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## ITALY INVITES CCA TO SPEAK ON CROWDFUND INVESTING

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Published on October 10, 2012

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*Nation seeks CFI experts as it prepares to legalize crowdfund investing*

There's nothing quite like an economic slump before a national election to get governments focused on solutions to issues like high unemployment rates and dropping GDPs. It's certainly no secret that those factors helped us at Startup Exemption get the bipartisan support from Congress we needed to include legalized crowdfund investing (CFI) in the JOBS Act in 2012.

So with the deepening economic crisis in Italy sitting on the doorstep of that country's election year, it wasn't surprising that Italian government officials would look to crowdfund investing as a possible solution to their nation's socio-economic challenges. And when they began seeking the leading experts in CFI throughout the world, it wasn't surprising that the phone in CCA's office rang with a formal invitation from Rome.



That phone call led to my meeting with the three leading political parties of Italy's current coalition government. These political parties have spent the last two years hard at work creating a Startup Agenda and a Digital Agenda, both prime properties on which to build a foundation for legalized crowdfund investing in Italy. I was invited to come in at this time to provide specifics that could help get CFI introduced into legislation, much as we did with Startup Exemption and the JOBS Act in the U.S.

As in the U.S., Italy is coming into an election year, with their election cycle scheduled to begin in December 2012. During election debates and public dialogs, public attention will be focused on the government's agendas and political plans for creating jobs and addressing the Italian economic crisis. So now is an ideal time to introduce crowdfunding as an integral piece of both the Digital Agenda and Start-Up Agenda frameworks, and start the buzz about crowdfund investing as a solution – a solution that doesn't increase government spending (or result in higher taxes.)

While in Rome, I also attended the "Courageous Capital" event. Attended by the mayor of Rome and other notable political figures, as well as academics, investors, entrepreneurs, and the press, the event had approximately 600 attendees. The main topics concerned the elements of a successful CFI ecosystem, along with discussions on how to mobilize the Italian public around startups and small business, the top creators of new jobs. Of course, without investors supporting new businesses or expanding small businesses, you cannot create or maintain a healthy CFI ecosystem – hence the term "Courageous Capital."

While in Rome, I also attended the World Economic Forum, where I met members of two subgroups of the Forum; the Emerging Global Leaders and the Global Shapers -- highly educated and well-connected individuals in their 30's and 20's, identified and selected by cities around the world as leaders. With one-half of the world's population under the age of 30, the World Economic Forum understands the importance of identifying future leaders and grooming them to identify their local and national socio-economic issues, research solutions, and push for the change that will address

them.

I also attended the first European Tech Crunch held in Rome. The event featured about 40 startups, along with a host of entrepreneurial speakers throughout Italy and Europe.

From Rome, I traveled to Milan, where I attended an invitation-only chamber event with a select group of about 30 individuals. This organization has a vision of Milan as a digital hub, capitalizing on Milan's prime geographic placement as well as its reputation as a money center with a flourishing business climate that is home to numerous trade, manufacturing, fashion and technology industries – perfect for CFI!

What I learned while in Italy was that, although there is a true socio-economic need for crowdfunding in Italy, the country also presents unique cultural and historical challenges to CFI. Italians are traditionally very cautious in their investment habits. For example, Italians have invested in the Italian postal service for decades – not because it pays high returns, but because they know the entity and trust in its stability. (And unfortunately, much like U.S. bank savings accounts with their low interest yields today, such perceived stability often results in meager returns.)

As an alternative “stable investment”, Italians will also invest in real estate. Land prices may go up and down, but one has a real, tangible piece of property nonetheless. Italians will also invest in the businesses of family and friends – but even then, usually only those they know and trust to be honest, hard-working and possessing a good head for business.

Therefore, convincing angel investors and Italian citizens to invest their money into small businesses and startup ventures will require building on the two concepts critical to any kind of investing – in Italy or anywhere in the world - trust and confidence.

To build the confidence and trust of investors, it will involve educating them on the possibility of higher returns on early stage investments, and convincing them to diversify their portfolios, setting aside a small part of their investment dollars for higher risk/higher yield ventures. It may also involve educating them that CFI isn't just for high-tech startups – there will be opportunities to invest in established Main Street businesses they know, trust, and have confidence in – and support its success with their patronage if it's a local business.

For angel groups, it will be just as important to introduce the concept of collaboration and trust. The U.S. is blessed with a large angel investment community – compared to just a handful of angel investors in the whole of Italy. Building trust will involve working with a few angels on CFI, even possibly having them sign an agreement to work together with promises not to “poach” on each other's deals. Once a trusting relationship has been established, they can then be encouraged to grow their group only with other angels that have been vetted and vouched for by one or more members of the group.

Fraud and money laundering were also big topics that came up in discussion on CFI, much as they have in the U.S. and other countries. I pointed out the U.S. is incorporating strong anti-fraud provisions in its legislation and regulations, including criminal and securities background checks. Also, limiting the amount of money a company can raise through CFI automatically limits fraud. The amount of work it takes to launch a CFI capital raise (manufacturing a social network, putting together a business plan, passing the securities and background check, etc.) is hardly worth a half-million euros. True fraudsters have easier ways to make more money.

Those anti-fraud provisions will catch many early, and many more will be “outed” by the crowd itself. Is it a failsafe system? No. There will always be the occasional fraudster that finds a way around, through, over, or under the system.

What is most important, indeed critical, to a successful CFI framework in every country considering adopting CFI is that it be adapted to the historical, cultural and legislative framework within that country. When we worked with Startup Exemption we leveraged our personal experience in raising over \$87M in the private markets under current regulations, studied numerous CFI models around the globe, and only then looked at what would work in the American culture and with American laws governing investing before presenting our framework to Congress.

In the same way, each country must explore CFI models the world over, paying particular attention to the successes (and failures) especially in cultures and economies similar to their own. It is imperative to get involved in the global conversation on CFI, just as we did, and just as we still do in the numerous crowdfunding organizations in which we participate as founders, board members or advisors.

Each culture must, and will, define and shape its laws governing crowdfund investing, just as the dialogue forming now in Italy will help to shape a crowdfunding system that fits the Italian economy,

laws and culture.

Click [here](#) to view Jason Best's presentation in Italy.



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