

In recent years, crowdfunding has emerged as an alternative mechanism in the world of finance, revolutionizing the traditional pathways through which businesses access capital. However, as the crowdfunding landscape evolves, questions regarding the legal status of crowdfunding investors and the protection of their rights have become increasingly pertinent. The project aims to identify potential challenges and propose strategies to strike a balance between protecting investor interests and seizing the opportunities presented by this innovative funding model.

Crowdfunding can be defined as an open call — mainly through the Internet — for the provision of financial resources by a group of individuals, instead of professional parties, either in the form of donations, in exchange for a future product, or in exchange for some form of reward. Unlike other crowdfunding models, equity crowdfunding allows investors to participate directly in the financial success of the project they support.

A strong appeal of equity crowdfunding lies in its ability to democratize access to capital and empower individuals from diverse backgrounds to participate in the funding process, especially in terms of gender. Equity crowdfunding eliminates many of these barriers, allowing anyone with a compelling idea or project to showcase their vision and attract support from a global audience. Furthermore, equity crowdfunding certainly may be considered a troubleshooting tool for early-stage financing difficulties. Additionally, the use of Internet platforms facilitates greatly the interaction between entrepreneurs and potential funders, which makes crowdfunding more available. Therefore, crowdfunding constitutes an appealing alternative to traditional funding avenues for entrepreneurs. Moreover, equity crowdfunding can as well play a role in enhancing sustainability.

On the flipside “crowdfunding may democratize opportunity but it also democratizes risk”. The risks and challenges of equity crowdfunding are already discussed in the literature. The Polish Financial Supervision Authority (UKNF) has expressed concerns about potential threats faced by individual investors, including issues such as incorrect stock valuation, misleading advertising, limited exit options, limited regulatory competence, capital dilution, and limited influence over a company's activities. Furthermore, given the inherent reliance on trust within crowdfunding, fraudulent activities pose a significant threat to investors. For instance, an illustrative example of an equity crowdfunding scam occurred in the US, where Ascenergy, an oil and gas company, raised USD 5 million from crowdfunding platforms but misallocated a substantial portion of the funds for non-business purposes and payments to other entities. It is crucial to emphasize that such instances are not isolated.

In many jurisdictions, equity crowdfunding legislation is fragmentary or does not exist at all. In an effort to address this gap, the European legislator partially filled the void with the introduction Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937, hereinafter: Regulation (EU) 2020/1503. However, in the literature, this regulation was certainly not exempt from criticism as many argue that the level of regulation is insufficient. Moreover, it is crucial to note that the scope of Regulation (EU) 2020/1503 primarily focuses on the legal status of crowdfunding platforms. Regrettably, in Poland, there is currently a lack of additional legislation specifically addressing equity crowdfunding or crowdfunding in general, apart from the Act on crowdfunding for business ventures and assistance to borrowers, which merely serves as an extension of European legislation. Consequently, other vital aspects of equity crowdfunding, particularly the legal status of investors, remain largely unaddressed.

This project seeks to explore the delicate balance between safeguarding the interests of investors and facilitating the entrepreneurial opportunities inherent in crowdfunding. By delving into the legal frameworks and regulatory mechanisms governing crowdfunding investments, the project endeavors to examine how existing legal structures can be refined and aligned to ensure both investor protection and the effective seizing of opportunities. Consequently, the project's scientific problem concerns the question of how to shape the regulation of crowdfunding in a way that would allow balancing the need for their protection with the seizure of opportunities identified with crowdfunding. Hence, the project's scientific goal is to identify the cluster of legal norms that could produce the desired legal status of crowdfunding investors in Poland. The project's scope will be limited to the modality of equity crowdfunding. The analysis will include crowdfunding practices and regulatory efforts in Poland and the EU and a variety of EU member states, with a particular focus on Germany, Italy and France. Additionally, regulatory strategies employed in non-EU jurisdictions - *inter alia*, the United States, the United Kingdom, China, and New Zealand - will serve as a point of reference.