WHITE PAPER V2.3

Collaborative Due Diligence Platform for Equity Crowdfunding

How investors analyse, challenge and extend the official disclosures behind EU and US equity crowdfunding offerings - the framework, the methodology, and the independent decision layer behind every crowdfunding deal.

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.

Official disclosures are the starting point, not the boundary, of due diligence. Crowddiligence uses AI to structure the initial review of the

KIIS or Form C, while investors examine and challenge what those documents say, investigate underlying claims, introduce external evidence, address risks the documents do not cover, and challenge one another's conclusions. AI contributions remain labeled and carry reduced weight until a human verifies them. The result is an independent, collaborative assessment that extends beyond the issuer's narrative.

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. The score describes the quality and evidential support of the available information. It is not an investment recommendation, does not rate investment attractiveness and does not predict returns.

The regulatory framework is itself under review: in its September 2025 position paper, the European Digital Finance Association (EDFA, 2025) calls for, among other things, a more harmonised implementation of the EU Crowdfunding Regulation (ECSPR), more practical rules for the Key Investment Information Sheet (KIIS) and functioning secondary markets. These are industry policy positions; they show that disclosure practice is evolving, not that independent investor research has a proven effect.

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.

The result is a decision-making environment in which narrative and momentum can outweigh evidence.

2. What Research Shows

2.1 Investor Heterogeneity and Information Processing

Crowdfunding investors are not a monolith. Research distinguishes between investors who draw on different information sources and networks, and shows that decision drivers - from financial terms to social and emotional cues - vary considerably across investor groups (Polzin et al., 2018; 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" argument holds that aggregated judgments can outperform individual ones - but only under conditions: diversity of views, independence of judgment, decentralised and local knowledge, and an effective way of aggregating it (Surowiecki, 2004). Many participants do not

automatically produce better analysis. Equity crowdfunding often exhibits the opposite pattern: herding, where investors follow visible signals such as funding totals rather than independent analysis (Vismara, 2018).

Crowddiligence's design responds to these conditions - independent assessments per finding, visible reasoning, bias controls and a structured aggregation method. This is a design rationale, not an empirical validation: whether the model produces better collective judgments than alternatives has not yet been tested.

2.3 Platforms Favor Narrative over Evidence

Campaign presentation - video, founder story and visible momentum - plays a prominent role in how retail investors process offerings, and research on herding (Vismara, 2018) shows that visible signals can substitute for independent analysis. Cumming et al. (2019) find that the depth of due diligence performed by platforms is associated with campaign outcomes, underlining that verification, not presentation alone, matters.

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

EDFA (2025) also reports uneven implementation of ECSPR across Member States and inconsistent communication from national competent authorities, which adds to the difficulty for investors of comparing offerings across borders.

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

Classical due diligence involves legal reviews, financial audits, market assessments, and team interviews. It can be costly and time-consuming, and is rarely proportionate to the ticket sizes typical of retail crowdfunding

investors. Coakley et al. (2024) describe the resulting collective action problem: due diligence and monitoring are costly, and dispersed investors have an incentive to free-ride on the efforts of others.

Under ECSPR, platforms must provide a Key Investment Information Sheet (KIIS) drawn up by the project owner (Art. 23(2)). The KIIS is a mandatory disclosure, not investor-led analysis. It is standardized and covers basic terms and risks, but it does not address comparability, market context, or strategic questions.

ECSPR limits the KIIS to a maximum of six A4 pages (Art. 23(7)). Industry respondents to EDFA (2025) argue that this is too restrictive for the information required. Either way, a short, standardized sheet cannot carry independent analysis.

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. In short: AI starts the analysis. Independent investors take it further.

Throughout this section, features are marked **Live** (available on the platform today), **Partially implemented** or **Planned**.

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 required disclosures: 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. Contributors do not only summarise these documents - they test their completeness, consistency and plausibility. Missing information is not in itself grounds for "not relevant" - it is a disclosure question.
3. **Independent Investigation Beyond Disclosure:** The offering documents define the starting point of the research, not its limit. Contributors can add findings on questions the documents do not address - for example historical financial performance and company filings, management track records and previous business activities, market and competitive conditions, the assumptions behind forecasts, governance and potential conflicts of interest, legal, regulatory and operational risks, and contradictions between issuer statements and independently available evidence. External claims must be supported by identifiable sources, cited in the finding or attached as documents. Unverified allegations are not treated as established facts.
4. **Structured:** Every DD follows a consistent, versioned template: Team, Financials, Legal, Market, Technology, and more. This enables comparison across campaigns.
5. **Weighted:** Topics are assigned importance weights. Final scores reflect weighted aggregation - so investors can see what matters

most to the crowd.

6. **Transparent:** Scores, reasoning, and sources are visible to project participants. Readers can agree or disagree - and see why others reached their conclusions.

4.2 Workflow

Conceptually, the research process moves through five stages. They describe how an analysis matures; they are not separate technical states in the platform.

1. **Official disclosure intake** - the KIIS, Form C and other offering documentation form the initial information base.

2. **AI-assisted initial analysis** - AI reads the documents and proposes structured assessments against the template's findings. AI output is always labeled and subject to human verification.

3. **Critical review and independent research** - investors test the claims in the documents and add new findings based on independently sourced information, including questions the documents do not cover.

4. **Collaborative review and verification** - contributors challenge assumptions through their own assessments and evidence; DD Leads verify AI drafts and decide unresolved relevance; bias controls apply throughout.

5. **Structured assessment and reporting** - assessments, open questions and coverage are aggregated according to the methodology below.

In practice, a case runs as follows:

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. Live
2. **Apply a template:** The DD Lead applies a versioned, sector-specific template that defines topics, findings, and relevance rules. Live
3. **Submit assessments:** Contributors assess each finding with reasoning, documentation, and a 0-5 rating. Live
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. Live
5. **Peer review and verification:** Contributors can challenge or supplement existing assessments with their own reasoning and evidence, and add new findings. The DD Lead verifies AI drafts and decides relevance where it is unresolved. Live
6. **Output:** A project report on the platform - score, topic breakdown, coverage, critical warnings, score range and robustness, and an activity log - read alongside the official KIIS or Form C. Exported reports are not yet available. Partially implemented

4.3 Sources and Evidence

Findings can carry file attachments, and contributors cite external sources in the text of their findings and assessments. Live A dedicated, structured source-link field is not yet available in the interface. Planned

Sources are not independently verified by the platform. Their credibility is tested through review by other contributors and, for AI-assisted assessments, through DD Lead verification.

4.4 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.

What the score measures - and what it does not. Three concepts are kept apart throughout this paper:

- **Disclosure quality** - how complete, clear and well-evidenced the available information is. This is what the score measures.
- **Underlying investment risks** - financial, operational, commercial, governance and other risks identified during the due diligence. They are documented in findings and assessments; a rating of 0 raises a critical warning, but the risks themselves are not converted into a separate score.
- **Investment attractiveness** - an investor-specific judgment involving risk appetite, valuation, portfolio fit and expected returns. Crowddiligence does not assess this.

A company can disclose excellently and still carry substantial risk. Conversely, incomplete disclosure does not in itself prove that a business is commercially unattractive.

Score range and robustness. Live Next to the score, the platform shows an Estimated Range and a Score Robustness indicator derived from model-based sensitivity scenarios that reflect the number of assessments, their dispersion, coverage and the share of unverified AI input. They do not change the score, are not calibrated confidence intervals and are not probabilities of investment success.

4.5 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.

4.6 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 import by an administrator. AI is an enabling technology, not the product and not the decision-maker.

- 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 investigate further, retain judgment, verification, and accountability.

4.7 Governance and Anti-Manipulation

Crowddiligence incorporates conflict-of-interest safeguards: Live

- Contributors with a potential conflict of interest - for example existing investors in the campaign - can be flagged per project.
- Flagged contributors' assessments 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.
- Individual assessments and their reasoning are visible to project participants, so outliers are detectable.
- Platform operators and campaign owners cannot modify or suppress DD reports.
- Findings can be challenged through competing assessments and evidence.
- All project activity is logged automatically, regardless of where a change originates.

4.8 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 an accountable editor, without centralizing the analysis itself.

4.9 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 added manually from platform listings 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. Live

4.10 Platform Regulatory Status Planned

Described here as designed; not yet live on the platform. Due diligence on the company is not the same as due diligence on the intermediary. A funding portal or crowdfunding service provider 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 register of crowdfunding service providers in Europe. Crowddiligence is designed to treat this as a separate dimension:

- **Separate from the company score.** An administrative problem at the platform will 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 will continue, and the investment decision stays with the investor.
- **Permanent history.** When a suspension is lifted, the active warning will be removed, but the event will remain on record with dates and official sources.

- **Separate report note.** The status will be shown next to - not inside - the company score.

5. Market Implications and Platform Relationships

For Investors

- Access to structured, comparable analysis across campaigns.
- Ability to verify or challenge claims with visible sourcing - including claims the offering documents do not address.
- Attribution for contributions, and a DD Lead role with free project access for those who take editorial responsibility for a case.

For Project Owners

- A credibility signal when third-party DD is available and favorable.
- Early feedback on investor concerns and perceived weaknesses.
- Visibility of the questions investors raise, which owners can address through their official disclosures.

For Platforms and Regulators

Crowdfunding platforms and independent investor research perform different functions. Under Regulation (EU) 2020/1503 (ECSPR), crowdfunding service providers must undertake at least a minimum level of due diligence on project owners - covering, among other things, criminal records in relevant fields of law and establishment in non-cooperative or high-risk jurisdictions (Art. 5). They must also provide investors with a Key Investment Information Sheet drawn up by the project owner, and apply adequate procedures to verify its completeness, correctness and clarity (Art. 23(2) and 23(11)). Responsibility

for the information in the KIIS lies at least with the project owner or its administrative, management or supervisory bodies (Art. 23(9)).

Crowddiligence is an independent, complementary research layer. It does not replace these obligations, does not verify offerings on behalf of platforms, and does not make an offering compliant with ECSPR. What it can add is a second, investor-driven view that examines questions beyond mandatory disclosures, may surface information gaps, inconsistencies or additional risks through externally sourced findings, and documents what was examined and on which basis.

Any future data cooperation with platforms will be conditional on preserving analytical independence: platforms and campaign owners cannot modify or suppress investor-led DD reports.

Limited exit options make upfront decisions all the more important: EDFA (2025) reports that in January 2025 only 29% of 227 crowdfunding service providers offered a bulletin board, and calls for fully functioning secondary markets.

Quality signals: Research associates observable quality signals with campaign success (Ahlers et al., 2015). Structured, public analysis can make such signals - and their absence - visible. Whether independent investor-led due diligence itself improves outcomes has not yet been empirically tested.

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 scoring, sourced assessments and activity logs.

Current Coverage Live

- 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 manually from platform listings 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.
- Score Estimated Range and Score Robustness indicator (sensitivity-based, separate from the score).
- Public project previews showing scope (topics and counts) without scores or assessment content.

Planned Extensions Planned

- Platform Regulatory Status - a separate, non-blocking notice on intermediary registration, suspensions and regulatory events, with a permanent event history (see 4.10).
- Further uncertainty modeling - per-topic ranges, what-if analysis for DD Leads, and ranges in exported reports.

- A dedicated source-link field on findings (today sources are cited in text or attached as files).
- Exportable reports.
- Independent research outputs that platforms may reference, without affecting analytical independence or the platform's own responsibilities (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.

EDFA's September 2025 position paper shows that the ECSPR framework, including the KIIS rules, is under active review. Crowddiligence is designed to remain useful as those rules evolve, because its analysis starts from - but is not limited to - the mandatory disclosures.

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White Paper v2.3 - Copenhagen, 28.10.2026