

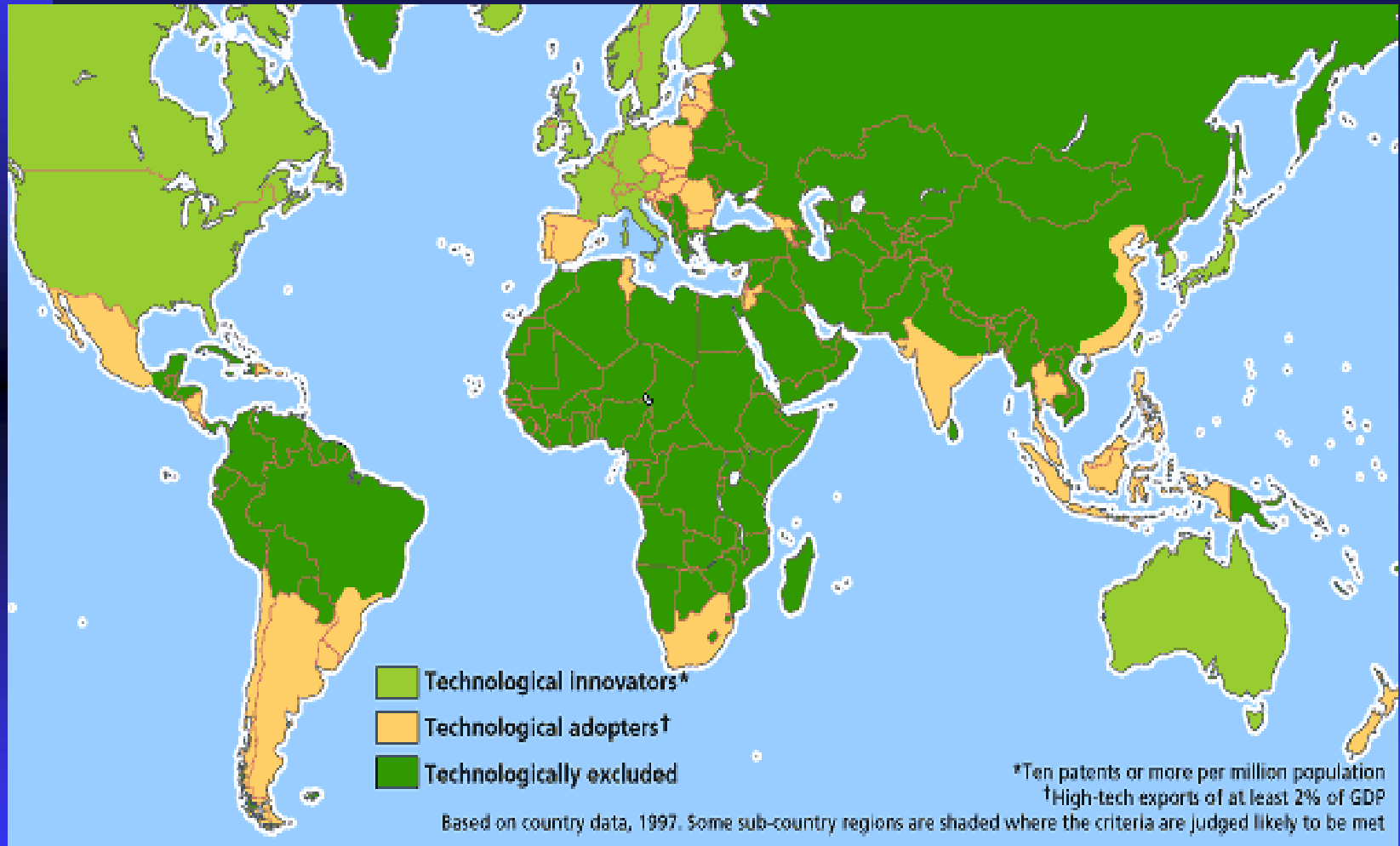
VENTURE CAPITAL INVESTMENT TRUSTS

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Outline

- A new map of the world by Jeffrey Sachs
- Venture Capital/Private Equity and Government Policy Approaches
- Regulations of Capital Markets Board (CMB) to Support Entrepreneurship
 - ◆ Venture Capital Investment Trusts
 - ◆ Funded Pensions
 - ◆ Secondary Stock Markets for Small Enterprises

A new map of the world...



Venture Capital/Private Equity and Government Policy Approaches

- Increasing the supply of investment funds
- Promoting VC/PE investments through tax incentives
- Creating secondary stock markets
- Funding pre-finance appraisal

Venture Capital Investment Trusts

- Regulated by a Communiqué in 1998
- CMB permission required
- Must be a joint stock company with an initial paid in capital of approximately \$ 1 million.
- Must endure a minimum of 10 years.
- More than half of the shareholders must be Turkish citizens

VCITs continued...

- One year for the VCIT to find the necessary office space, personnel and equipment, and form a draft portfolio
- The shares of VCIT must be registered by the Board before they can be offered to the public.
- 10% of issued capital within one year, 30% within the end of the third year and 49% at the end of the fifth year must be offered to the public.

VCITs can...

- invest in shares and bonds issued by venture companies,
- take part in management of these companies and offer consulting services for them.
- Invest in other securities (government bonds, mutual fund shares, etc) up to 35% of their assets even in other VCITs provided that they have no management and capital relation.

VCITs can not...

- collect funds specified under the Banking Law,
- carry out commercial, industrial or agricultural activities
- invest more than 10% of its assets into related companies unless specified by a provision under the principle contract,
- keep investee companies more than 10 years

Advantages of VCITs

- professional portfolio management
- surveillance of CMB
- diversification
- improved economy
- liquidity
- tax incentives

VCITs: Vakıf Risk and Is Risk

■ Vakıf Risk (1996)

- *TL 900 billion paid in capital

- *Invested in;

 - Teknoplazma

 - Inova Biotechnology

 - Ortadogu Yazılım (TR-Net)

■ Is Risk (2000)

- *TL 20 trillion paid in capital

- *Is Bank Group owns 87.5% of the company

Relevant Developments..

- Funded Pensions
- Secondary stock markets for small enterprises

Funded Pensions

- Sustainable long-term economic growth requires long-term sources of funding.
- In Turkey, regulations are done, and funded pension system is hoped to operate in near future.
- The regulations allow funded pensions to invest up to 5% of their assets in venture capital.

Secondary Stock Markets for Small Enterprises

- The existence of a stock market which encourages IPOs is crucial for the development of venture capital.
- The US venture capital industry is driven by the NASDAQ market.
- CMB tries to create a Turkish equivalent of NASDAQ.