White Paper v2.2

Collaborative Due Diligence Platform for Equity Crowdfunding

Executive Summary

Equity crowdfunding has opened investment opportunities for private investors across Europe and the US. Yet access to deals does not equal access to insight. Without the infrastructure or incentives for due diligence, most investors rely on platform marketing and campaign narratives - creating a structural blind spot.

This paper outlines the research foundation and practical framework behind **Crowddiligence** - the independent decision layer for equity crowdfunding: an open, investor-led due diligence layer designed to fill that gap.

Crowddiligence does not promise better outcomes. It offers better inputs: structured analysis, transparent scoring, and access to the reasoning behind investment decisions - so that every investor can make a more informed choice.

Regulators and industry bodies are moving in this direction: the European Digital Finance Association (EDFA, 2025) has called for a revised KIIS regime under the EU Crowdfunding Regulation (ECSPR) - recommending shorter documents, clearer risk communication, and a

layered structure to improve investor accessibility. These are encouraging signs that the broader ecosystem is beginning to prioritize informed decision-making.

1. The Problem: Democratized Access ≠ Democratized Decisions

Unlike institutional investors, private investors lack access to audits, expert advisors, and pre-deal screening. They face a fragmented information landscape, often relying on influencer commentary, pitch decks, and emotionally designed campaign pages.

This leads to three structural challenges:

- **Information Asymmetry:** Founders control the narrative. Investors rarely have access to critical documents, risk assessments, or comparable data.
- **Lack of Verification:** Even when data is shared, most investors lack the time, expertise, or incentive to verify claims.
- **No Collective Memory:** Once a campaign ends, insights are lost. There is no persistent layer for learnings, track records, or pattern detection.

This creates a decision-making environment closer to gambling than investing.

2. What Research Shows

2.1 Investor Heterogeneity and Information Processing

Crowdfunding investors are not a monolith. Research distinguishes between experienced, financially literate investors who prioritize equity structure and exit terms, and novice investors who respond more strongly to emotional appeals, campaign videos, and social proof (Polzin et al., 2018; Vismara et al., 2024; Berliner et al., 2025).

This heterogeneity matters: the most engaged investors often drive early momentum, while less experienced investors may amplify it without independently evaluating risk.

2.2 Wisdom of the Crowd vs. Information Cascades

The "wisdom of crowds" effect - where aggregated opinions outperform individual judgments - requires diversity of thought and independence of decision (Ahlers et al., 2015). However, crowdfunding often exhibits the opposite: herding behavior, where investors follow visible signals (high funding totals, celebrity endorsements) rather than independent analysis (Vismara, 2018).

Without mechanisms to encourage independent reasoning and structured disclosure, the crowd may magnify errors rather than correct them.

2.3 Platforms Favor Narrative over Evidence

Research on investment decision-making shows that narrative quality often outweighs analytical substance. Professionally produced videos, emotional origin stories, and founder charisma are strong predictors of campaign success - independent of underlying fundamentals (Cumming et al., 2019).

This isn't irrational behavior - investors use shortcuts because better tools aren't available. Crowddiligence aims to provide those tools.

Recent industry feedback underscores this point: the European Digital Finance Association (EDFA, 2025) has highlighted that EU crowdfunding supervision remains fragmented, with inconsistent national interpretations of ECSPR. This further limits investor access to reliable, standardized analysis.

3. Why Due Diligence Is Necessary - And Why It Doesn't Scale (Yet)

Classical due diligence is expensive and time-consuming. It involves legal reviews, financial audits, market assessments, and team interviews - often exceeding €50,000 in cost. This is not economically viable for the average crowdfunding investor putting in €500–€5,000.

Some platforms offer Key Investment Information Sheets (KIIS), but these are legally mandated disclosures - not investor-led analysis. They are standardized, minimal, and rarely updated. They cover basic terms and risks but do not address comparability, market context, or strategic questions.

EDFA (2025) has acknowledged that the current KIIS length - up to 15 pages - can be counterproductive, and has called for shortened, layered disclosure to improve readability without sacrificing substance.

The result is a structural gap: the investor has democratized access, but not democratized insight.

4. Crowddiligence: A Decision Layer in Practice

Crowddiligence is an open platform for structured, transparent, investor-led due diligence reports. It is not a recommendation engine or a financial

advisory service. It is a framework for turning fragmented investor efforts into usable, comparable, and persistent analysis.

4.1 Core Principles

1. **Investor-Led:** All due diligence is written by investors, for investors. No platform affiliations. No promotional content.
2. **Anchored in Official Documents:** Every DD starts from the official, legally binding documentation: the KIIS for EU ECSPR offerings and Form C for US Reg CF offerings, supplemented by any additional documents made available by the company or the platform. Missing information is not in itself grounds for "not relevant" - it is a disclosure question.
3. **Structured:** Every DD follows a consistent, versioned template: Team, Financials, Legal, Market, Technology, and more. This enables comparison across campaigns.
4. **Weighted:** Topics are assigned importance weights. Final scores reflect weighted aggregation - so investors can see what matters most to the crowd.
5. **Transparent:** All scores, reasoning, and sources are visible. Readers can agree or disagree - and see why others reached their conclusions.

4.2 Workflow

1. **Start case:** Create a new case from any equity crowdfunding campaign worldwide (campaign link + available disclosures, including the KIIS for EU ECSPR offerings), or choose an "Up for Grabs" case (pre-loaded US SEC Reg CF listing) to begin.
2. **Apply a template:** The DD Lead applies a versioned, sector-specific template that defines topics, findings, and relevance rules.
3. **Submit assessments:** Contributors assess each finding with reasoning, documentation, and a 0-5 rating.
4. **AI-assisted research:** An external AI agent can draft assessment proposals against the project's findings. AI drafts are always labeled "AI-assisted" and carry clearly reduced weight until a DD Lead or admin verifies them.
5. **Peer review and verification:** Users can challenge, supplement, or request sources. The DD Lead verifies AI drafts and decides relevance where it is unresolved.
6. **Output:** A report (score, coverage, risk map, audit trail) read in parallel with the official KIIS or Form C.

4.3 The Scoring Model

Each finding is assessed by contributors on a 0-5 scale, where the rating reflects the quality of disclosure - not investment attractiveness:

- **0 - Deliberately misleading:** The disclosure is deceptive or materially false.

- **1 - Largely absent:** Critical information is missing or evasive.
- **2 - Partial:** Some information is provided, but significant gaps remain.
- **3 - Adequate:** The disclosure meets a reasonable minimum standard.
- **4 - Good:** Clear, complete, and well-documented disclosure.
- **5 - Full and transparent:** Exemplary disclosure that anticipates investor questions.

The project score is a dynamic average of all contributor ratings per finding, aggregated to a 0-100 scale per topic and per project using topic weights. A single rating of 0 triggers a critical warning regardless of the average - because one well-documented red flag can outweigh many neutral assessments.

Scores are labeled for readability: 0-20 Critical, 20-40 Weak, 40-60 Mixed, 60-80 Solid, 80-100 Strong.

4.4 Relevance and Coverage

Not every finding applies to every company. Templates distinguish between findings that are always relevant and findings that are conditional - each conditional finding carries a clear applicability condition (for example, perks-based rewards only apply to reward campaigns).

Assessments can mark a finding as relevant, not applicable, or undetermined. Unresolved relevance is excluded from the score but still counts in the coverage measure - because a question that has not been answered is still work to be done. Only a formal DD Lead or admin decision can exclude a finding from coverage entirely, and every such decision is logged with its rationale.

When unresolved relevance exists, the project score is clearly marked as **Provisional**, and the coverage percentage is always visible - with a warning when coverage falls below a defined threshold.

Unresolved relevance is also surfaced directly in the project view: each topic shows how many findings still await a relevance decision, so readers can see at a glance where the analysis is settled and where questions remain open.

4.5 The Hybrid Crowd-AI Model

Crowddiligence combines crowd intelligence with AI-assisted research. An external AI agent receives the project's findings and relevance rules, works from the official documentation, and returns structured assessment proposals for direct import.

- AI-generated assessments are always labeled "AI-assisted" and attributed to a dedicated, server-controlled AI identity.
- AI assessments carry clearly reduced weight until a DD Lead or admin verifies them - verification is a human decision, not an automated one.
- AI proposals to mark a finding "not relevant" are treated as unresolved until a human decides.
- Relevance rules originate from the authoritative template version - the AI agent cannot invent or modify them.

AI assessments are held to the same disclosure-quality standard as human assessments. The agent operates under calibration rules that require proportionate scoring: a finding can only receive a top score when the documentation is genuinely complete, partial disclosure must be scored as partial, and every AI-generated output passes a completeness check against the project's findings before it can be imported.

The result is a division of labor: AI accelerates the reading of dense disclosure documents, while humans retain judgment, verification, and accountability.

4.6 Governance and Anti-Manipulation

Crowddiligence incorporates conflict-of-interest safeguards:

- Contributors must disclose investment intent.
- Biased contributors (e.g., investors in the campaign) are flagged, and their scores carry a markedly reduced weight in that project.
- Participation in a project requires a small one-time fee - a quality filter that keeps bots, trolls and platform marketing out of the scoring process.
- Score distributions are visible - so outliers are detectable.
- Platform operators and campaign owners cannot modify or suppress DD reports.
- Findings can be contested and debated, creating an audit trail.
- All project activity is logged automatically, regardless of where a change originates.

4.7 The DD Lead Role

Each project is steered by a DD Lead - a contributor who claims the project (for SEC cases, via "Up for Grabs") and takes responsibility for structure, verification of AI-assisted assessments, and relevance decisions. DD Leads receive free access to their project. The role is designed to ensure that every report has a accountable editor, without centralizing the analysis itself.

4.8 Scope & coverage

Crowddiligence is designed for global coverage - any equity crowdfunding campaign can be analyzed. The platform currently covers EU ECSPR offerings and US SEC Regulation Crowdfunding (Reg CF) listings. In Europe, offerings are identified through platform submissions and public KIIS

documentation. In the US, listings are synced via the SEC EDGAR filing system, enabling rapid access to Form C and progress updates.

4.9 Platform Regulatory Status

Due diligence on the company is not the same as due diligence on the intermediary. A funding portal or ECSP can be suspended, have its authorization withdrawn, or face other regulatory events - for example under FINRA Rule 9552 in the US, or through national authorities and the ESMA ECSPR register in Europe. Crowddiligence treats this as a separate dimension:

- **Separate from the company score.** An administrative problem at the platform does not lower the 0-100 score of the company.
- **Three clear states.** Active and registered (no notice), suspended (warning), and revoked or terminated (critical warning that the offering is regulatorily unresolved).
- **Non-blocking.** We flag, we do not judge. DD work continues, and the investment decision stays with the investor.
- **Permanent history.** When a suspension is lifted, the active warning is removed, but the event remains on record with dates and official sources.
- **Separate report note.** The status is shown next to - not inside - the company score.

5. Market Implications

For Investors

- Access to structured, comparable analysis across campaigns.

- Ability to verify or challenge claims with visible sourcing.
- Contribution pathways that reward effort with ownership and attribution.

For Project Owners

- A credibility signal when third-party DD is available and favorable.
- Early feedback on investor concerns and perceived weaknesses.
- Opportunity to respond publicly to questions raised in DD reports.

For Platforms and Regulators

- A decentralized layer of investor protection that complements legal disclosure.
- Potential integration into investor education and risk labeling.
- Data on campaign quality and investor sentiment - independent of platform curation.

Under Regulation (EU) 2020/1503 (ECSPR), crowdfunding service providers must carry out a minimum level of due diligence on project owners and give investors a clear Key Investment Information Sheet. Crowddiligence is developing tools that help ECSPs meet these obligations more consistently:

- Standardized, versioned DD templates that make the review of each offering structured and comparable.
- Sourced findings and a full audit trail that document what was checked, by whom and on which basis.
- AI-assisted reading of KIIS and supporting documents, always subject to human verification.

- An independent second view that complements - but never replaces - the platform's own legal responsibility.

The independence principle applies here too: platforms can use the tools, but they cannot modify or suppress investor-led DD reports.

It should also be noted that the limited secondary-market options currently available for crowdfunded securities (EDFA, 2025) make upfront investor decisions all the more important - underscoring the value of due diligence before capital is committed.

Increased success rates: Studies show that issuers are more likely to complete their campaigns successfully when investors perceive quality signals (Vismara et al., 2024). Crowddiligence enables these signals to emerge through structured, public analysis - benefiting campaigns that can withstand scrutiny.

6. Platform Status and Roadmap

Crowddiligence is live. The pilot phase is complete: the platform hosts published DD reports on real campaigns - including Folc, Sky Wave, and Tempty Foods - with full scoring, sourcing, and audit trails.

Current Coverage

- US SEC Reg CF offerings synced automatically via the SEC EDGAR filing system, with an "Up for Grabs" flow that lets contributors claim live offerings as DD Lead.
- European ECSPR offerings added through platform submissions and public KIIS documentation.

- Versioned DD templates (v2) with explicit relevance rules for conditional findings.
- AI-assisted assessment drafting with human verification, calibrated scoring rules, relevance governance, and per-project bias management.
- Unresolved relevance surfaced per topic, with provisional scoring and visible coverage until relevance questions are settled.

Planned Extensions

- Platform Regulatory Status - a separate, non-blocking notice on intermediary registration, suspensions and regulatory events, with a permanent event history (see 4.9).
- Uncertainty modeling - confidence intervals and Monte Carlo simulations that show how robust a score is, given the number of assessments, their dispersion and the coverage achieved.
- Tools for ECSPs - structured, independent analysis that platforms can use to support their own due diligence obligations under ECSPR (see Section 5).
- A broader Fintech template beyond lending and investment platforms.
- A dedicated template track for real estate development with repayment through sales.
- Multilingual KIIS analysis as a research and development goal - enabling AI-assisted reading of disclosure documents across EU languages.

Feedback from the EDFA's September 2025 position paper continues to reinforce the value of parallel, investor-led analysis - particularly in light of calls for improved disclosure and cross-border harmonization in EU crowdfunding.

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