

Investor Education

Important things to know before investing in innovative start-ups through a portal

➤ What is crowdfunding?

The term **crowdfunding** indicates the process by which a number of people (a **crowd**) confer sums of money (**funding**), also of modest entity, to finance an entrepreneurial project or initiative of some kind using Internet sites (**platforms** or **portals**), sometimes receiving remuneration in exchange.

Equity-based crowdfunding refers to a situation in which, through on-line investments, a stake in a company is bought: in such cases, the “remuneration” for the funding is represented by all the economic and administrative rights which derive from holding shares in the company.

Other forms of crowdfunding can be distinguished according to the type of agreement which is established between the financing subject and the subject which has requested the funding.

Focus 1/Crowdfunding models

First of all, there are platforms where it is possible to give donations to support a certain cause or initiative, without receiving anything in exchange (the **donation-based** model): for example, supporting the electoral campaign of a candidate with the aim of helping the person to be elected.

It is also possible to participate in the financing of a project, receiving in exchange a premium or a specific remuneration which is not in cash (the **reward-based** model): for example, tickets are given to attend a performance in exchange for financing a theatre production. Today, this is the most common crowdfunding model.

With crowdfunding, lending between private parties is also possible, remunerated with interest paid through the on-line platform (the **social-lending** or **peer-to-peer lending** model).

However, those described above are samples of models and do not represent all forms of crowdfunding which exist around the world (for example, the new **royalty based** model is becoming more popular, in which those who finance a specific initiative receive a part of the profits in exchange).

➤ **How is this regulated in Italy? The Growth Decree *bis* and the Consob Regulation.**

In **most countries** in which crowdfunding portals are active, the activity has not been specifically regulated and in fact falls within the scope of application of **existing regulations** (appeals for public savings, payment services, etc.).

However, Italy is the first country in Europe to adopt a **a systematic set of rules specifically** for equity crowdfunding.

It is well-known that the Italian manufacturing is based on **small enterprises**. The difficulties that these enterprises encounter in obtaining funding from the banks are also well known, especially after the crisis of 2008. Newly incorporated companies, or **start-ups**, encounter even greater difficulties.

Some provisions introduced by Italian Decree Law n° 179/2012 (converted into Law n° 221 of 17 December 2012) bearing “Further urgent measures for the growth of the Country” (also known as the Growth Decree *bis*) are specifically dedicated to a particular kind of start-up (innovative start-ups). The name itself helps to understand that it was adopted for the purpose of stimulating **economic growth in Italy**. In the general intentions of the legislator, equity crowdfunding is seen as an instrument which can promote the development of **innovative start-ups** by means of **rules** and **funding methods** which can maximise the potential of the Internet.

The Decree has delegated to **Consob** the task of regulating certain aspects of this activity, with the aim of creating a **reliable "environment"** able, that is, to instil **trust in investors**. Consob adopted the new regulation on 26 June 2013.

➤ **What are innovative start-ups?**

Innovative start-ups are small Italian companies (joint stock (s.p.a.), limited (s.r.l.) or cooperative companies) which have been operating for only a short time, and are engaged in innovative and technical sectors or which have a social purpose.

The Growth Decree *bis* establishes the **requirements** which such companies must meet and imposes various **regulatory simplifications** to encourage their creation and development.

Their growth requires a favourable environment: this is why the legislator, in designing the system, has contemplated a special category of subjects: the “**incubators**”. These are Italian companies which offer services to support the **birth** and **development** of the innovative start-ups.

The innovative start-ups can offer their own financial instruments (also through on-line portals if they are listed in the **special section of the Companies Register** held by the Chamber of Commerce, where the main information on the companies can be obtained. The Internet site of the individual start-ups is also an important source of information: it provides information (updated every six months) on the business performed, the founding members, the personnel and other elements indicated by the Decree, as well as financial statement data.

Focus 2/Innovative start-up requirements

Pursuant to the "Growth Decree *bis*, innovative start-ups:

are not listed on regulated markets (or on other trade systems);

have been incorporated and have carried out their business for no more than **48 months**;

have their head office in **Italy**;

are **small** (total annual production value of no more than 5 million Euro);

do not distribute **profits**;

are engaged exclusively, or at least prevalently, in the development, production and sale of **innovative** products or services with a high technological value, or operate exclusively in the sectors referred to by the legislation on social enterprises (link art. 2, paragraph 1, of Legislative Decree n° 155 of 24 March 2006).

Innovative start-ups must also have **at least one** of the following requisites:

invest in **research and development** (at least 15% of the greater amount between production cost and value);

more than one third of their **employees** must have a research doctorate or at least be graduates engaged in research (or more than two thirds must have a master's degree);

must be the holder of **exploitation rights** (at least one) for industrial, electronic or biotechnological inventions or inventions of new vegetable varieties or rights relative to a programme for an original processor.

Focus 3/Exemptions in favour of innovative start-ups

The Growth Decree *bis* establishes, for innovative start-ups, a series of exemptions from the provisions of law on:

- **the obligation to reduce capital in the case of losses** (innovative start-ups are allowed to reduce capital within the first two financial years instead of the within the following financial year);
- **rights of limited company (s.r.l.) stakeholders** (unlike under the ordinary rules, they are allowed to create "stake categories" with differing rights compared to ordinary stakes, as well as stakes without voting rights);
- **company crisis** (innovative start-ups in crisis are not subject to bankruptcy or to the other insolvency procedures, but can instead follow the simpler procedures for reorganising debt and liquidating assets contemplated by law n° 3 of 2012);
- **the offer of limited company (s.r.l.) stakes to the public** (the equity stakes of innovative start-ups which are limited liability companies (s.r.l.) can be offered to the public, unlike ordinary limited companies (s.r.l.) which are forbidden from doing so).

According to the data published in the special section of the Companies Register of the Chamber of Commerce, almost all innovative start-ups are limited liability companies (s.r.l.) ([link](#))

Focus 4/The start-up incubators

In order to effectively support start-ups, incubators must have:

- suitable **structures**, also in terms of property;
- adequate **equipment** such as access to high speed Internet and machines for tests and trials;
- **directors** and **managers** of recognised competence in business management and innovation;
- regular **collaborative** interaction with universities, research centres, public institutions and banks;
- proven **experience** in supporting innovative start-ups, assessed according to the actual activity performed.

If the incubators have the necessary requisites, they are entered, like the innovative start-ups, in a special section of the Companies Register held by the Chamber of Commerce ([link](#)) where information is available on their activities and features.

Focus 5/Transparency of innovative start-ups

The law requires the start-ups to give, and if necessary update at least every six months, the following information on their website:

- a. date and place of constitution, name and address of the notary public;
- b. head office and any regional offices;
- c. corporate purpose;
- d. brief description of the activities performed, including the research and development activities and expenses;
- e. list of shareholders, showing trustees and holdings, with self-declaration;
- f. list of companies in which it holds interests;
- g. indication of academic qualifications and professional experience of the shareholders and personnel who work for the start-up (except sensitive data);
- h. indication of professional collaboration or commercial agreements with certified incubators, institutional and professional investors, universities and research centres;
- i. last financial statement deposited (in the "XBRL standard" format);
- j. list of exclusive rights to industrial and intellectual properties.

➤ Where can I find information on the on-line capital offers? What are equity crowdfunding portals?

In order to have the information necessary to decide whether to invest (via the Internet) in financial instruments issued by innovative start-ups, the investors consult the **on-line portals** which deal with equity crowdfunding. These are platforms supervised by Consob which facilitate the collection of the risk capital of innovative start-ups.

On-line portals publish information on innovative start-ups and offers as indicated in the model annexed to the Regulation. These information can also be provided by the use of multimedia techniques, images, video, or "pitch" (i.e. the presentation, normally in Microsoft PowerPoint format, which describes the company, the business idea, the people that work for the start-up and the plans that the start-up aims to achieve with the funds raised).

➤ Who can manage a portal for the on-line collection of risk capital issued by innovative start-ups? Portal managers

registered in the ordinary section of the Register and those listed in the special section

Due to the crucial role played by portals, the legislator stated rules aimed at ensuring a high level of “reliability” and “quality” of the service that they provide.

For these reasons, the Regulation states that only two categories of subjects can manage a portal for the collection of risk capital:

1. subjects authorized by Consob and listed in the register kept by the same authority;
2. banks and investment firms (SIM) already authorized to provide investment services noted in the special section of the Consob register.

The list of portal manager is available on the website of Consob.

Focus 6/The Consob register of portal managers

The Consob Regulation provides two sections for the register of the portal managers: one ordinary and one special.

Under the ordinary section are registered the portal managers that are authorized by Consob after the positive verification of the requirements, including that:

- a) the enterprise is a joint stock company (*Società per Azioni*, s.p.a), a company with unlimited responsibility (*Società in Accomandita per Azioni* s.a.p.a.), a limited liability company (*Società a Responsabilità Limitata* s.r.l.) or a cooperative company;
- b) the registered and administrative head office or, for European subjects, the permanent establishment, is located in the Italian Republic;
- c) the controlling shareholders or the subjects who have power of administration, direction and control have the integrity requirements established by Consob;
- d) the controlling shareholders or the subjects who have power of administration, direction and control have the professional requirements set for by Consob;
- e) a report on business activity and organizational structure (to be drafted pursuant to the Annex to Consob Regulation) has been submitted.

The loss of the above mentioned requirements is one of the causes which implies the cancellation of the portal manager from the register.

In the special section annexed to the register are listed the investment companies and banks authorised to provide the relative investment services which have informed Consob that they manage an equity crowdfunding portal.

The register is available on Consob website and on each portal's sites. It contains important information regarding the portal managers including: the link to the homepage of the website of the portal and the details of any sanctions and measures adopted by Consob against the managers.

Consob shall exercise the supervision of portal managers enrolled in the registry. The Authority can request data and news documents and carry out inspections. In the event Consob shall ascertain a breach of rules, the portal manager's activity can be suspended and, in severe cases, the portal manager can be removed from the register; the Authority can also impose penalties.

➤ **What happens when you invest through a portal managed by a subject listed in the Consob register? Are there differences in investor relations?**

The **managers of the portals listed in the Consob register** are subject to "**lighter**" regulations than those imposed on traditional intermediaries through which savers usually invest.

In exchange, the registered managers **cannot** detain **sums of money** belonging to the investors, nor can they **directly carry out orders** for underwriting the financial instruments offered on their portals, but must transmit them exclusively to banks or brokerage firms. Furthermore, the managers cannot carry out any financial advisory services for investors. The fundamental role of the portal is to ensure that the investors can **understand the features and risks** of the proposed investments, examining the relative information given through the portal and this investor education section.

Focus 7/What information must the portal provide?

The portal managed by a subject listed in the register held by Consob must make available to investors the necessary information to allow them to make an informed investment decision (therefore taking into account the features and the risks they run). The portals can also use multimedia communication techniques to provide the required information (e.g. videos and presentations).

In short, the Consob Regulation contemplates that investors are placed in a position from which they are able to acquire adequate knowledge of the three main aspects of equity crowdfunding.

The portal: the investor must know:

- who manages the portal (who controls that subject and who carries out the administration, management and control functions);
- the activities carried out by the portal (e.g. how the offers are selected);
- how the orders for the underwriting of the financial instruments offered are managed;
- the costs charged to the investors;
- the measures that have been adopted by the portal to manage fraud risks, conflicts of interest, complaints and the correct processing of personal data;
- the aggregate data on the offers made through the portal, and the results reached;
- the reference legislation, and the links to the register held by Consob, to the investor education section prepared by Consob, and to the special section of the Companies Register dedicated to innovative start-ups and incubators;
- the sanctions or precautionary provisions that Consob has adopted with regard to the portal manager;
- the initiatives taken in respect of innovative start-ups in the event of failure to respect the portal operating rules.

The investment in risk capital issued by an innovative start-up: investors must be informed about:

- the risk of losing the total capital invested;
- the risk of not being able to "cash in" the investment quickly (the liquidity risk);
- the fact that they will not receive dividends on the profits while the company continues to be an innovative start-up (because it is forbidden by law);
- the tax benefits introduced by the Growth Decree *bis* (duration and lapse);
- the derogations from corporate law and bankruptcy law;
- the typical contents of a business plan;
- the right to withdrawal which the Consob Regulation grants to retail investors, which can be exercised (free of charge and without justification) within seven days of the date of the on-line adhesion to the offer.

The single offers, relative to which the portal must publish:

- a "form" with all the information that Consob lists in Annex 3 to the Regulation and the relative amendments;

- the banks and brokerage firms to which the orders will be transmitted for execution;
- the current account (tied up) of the innovative start-up where the sums collected will be deposited;
- the information and procedures for exercising the right to withdraw the adhesion to the offer, which the Consob Regulation grants retail investors, defined as those "other than professional investors" (the banks, the investment firms, insurance companies, etc. are professional investors) if events occur which may influence the investment decision (new facts relating to the offer or modifications to the information given subsequent to an error);
- the information on the state of adhesions to offers (also giving information on the procedures for publication and updating).

Special protection is provided for retail investors (i.e. those other than banks, investment firms, insurance companies, etc..) who must complete a “**path for informed investment**” to access the section of the site where it is possible to adhere to on-line offers: at this aim they must have filled out a questionnaire online demonstrating the full understanding of the essential features and main risks related to the investment in innovative start-ups via portals.

If the retail investor does not successfully complete this procedure, the manager **cannot allow him/her to adhere to the offers** present on the portal.

Focus 8/The "path for informed investment " which retail investors must carry out to adhere to on-line offers

The Consob Regulation contemplates that before adhering to the offers presented on the portal, the non-professional (retail) investors must, by means of the procedures indicated in the portal:

- demonstrate that they have examined the **investor education** information given on Consob's website;
- have responded positively to a **questionnaire** on the main features and risks of investing in innovative start-ups;
- declare that they are able to financially sustain the **complete loss** of the investment they intend to make.

➤ **Is it sufficient to adhere to the offer on the registered portal to complete the investment? The role of the banks and brokerage firms in this phase**

Once the investor has decided to invest in a start-up, the portal manager must transmit the adhesion order to a **bank or investment firm** which will complete the underwriting of the financial instruments (and will collect the corresponding sums in a tied up account in favour of the issuer).

Pursuant to the regulation in force (also known as the "MiFID regulation", being based on the European Directive), the banks and investment firms must respect the regulation on investment services, which has laid down a series of disclosure and behaviour obligations towards investors (including "customer profiling").

To favour the development of crowdfunding and, therefore, facilitate access to financing on the part of the innovative start-ups, the Regulation contemplates exemption from the application of the law on investment services for investments which total a sum below a certain threshold, equal to:

- 500 Euro per single order and 1,000 Euro for total annual orders, for investments by **natural persons**,
- 5,000 Euro per single order and 10,000 Euro for total annual orders, for investments by **legal entities**,

For application of the exemption, investors must declare that they have not exceeded the thresholds (also taking into consideration, for the annual threshold, investments made through other portals in the calendar year of reference).

➤ **What happens when the portal is managed by a bank or investment firm (noted in the special section of the Consob register)?**

Banks and investment firms do not need authorisation from Consob to manage a portal for the collection of innovative start-up capital (since they are already authorised to perform investment services) **but they are simply noted** in the special section of the portals register of portals, after they have informed Consob of this activity.

In these cases, relations between the portal and the investors are subject to the ordinary rules for investment services, as clarified in Consob Communication n° 0066128 of 1 August 2013.

The more restrictive rules contemplated for managers listed in the ordinary section of the register (ban on holding sums of money and the obligation to transmit the orders to banks and brokerage companies) are not applied to these

subjects and they can therefore **manage the entire process** of collecting capital for innovative start-ups. However, **they are not exempt** from the MiFID-based regulation for orders below the thresholds established by the Consob Regulation.

It is advisable for investors to be aware of the right to withdrawal relative to the portal and of the conditions for exercising this right.

➤ **What are the rules applied to on-line capital offers?**

The on-line offers of financial instruments issued by innovative start-ups are "special" offers. In fact, they are subject to the rules laid down by law and Consob: for example, it is important to know that no prospectus is published, but rather only an information form (not requiring Consob approval), which must be published on the portal and compiled according to the model laid down by Consob.

Focus 9/The special rules of on-line offers of financial instruments issued by innovative start-ups

The Consolidated Law on Finance and the Regulation adopted by Consob stipulate that these offers:

- **cannot exceed** the sum of 5 million Euro;
- can be processed **only by portals** managed by subjects listed or noted in the Register held by Consob;
- must be **only offers of financial instruments representing risk capital** (shares or stakes);
- are successfully concluded only if 5% of their amount **is underwritten by a professional investor**;
- must acknowledge the investors' right to withdraw if significant changes occur in the situation of the start-up or in the offer conditions.

Lastly, for the offer to be admitted on the portal, the start-up's articles of association must contemplate:

- if – once the offer on the portal is closed - the majority shareholders **transfer the control** to third parties, the possibility for the other shareholders to withdraw from the company (**right to withdrawal** subsequent to which one has the right to liquidate one's stake) or the right for the other shareholders to also sell their own stakes to the subject buying the controlling interest under the same conditions as those applied to the majority shareholders (the co-sale or "tag-along" right),

- informing the start-up and publishing (on the start-up's website) of the **shareholders' agreements**.

Focus 10/What information on the individual offers can I find on the portal?

- a "**form**" with all the information that Consob lists in Annex 3 of the Regulation and the related amendments (link to Annex 3);
- the **banks and brokerage firms** to which the orders will be transmitted for definitive processing;
- the **current account** (tied up) of the innovative start-up where the sums collected will be deposited;
- the information and procedures to exercise the **right to withdraw** with respect to the adhesion to the offer if, after the investor has adhered to the offer, events occur which may influence the investment decision (new facts relative to the offer or modifications to the information given subsequent to an error);
- the information on the **state of the offers** (publication and updating methods).

From the moment investors adhere on-line to an offer on a portal until they actually gain possession of the financial instruments offered, some time may pass and sometimes the offer may not be successfully closed.

On the closure of the offer, the portal must check that 5% of the financial instruments offered have been underwritten by professional investors and that all the other conditions of each single offer have been respected.

Focus 11/The offer conditions

For the successful closure of an offer, all the conditions for its conclusion must be met. These are established by law and by the Consob Regulation, as well as other possible conditions laid down by the start-up and which the investor finds in the offer "form" published on the portal.

In particular, investors must understand that they are adhering to an "all or nothing" offer because, if 100% adhesion is not reached (5% of which on the part of professional investors), the offer lapses (and the money paid into the tied account to underwrite the financial instruments is returned to the investors). "Splittable offers" are a different case; these are successful regardless of the sums collected (for which, however, there is a greater feasibility risk for the entrepreneurial project if there is a reduced number of stakes underwritten).

➤ **I have adhered to a capital offer of an innovative start-up via a portal, now what? Can I change my mind?**

Retail investors have the **right to change their mind** providing they do so within the established terms. More specifically:

- within 7 days of adhesion, it is possible to withdraw at no expense, by informing the portal, according to the procedure indicated by the same;
- within 7 days of the date on which new information (new facts or the reporting of a substantive error) with respect to that given on the portal was made known to the investors, the adhesion to the offer can be revoked,

in both cases the money already paid will be returned.

➤ **What are the main risks of investing in innovative start-ups?**

Now, it is necessary to pay careful **attention**.

Investment in innovative start-ups has **special features and higher economic risks** than traditional investments.

You must first consider the fact that an innovative start-up is something **new**: it has no history of its own or in reference to the sector in which it operates; it has no results to present or dividends to promise (the distribution of which is not allowed so that any profits can be reinvested in the business).

In practice, a start-up offers **an idea and a project to be implemented**.

Therefore, unlike traditional investments, the decision to invest or not does not depend on economic or rational considerations, but, inevitably, on **a feeling about the project presented, also from an emotional viewpoint**.

The emotional impact that the project has on us can well be influenced not only by the words but also by the **images, video or pitches** presented on the portal.

All studies which deal with crowdfunding underline the importance of the emotional factor in the choice of the project to be financed. Perhaps this is **one of the more difficult aspects** which investors (especially the non-professional investor) must be aware of in their decision to invest their savings.

The absence of economic and rational factors to be taken as reference, and, consequently, the inevitably emotional approach by which the investment is assessed, as well as the intrinsic risk of newly founded companies operating in innovative sectors, are essentially the **main risks** of investing in an innovative

start-up. In addition, there is also a risk of **fraud**, typical of all on-line transactions. Let's look at this in more detail.

- **The risk of losing capital**

Italian regulations on equity crowdfunding allows only for the underwriting of capital instruments of innovative start-ups: they are therefore among the most risky investments because buying “equities” means **becoming a shareholder** in the start-up and, therefore, participating fully in the economic risk typical of all the business initiatives.

Focus 12/The financial instruments offered on-line

The Growth Decree *bis* established that, on the on-line portals, offers can be made only for "**risk capital instruments**" issued by innovative start-ups: these are shares of joint-stock companies (s.p.a.) and stakes in limited companies (s.r.l). Therefore, it is not possible to offer **debt instruments** (e.g. **bonds**).

Those who buy capital instruments usually have the right to receive an annual dividend (that is, a percentage portion) of the company profits during the period of reference. If all other conditions are equal, a **capital instrument** involves **more risk** than a **debt instrument**, since the **remuneration** due to the holder (of dividends) is linked to the issuing company's **economic state** (i.e. is it making a profit). The remuneration of those who buy a **debt instrument** corresponds to the payment of the interests and the risk sustained (non-payment of the interests) and exists only in the case of the issuing company's financial collapse (therefore regardless of whether there are profits or not: the interests on debt instruments must always be paid, unless the company becomes insolvent).

There are also differences regarding the **value of the capital** which has been invested. In the event of the **bankruptcy** of the issuing company, the holders of **debt** can in fact participate, with the other creditors, in the division - which, however, usually takes a considerable amount of time - of the profits resulting from the sale of the company's assets, whereas it is practically impossible for the holders of capital instruments to obtain the repayment of a part of what they have invested.

On the other hand, in the event of a positive trend for the entrepreneurial project financed, investors may see the value of their stake rise well above the sum initially invested.

Since these are, as stated above, newly founded companies operating in innovative sectors, the risk of the business project not being successful is even greater compared to that of companies which have already operated for some time in a specific sector; this obviously also influences the risk for the investors of **losing all invested capital**.

- **We should only invest in start-ups sums we can afford to lose.**

Furthermore, with reference to the entire portfolio, it is always wise to **diversify investments**. Considering the high risk of investments in innovative start-ups, these should represent a (very) limited percentage of the total portfolio also invested in more traditional assets (government bonds, company bonds, shares, investment fund units, financial insurance products, deposits, etc.).

- **(Initial) Absence of dividends**

It is not easy for a recently founded company to make a profit in its first years of life. The Growth Decree *bis* even **forbids the distribution of profits** (for the entire period in which the issuing company has the innovative start-up requisites, i.e. for a maximum of four years from its listing in the special section of the Companies Register). Any profits will perforce be reinvested in the company, increasing the value of the stake if the start-up achieves positive results over time. However, those who invest in start-ups can benefit from **favourable tax treatment** (Art. 29 of the Growth Decree *bis* and ministerial regulations).

- **The liquidity risk**

The liquidity of a financial instrument generally consists in its capacity **to be transformed quickly into cash**, without losing value. This depends firstly on the existence of a market on which the instrument can be traded and on the features of this market.

In general, all other conditions being equal, securities traded on the “**organised markets**” (such as the Italian Stock Exchange) are **more liquid** than securities which are not traded on such markets. This is because the demand and offer of securities are mostly channelled onto the organised markets, and the prices registered in that context are considered more reliable indicators of the real value of the financial instruments.

However, when a financial instrument **is not traded on a regulated market** it may be **difficult or impossible to sell it or to understand its effective**

value: these financial instruments are “**less liquid**” (and more difficult to sell quickly at a price which effectively reflects their value).

The financial instruments issued by innovative start-ups which can be underwritten via equity crowdfunding portals belong to the second category, since the Growth Decree **banned their trading** on the organised markets for the period in which the company can be considered an innovative start-up (Art. 25, paragraph 2 of the Growth Decree *bis*).

Therefore those who buy such instruments must be aware of the fact that, together with the risk of losing the entire invested capital, there is also a liquidity risk linked both to the initial ban on trading on organised markets and to the fact that - at least initially - there is no organised "secondary market" on which the instruments can be traded once underwritten. They can always be bought and sold privately, respecting the provisions established for each single case, and sustaining the relative costs.

➤ **What are the risks connected to investments made through on-line portals?**

The spread of the use of the Internet for commercial transactions has increased the risk of encountering illicit initiatives or genuine **fraud**.

If we receive an investment proposal by e-mail, or if we wish to adhere to an offer to underwrite or buy financial products on an Internet site, it is a good idea to carry out a few extra checks, for example:

- check that the subject proposing the investment can be clearly identified;
- check that the addresses given (telephone and fax numbers, and the subject's head office) correspond to those of that subject, perhaps through the telephone directory services;
- always check directly with Consob that the portal manager is listed in the register of portal managers held by Consob. It must also be stressed that if the subject declares to be (or actually is) under the supervision of a public authority, this does not imply the assumption of any responsibility on the part of that authority, nor does it guarantee the content of the proposals made;
- check that the Internet address of the portal in question coincides with that indicated in the portal managers register, published on Consob's website;
- mistrust requests for personal data/information – always check the personal data processing policy that the portal must make available to

the investors (in order to ensure that personal data are not transmitted to third parties);

- lastly, remember that the collection of capital acquired via crowdfunding portals listed in the ordinary section of the Consob register must **always** be concluded through **banks or brokerage firms (SIM)**. The manager listed in the portal register **cannot request** that the customer **pay to the same the sums** necessary to underwrite the financial instruments. These sums must only be paid into a tied up account held in the issuer's name at a bank or SIM.

Lastly, if you have any doubts, please contact Consob, including to report any activities which do not appear entirely "above board".

➤ ... and then?

Investing your savings does not only imply a choice and a purchase: investments should be monitored over time and as much information as possible acquired.

If you have become shareholders of a start-up company, you can **participate in the life of that company**, exercising – where applicable - the **right to vote** at the shareholders' meetings or examining and approving the company's **financial statements**. We agree that these documents do not seem particularly interesting, but they should be read, because they give information on the state of "health" of investments and they make us reflect on whether to keep them or sell them.

For this purpose, the documentation that the company usually makes available to the shareholders should be read. it is important to note that the portal, once the offer is closed, is not obliged to publish this documentation and therefore the **Internet site of the company** whose financial instruments we have underwritten should be monitored closely, remembering that as long as it has the innovative start-up requisites, it must update the information listed by the Growth Decree *bis* at least every six months.

Then, look out for any **changes in management**. The articles of association of the innovative start-up (which every shareholder must know), while it remains such and, in any case, in the three years following the offer via the portal, must acknowledge, in the case of a change of company management, the investors' withdrawal right or the "tag along" right, indicating the procedures and the conditions.

Attention must also be paid to company events after the collection of capital to which you adhered: the company could, for example, make further capital increases including through crowdfunding portals. If you do not exercise the "option right" (that is, the right of the existing shareholders to underwrite the

new shares or stakes issued by the company), there is a risk that your own investment “**dilutes**” (because new shareholders have entered subsequent to the capital increase), and your own stake in the company “weighs” a little less (percentage-wise) in terms of votes, expected dividends and value.

Lastly, the issuing company could have an interest in facilitating a “market” of its own financial instruments. Although the securities of an innovative start-up cannot be traded in regulated markets, with the help of the portal, “meeting points” between investors could be created (blogs, notice boards, etc.) where shareholders can follow the company's development and propose the purchase and sale of their own equity instruments.