roussillon 	SMEs, micro-enterprises & individuals based in Languedoc-Roussillon	Loans
France (Provence-Alpes-Côte d'Azur)	<ul style="list-style-type: none"> • JEREMIE Provence-Alpes-Côte d'Azur 	SMEs, micro-enterprises & individuals based in Provence-Alpes-Côte d'Azur	Loans
Germany Germany Germany / Bavaria region	<ul style="list-style-type: none"> • ERP-EIF Dachfonds; • European Angels Fund; • LfA-EIF Facility. 	High-tech early and growth-stage enterprises High-tech early and growth-stage enterprises Start-ups and high-tech early stage enterprises High-tech early and growth-stage enterprises	Equity Equity Equity
Spain	<ul style="list-style-type: none"> • NEOTEC; • European Angels Fund – Isabela La Catolica. 	Start-ups and high-tech early stage enterprises High-tech early and growth-stage enterprises	Equity Equity
Italy	<ul style="list-style-type: none"> • JEREMIE Campania 	SMEs, micro-enterprises and individuals based in Campania, including those focusing on social inclusion and improvement	Loans
Italy	<ul style="list-style-type: none"> • JEREMIE Sicily 	SMEs, micro-enterprises & individuals based in Sicily, including, those focusing on social inclusion and improvement	Loans and microloans
Italy	<ul style="list-style-type: none"> • JEREMIE Calabria 	SMEs, micro-enterprises & individuals based in Calabria	Loans
Poland	<ul style="list-style-type: none"> • Polish Growth Fund of Funds (PGFF) 	Growth-focussed enterprises in Poland, Central and Eastern Europe through portfolio of investments into Venture Capital, Private Equity and Mezzanine funds.	Equity
Portugal	<ul style="list-style-type: none"> • Portugal Venture Capital initiative (PVCi) 	Early and development stage enterprises	Equity
Spain	<ul style="list-style-type: none"> • JEREMIE Extremadura 	SMEs, micro-enterprises and individuals based in Extremadura	Loans
Turkey	<ul style="list-style-type: none"> • Istanbul Venture Capital Initiative (iVCi); 	Early and growth-stage enterprises	Equity Equity



Geographical scope	EIF-managed Joint Initiative /Fund-of Funds	Sector / Target Group	Business
	<ul style="list-style-type: none"> • G 43; • Technology Transfer Accelerator Turkey; • Greater Anatolia Guarantee Facility (GAGF). 	<p>SMEs in disadvantaged regions of Turkey</p> <p>Start-ups, spin-offs and SMEs based in Turkey</p> <p>SMEs in Turkey's least developed provinces</p>	Equity Guarantees
UK	<ul style="list-style-type: none"> • UK FTF L.P. 	Early and growth-stage technology enterprises in the ICT, life sciences and advanced manufacturing sectors	Equity
Western Balkan countries: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia	<ul style="list-style-type: none"> • Western Balkans Enterprise Development & Innovation Facility (WB EDIF). 	SMEs in the Western Balkans, helping to develop the local economy as well as the regional Venture Capital markets and at the same time promoting policy reforms to support access to finance through financial engineering instruments.	Equity Guarantees

Source: [https://www.eif.org/what we do/resources/funds of funds/index.htm](https://www.eif.org/what_we_do/resources/funds_of_funds/index.htm)