The Advisory Committee on Venture Capital, set up under Chairmanship of Dr. Ashok Lahiri, has submitted its report to SEBI. This report has been placed on the SEBI website (www.sebi.gov.in) for public comments, which would help SEBI in considering the amendments to the regulations that will facilitate the further development of vibrant venture capital industry in India

The comments on this report may please be forwarded to:

Mr. Suresh Gupta,
General Manager (Investment Management Department)
Securities and Exchange Board of India
Exchange Plaza, "G" Block, 4th Floor,
Bandra Kurla Complex
Bandra (E)
Mumbai – 400 051

or e-mailed at sureshg@sebi.gov.in or sumitb@sebi.gov.in on or before November 05, 2003. The report of the committee is placed below.

Executive summary of the recommendations of the Committee.

I. Operational issues

(A) Issues common to Venture Capital Funds (VCF) and Foreign Venture Capital Investors (FVCI).

1. Lock-in of shares after listing:

The requirement of lock-in of shares after listing may be removed.

***2.* Investment in listed companies:**

The minimum limit of investment in unlisted companies may be reduced from 75 per cent, as present, to 66.67 per cent. The remaining portion of 33.33 per cent or less may be permitted to be invested in listed securities. The aforesaid limit of investment shall be achieved by the end of the life cycle of a fund. A life cycle of more than 10 years will have to be justified by the fund and subject to careful examination by SEBI. Wherever such investments trigger the takeover code, all requirements of the code will have to be fulfilled by the VCF/FVCI and no exemption from the clauses may be provided. However, where as a result of investments made under mandatory requirement of takeover code, investment restrictions are breached, the same may not be considered as a violation of SEBI (VCF/FVCI) Regulations.

3. Type of instruments of investment:

Some kind of hybrid instruments which are optionally convertible into equity may be permitted as a class of investment instruments under the 66.67 per cent (now recommended) portion of the investible funds.

4. Special Purpose Vehicles (SPV):

SPVs which are mandated for promotion/investment of a Venture Capital Undertaking (VCU) may be permitted up to a maximum of 33.33 per cent portion of investible funds.

5. Investment in Non Banking Financial Services:

VCFs/FVCIs may be permitted to invest in NBFC in equipment leasing and hire purchase.

6. Investment in Real Estate:

VCFs/FVCIs may be permitted to invest in real estate.

7. Investment in Gold Financing:

Gold financing may be removed from negative list for VCF/FVCI. However, such financing should be restricted to gold financing for jewelry alone and not pure trade and speculation in gold.

(B) Issues relating to venture capital funds

1. Investment in offshore VCUs:

VCF may be permitted to invest in offshore VCUs. RBI may be requested to periodically announce the overall limit for investment by the VCFs and inform SEBI accordingly

2. Flexibility to distribute in-specie:

The in-specie distribution of assets may be permitted at any time, as per the preference of investor(s).

(C) Issues relating to foreign venture capital investors:

1. Appointment of custodians:

The appointment of custodian by FVCI may be continued to facilitate the maintenance of records and a smooth transition when the VCU's shares get listed.

2. Investment Limits:

The restriction of not investing more than 25 per cent of the investible funds of a FVCI in a single VCU may be removed.

II. Tax related issues

1. Section 10(23 FB):

If clause (c) of Explanation I of Section 10(23FB) is deleted, no further amendments to this Section will be required whenever SEBI changes the definition of 'Venture Capital Undertaking'. After deletion of this clause, all VCFs which are formed as trust/company duly registered with SEBI would be eligible for exemption under Section 10(23FB). Alternatively, the definition of 'Venture Capital Undertaking' under clause (c) of Explanation I of Section 10(23FB) may be aligned with

definition of 'Venture Capital Undertaking' as defined under SEBI Regulations.

2. **Exits:**

    For the sake of clarity and for the removal of ambiguity, a suitable clarification may be issued through a Central Board of Direct Taxes (CBDT) circular. Alternatively, in line with Explanation 2 under section 10(23FB), Explanation 3 may be added providing that VCFs would continue to enjoy tax exemption even after they receive foreign securities in lieu of domestic securities held by them in a 'Venture Capital Undertaking'.

3. **Section 115U:**

    For the sake of clarity and uniformity, a suitable illustration may be issued through a CBDT circular.

4. **Procedural matters:**

    CBDT may clarify on the procedural matters through issue of a circular. As regards Form 64, clause nos. 5, 6, 8, 10 and 12 need to be changed to 'Income of Venture Capital Funds'.

III. Foreign exchange control related issues

Wholly owned Indian subsidiaries of FVCIs registered with SEBI may be exempted from the minimum capitalization requirement of an Indian company.

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Background

Securities and Exchange Board of India (SEBI) has set up an Advisory Committee on Venture Capital under the Chairmanship of Dr. Ashok Lahiri, Chief Economic Advisor, Ministry of Finance, Government of India for advising SEBI in matters relating to the development and regulation of venture capital funds industry in the country.

Terms of Reference for Advisory Committee on Venture Capital are -

1. To advise SEBI on issues related to development of Venture Capital Fund industry.

2. To advise SEBI on matters relating to regulation of Venture Capital Funds and Foreign Venture Capital Investors.

3. To advise SEBI on measures required to be taken for changes in legal framework / amendments.

The list of members of the Committee is given in Annexure 1.

Introduction

After the success achieved in information technology, the time has come for seizing the ample opportunities in several other areas like bio-technology, pharmaceuticals and drugs, agriculture, food processing, telecommunications, call centers, business process outsourcing (BPO) and services. The vast pool of skilled and cost competitive manpower, technology and research institutes, and entrepreneurship need to be catalysed through proper policy support and financing of risk capital for achieving this objective. Venture capital funding is critical in this context. In the life-cycle of almost every business, in any sector, venture capital funds can play a very useful role in solving the problem of the pre-initial public offering (IPO) financing.

Venture Capital funding is different from traditional sources of financing. Venture capitalists finance innovation and ideas which have potential for high growth, but with it, inherent uncertainties. This makes it a high-risk, high return investment. In addition to finance, venture capitalists also provide hands-on management support and other skills that help to convert the entrepreneurial vision into marketable products.

A flourishing venture capital industry in India will fill the gap between the capital requirements of technology and knowledge-based startup enterprises and funding available from traditional institutional lenders such as banks. The gap exists because such startups are necessarily based on intangible assets. Traditional sources of finance are more comfortable with tangibles.

Venture capital supported enterprises would convert into quality initial public offerings (IPOs) providing over-all benefit and protection to the investors. Additionally, judging from the global experience, this will result in substantial and sustainable employment generation. The spin off effects of such activities would create other support services and further employment.

While success stories of Indians in US and other places abroad are abound, there are growing number of success stories of young, technically qualified entrepreneurs in India as well. Furthermore, a number of senior managers have been leaving established multinationals and Indian companies to start new ventures. The quality of enterprise in India is on an ascending curve. The atmosphere, thus, is ripe for creating the right regulatory and policy environment

for sustaining the momentum for high-technology entrepreneurship. The Indians abroad have leapfrogged the value chain of technology to its highest levels. By bringing venture capital and other supporting infrastructure, this can be encouraged to happen at home too.

In this report, beginning with a consideration of the wide role of venture capital to encompass not just information technology, but all high-growth technology and knowledge-based enterprises, the endeavor of the Committee has been to make recommendations for changes in the legal framework and regulations that will facilitate the further development of a vibrant venture capital industry in India. The Committee is confident that implementation of these recommendations would not only facilitate faster growth of venture capital industry in the country, but also play an effective role in garnering economic resources for the country and development of securities market in India.

Section I of the report deals with history of regulation of venture capital in India and international practices in venture capital industry. Section II of the report discusses various operational issues pertaining to venture capital industry.

SECTION – I

1.1 Regulation of Venture Capital industry in India:

In the absence of an organised venture capital industry, individual investors and development financial institutions have hitherto played the role of venture capitalists in India. Entrepreneurs have largely depended upon private placements, public offerings and lending by the financial institutions. In 1973, a committee on Development of Small and Medium Enterprises highlighted the need to foster venture capital as a source of funding new entrepreneurs and technology. Thereafter some public sector funds were set-up, but the activity of venture capital did not gather momentum as the thrust was on high-technology projects funded on a purely financial rather than a holistic basis. Later, a study was undertaken by the World Bank to examine the possibility of developing venture capital in the private sector, based on which Government of India took a policy initiative and announced guidelines for venture capital funds (VCFs) in 1988. However, these guidelines restricted setting up of VCFs by the banks or the financial institutions only. Internationally, the trend favoured venture capital being set up by professionals, successful entrepreneurs and sophisticated investors willing to take high risk in the expectation of high returns, a trend that has continued to this decade.

Thereafter, Government of India issued guidelines in September 1995 for overseas venture capital investment in India. While, for tax exemption purposes, guidelines have been issued by the Central Board of Direct Taxes

(CBDT), the investments and flow of foreign currency into and out of India are governed by the Reserve Bank of India (RBI). Further, as a part of its mandate to regulate and to develop the Indian securities markets, SEBI under Sec 12 of SEBI Act 1992 framed SEBI (Venture Capital Funds) Regulations, 1996.

Thus, there were three sets of Regulations dealing with venture capital activity i.e. SEBI (Venture Capital Regulations) 1996, Guidelines for Overseas Venture Capital Investments issued by Department of Economic Affairs in the Ministry of Finance in the year 1995, and CBDT Guidelines for Venture Capital Companies issued in 1995, which were later modified in 1999. Therefore, there was a need to consolidate all these into one single set of regulations to provide for uniformity and hassle free single window clearance.

Thereafter, based on recommendations of the K.B. Chandrasekhar Committee, which was set up by SEBI during the year 1999-2000, Guidelines for Overseas Venture Capital Investment in India were withdrawn by the Government in September 2000, and SEBI was made the nodal regulator for VCFs to provide a uniform, hassle free, single window regulatory framework. SEBI also notified regulations for foreign venture capital investors. On the pattern of foreign institutional investors (FIIs), Foreign Venture Capital Investors (FVCIs) were also to be registered with SEBI.

1.2 Size of Venture Capital Industry in India

According to Indian Venture Capital Association (IVCA) yearbook, in the year 2001, India ranked as the third most active venture capital market in the Asia Pacific region (excluding Japan).

? Venture Capital Funds invested $ 907.58 million (i.e. about Rs 4,500 crore) in Indian companies in 2001, down 21.8 per cent from $ 1,160.2 million (i.e. about Rs 5,750 crore) in 2000. However, it may be noted that, the world over, the Venture Capital Industry registered a decline of about 50 per cent during this period.
? The number of Indian companies receiving investment declined 62.6 per cent to 101 in 2001 from 270 in 2000.
? 65.4 per cent of companies that raised venture capital in 2001 were in information technology and communications.
? Overall, India saw a shift to later stage investing with expansion stage funds, accounting for 60 per cent of the disbursements in 2001, compared to 44.3 per cent in 2000.

According to the available data, 43 domestic venture capital funds registered with SEBI have about 400 investors, who are largely corporates, qualified institutional buyers (QIBs) and high net worth individuals. As such, these investors in venture capital funds (as is the case in other countries) are highly

sophisticated and well informed. Therefore, SEBI acts more as a facilitator with minimal regulation instead of being concerned with protecting the interest of investors as far as the venture capital industry is concerned.

According to provisional data available, SEBI registered VCFs and FVCIs have made a total investment of about Rs. 2,000 crore i.e. $ 430 million approximately, in Indian Companies as on March 2003.

Thus, investment made by SEBI registered VCFs is much less compared to data compiled by IVCA. This also shows that major part of the VCF industry is not registered with SEBI. It may be mentioned here that any person or group of persons can invest in new entities; private equity funds can also finance such projects. Foreign investors can also invest in India through the Foreign Investment Promotion Board (FIPB) route. FIPB does not categorize the data as private equity or venture capital. Hence, consolidated data on venture capital activity is not available.

1.3 Need to Regulate Venture Capital Industry

According to section 12(1B) of SEBI Act, venture capital fund activity cannot be carried out without obtaining a certificate of registration from SEBI in accordance with the regulations. Hence, SEBI regulates the venture capital activity in the country. However, the regulatory requirements are minimal.

The Committee debated the need to regulate this industry given that investment in venture capital industry is made primarily by QIBs, which are banks and institutions, and high net worth individuals. Further, apart from investment restrictions laid down in the regulations, a VCF invests in accordance with the private placement memorandum submitted to the investors, who are largely institutions and capable of monitoring the use of funds.

Though any group of persons can invest in venture capital undertakings, and foreign investors can invest through the foreign direct investment (FDI) route, the Committee felt that most venture capitalists have the requisite know-how and trained and experienced personnel to help entrepreneurs in identifying the right projects and in scaling up their business by providing management advice and marketing support. Sometimes, they assist in professionalizing the corporate entities. Hence, the Committee felt that there was a need to encourage this industry. It was also felt that an appropriate regulatory framework would foster the growth of the Venture Capital industry in an organised manner. Further, investors may be more inclined to make investments in a regulated industry than in an unregulated one.

1.4 International Scenario:

The Committee studied the international practices prevailing in the venture capital industry. Information was compiled from the websites of other countries (refer Annexure 2). The IVCA also provided some data. Relevant available information about the regulatory practices in various countries pertaining to the industry is given below:

1.4.1 Definitions of Venture Capital

Definitions of venture capital in various countries are given below:

1.4.1.1 India

Like other countries, the concept of venture capital is defined in a broad manner in India under the SEBI Regulations:

'Venture capital fund' means a fund established in the form of a trust or a company including a body corporate and registered under these regulations which-

i. has a dedicated pool of capital,
ii. raised in a manner specified in the regulations, and
iii. invests in venture capital undertaking in accordance with the regulations.

'Venture capital undertaking' means a domestic company –

i. whose shares are not listed on a recognised stock exchange in India; and
ii. which is engaged in the business of providing services, production or manufacture of article or things, or does not include such activities or sectors which are specified in the negative list by the Board with the approval of the Central Government by notification in the Official Gazette in this behalf.

Further, the negative list covers the following activities:

i. real estate,
ii. non –banking financial services,
iii. gold financing,
iv. activities not permitted under the industrial policy of Government of India, and
v. any other activity which may be specified by the Board in consultation with Government of India from time to time.

As mentioned earlier, except a few investment restrictions, venture capital funds have been given flexibility in their operations under the SEBI Regulations.

1.4.1.2 China

"Foreign-invested venture capital investment enterprise" (FIVCIE) as used in these Rules means a foreign-invested enterprise established within the territory of China by foreign investors, or by foreign investors together with companies, enterprises or other economic organizations registered and established under Chinese law (the Chinese Investors), in accordance with the Rules to be engaged in venture capital investment business.

"Venture capital investment" as used in the Rules means a type of investment activity pursuant to which equity investments are injected mainly into high and new-tech enterprises that have not been publicly listed (the Investee Enterprises) and venture capital management services are provided in order to obtain capital appreciation benefits.

1.4.1.3 Malaysia

“Venture Capital Company (VCC)” and “Venture Capital Management Company (VCMC)” means a corporation that deals or manages investments in securities of venture companies, and is registered as a VCC or VCMC, as the case may be, under the Guidelines.

“Venture company” means a company which utilises seed-capital, start-up or early-stage financing and –

i. in relation to VCC, is not listed on the stock market of any stock exchange; and
ii. in relation to VCMC, is not listed on the stock market of any stock exchange at the point of first investment by such VCMC.

1.4.1.4 Taiwan

The term "venture capital investment enterprise" as used in the Regulations refers to a company limited by shares, which conforms to the following conditions:

i. engages in venture capital investment business under the approval of Ministry of Finance;
ii. specialises in making investments either in foreign or domestic technological enterprises or in other foreign or domestic venture capital investment enterprises; and
iii. not only makes a direct investment in the invested enterprises but also assists in the management or supervision of such enterprises.

1.4.1.5 United Kingdom

In UK, the definition of venture capital is very broad and includes the business of carrying on any of the following:

i. investing in, advising on investments which are, managing investments which are, arranging (bringing about) transactions in, or making arrangements with a view to transactions in, venture capital investments;
ii. advising on investments or managing investments in relation to portfolios, or establishing, operating or winding up collective investment schemes, where the portfolios or collective investment schemes (apart from funds awaiting investment) invest only in venture capital investments;
iii. any custody activities provided in connection with the activities in (i) and (ii);
iv. any related ancillary activities.

Further, venture capital investment is defined as a designated investment which, at the time the investment is made, is:

i. in a new or developing company or venture; or
ii. in a management buy-out or buy-in; or
iii. made as a means of financing the investee company or venture and accompanied by a right of consultation, or rights to information, or board representation, or management rights; or
iv. acquired with a view to, or in order to, facilitate a transaction falling within (i) to (iii) above.

1.4.2 Prevalent practices

1.4.2.1 Australia

In December 2002, major reforms in venture capital laws were carried out by passing the Venture Capital Bill 2002 and the Taxation Laws Amendment (Venture Capital) Bill 2002, as a crucial part of the government's program to encourage foreign investment and develop the local venture capital industry by bringing it into line with international best practices. The Australian Venture Capital Association felt that the reforms would lead to substantial additional inflow of funds into Australia.

Highlights of the VC reforms are:

- ✍ A new type of investment vehicle has been created: the Australian VC limited partnership (VCLP). These are flow-

through entities for tax purposes, and also provide limited liability for investors.

- ✍ Most foreign investors which invest via a VCLP in Australian non-listed companies can obtain tax exemption on gains realized on their sale.

- ✍ Individual managers at VC firms taxed at half rates on their participation in the “carried interest” flowing to them from a VCLP.

1.4.2.2 China

In China, there is a separate set of rules governing venture capital, which covers the establishment and registration of the "Foreign-invested venture capital investment enterprise" (FIVCIE). These rules prohibit investing, directly or indirectly, in publicly traded stocks and corporate bonds.

1.4.2.3 European Countries:

In Europe, the VC industry is largely unregulated. However, many governments do provide some tax benefits to the industry.

1.4.2.4 Hong Kong:

Hong Kong does not have any special regulations related to venture capital, but rather has an open, deregulated financial system that is favourable to a wide variety of financial activities.

1.4.2.5 Hungary:

The Venture Capital Act regulates the operation of all the venture capital entities in Hungary. A company may of course make investments in Hungary without complying with the provisions of the Act. However, in such a case the company loses certain tax and accounting benefits. Further, the acquisition of securities listed in stock exchange is ruled out.

1.4.2.6 Israel:

The Yozma program, which began operating in 1993, had as an explicit objective, the creation of a solid base for a competitive VC industry in Israel. It provided for an assured attainment of a critical mass for the VC industry; a successful learning process; and a network of international contacts. It was based on a $100M

government owned VC fund oriented to two functions: a) investment in 10 private VC funds ('Yozma Funds') - $80M; and b) direct investments in SU companies-$20M. Among the conditions for becoming a 'Yozma Fund' was establishing an independent Israeli management company with a majority of Israeli managers; and engaging a reputed foreign and an reputed Israeli financial institution.

Unlike many other Government VC support programs, Yozma did not simply provide risk sharing incentives to investors. (It provided neither guarantees nor tax benefits; nor was it accompanied by new regulation/rules for Pension Funds). The main incentive provided was in the 'upside', that is when VC investments were very profitable. Each Yozma fund had a call option on Government shares, at cost plus 5-7 per cent interest, for a period of five years.

1.4.2.7 Korea:

The Korean government's involvement in the venture capital industry since the mid 1990s has been an important aspect of its policies for the promotion of the innovative small firms. This was regarded as an urgent and critical problem prior to the 1997 economic crisis, and even more so after it. The Korean government has invested significant sums of capital in trying to create a venture capital industry.

In Korea, there is no separate regulation for venture capital, but they have a general Act -Trust Business Act - by which venture capital activity is regulated.

As per the regulations, investment can be made in knowledge-intensive or high technology industries, such as energy substitute industry; telecommunication industry; electronics and communication industry; information technology industry and computer software industry.

1.4.2.8 Malaysia:

In Malaysia, there is a separate set of regulations governing venture capital, which provides for compulsory registration with the Securities Commission. For foreign venture capitalists, it is necessary to receive permission from the government to make investments.

In addition to providing capital, the Malaysian government also offers tax incentives for venture capital investors,

1.4.2.9 Singapore:

Venture capital in Singapore is, almost entirely, a creation of the government. The establishment of a venture capital industry was a part of an overall strategy of the government aimed at moving its economy into higher value-added segments. In pursuit of this goal, the Singapore government has undertaken a number of measures to encourage the establishment of venture capital industry including the investment of over $1 billion in domestic and foreign venture capital firms. Overall, the Singapore government has been very active in establishing an environment conducive to the growth of venture capital and high-technology entrepreneurship.

The government has actively altered laws and regulations to foster venture capital. For example, in 1999 the government announced changes in bankruptcy laws, employee stock option plans, and the tax system to encourage venture capital investing.

The Economic Development Board (EDB) of Singapore awards tax and financial incentives to attract venture capital funds and fund management activities in the country. These include:

i. Tax relief for management fees and performance bonus received from an approved venture fund.
ii. Tax relief for capital gains arising from divestment of approved portfolio holdings, dividend income from approved portfolio companies, and interest income from approved foreign convertible loan stocks.
iii. Deduction of any loss arising from the sale of shares in an approved venture company, or from its liquidation, against the investor's other income.
iv. Provision of financial support for venture capital professionals undergoing on-the-job training and attending courses directly related to the venture capital investment process.

1.4.2.10 Taiwan:

In Taiwan, registration is necessary for venture capital, and it is governed by a separate set of regulations.

The Taiwan government provided tax credit incentives for participating in venture capital industry. The Taiwan government's tax incentive plan prompted many risk takers to participate in the venture capital industry. During its early years, the government formed a NT$2.4 billion fund of smaller funds (seed funds) to provide seed financing to a still-nascent venture capital industry. Over the period

1984-2000, the shareholders of VC funds have accrued over NT$6 billion in benefits from government tax incentives. The government-led development of Taiwan's venture capital industry has been the subject of much study and discussion in other Asian-Pacific countries seeking to implement their own incentive systems. In the aftermath of the Asian Economic Crisis of 1997, Taiwanese small-medium enterprises (SMEs) have survived and built a strong foundation for growth, drawing the attention of other Asian nations. SMEs need the financial support from VC funds, resulting in a symbiotic relationship that is mutually beneficial to both parties.

However, due to fiscal and other considerations, the government in year 2000-01 eliminated the tax credit incentive enjoyed by shareholders of VC funds. The cancellation of government incentives reportedly has had a direct impact on the Taiwanese venture capital industry. Individual and institutional investors, who once invested heavily in VC funds to take advantage of the tax credit, have decreased their commitments, resulting in a substantial drop in funding for venture capital. Meanwhile, government regulations have limited the participation of banks, insurance and securities firms in venture capital; postal deposits and government pension funds are still not permitted to invest in VC funds

1.4.2.11 United Kingdom

In UK, venture capital activity is regulated by Financial Services Authority (FSA) under the Financial Services and Markets Act, 2000. Firms conducting "Venture Capital Business" and operating venture capital limited partnerships need to apply for FSA authorisation under the single authorisation process. Further, a venture capital trust, enterprise, investment scheme, reinvestment relief or venture capital scheme has to have 70 per cent in qualifying investments like unlisted stocks. Further 30 per cent of this 70 per cent must be ordinary shares with no preferential rights. The tax relief is restricted to investments in unquoted stocks.

1.4.2.12 United States of America

To help provide capital for small businesses, in the year 1958, Congress created the Small Business Investment Company (SBIC) program. SBICs, licensed by the Small Business Administration are privately owned and managed investment firms. They are participants in a vital partnership between government and the private sector economy. The biggest advantage they enjoy is the possibility of government leverage. In addition, there are a series of tax advantages that they enjoy.

Further, a bank's ownership in an SBIC subsidiary permits the bank to invest in small businesses in which it could not have otherwise invested, because of banking laws and regulations. A bank is encouraged to invest up to 5 per cent of its capital and surplus in a partially or wholly-owned SBIC.

Further, the New Markets Venture Capital (NMVC) Program was started in December 2000 to address the unmet equity needs of low-income communities. The Government appropriated $150 million for debenture guarantees and $30 million for operational assistance grants to supplement the private capital that is raised by NMVC companies. The Small Business Administration runs the program.

The US Venture Capital industry is not governed by any specific set of guidelines. However, venture capital companies like all other investment companies in the US are governed by the US Securities Act of 1933 and the applicable provisions of Investment Company Act of 1940.

1.5 Summing up:

There is a wide diversity in the registration requirement and regulatory regime for VC industry across the countries studied. One important finding, however, is that registration is mandatory for eligibility to receive certain 'benefits'. In some countries, as in India, if a firm is not registered with the regulator, though it may carry on venture capital activity, it loses certain benefits.

Half of the dozen countries studied, provide tax benefits to the VCFs. But, in all of them, the tax benefits are available only for investments in unlisted companies, or there are restrictions which provide for a major part of the funds to be invested in unlisted securities. Further, in two countries, tax incentives are available for making investment in areas like research and development, technology and science.

Two countries focus on early stage financing and have defined venture capital as such. China and Taiwan have defined venture capital with a special focus on technology enterprises, while Malaysia and UK emphasise provision of assistance in management or supervision in venture capital enterprises. Generally, the definitions focus on investment in unlisted securities or permit investment of a small portion of funds in listed securities. UK, unlike India, also permits investment by VCF in overseas companies.

Australia, Israel, Korea, Singapore and US have specific programs to encourage venture capital investment. All of them except Australia have special funds for investment in VCF.

Unlike India, the countries studied do not have a negative list of investment.

In India, there is a need to encourage entrepreneurship. VCFs and FVCIs not only provide funds but also promote entrepreneurship, creating new jobs and stimulating economic growth. Further, it helps in creating good corporate governance standards and leads to good quality IPOs. In light of the international experience and the domestic track record of VCF in the recent past, the Committee deliberated on how to reform the regulatory regime to promote a vibrant VCF industry.

SECTION – II

The Committee felt that venture capital industry in India needs to be regulated, but with minimum restrictions. Regulations for Foreign Venture Capital Investors were notified for the first time in September 2000, and Venture Capital Regulations were last amended in December 2000, following the recommendations of Chandrasekhar Committee. During the subsequent two years no major issues have been raised by the industry. However, all regulations require to evolve, and particularly so when they relate to the changing economic landscape of the country and a dynamic area such as venture capital. Recently, SEBI received a representation from the VC industry giving some suggestions on the regulatory framework of the venture capital industry. As the issues related to different regulatory agencies (SEBI, RBI and CBDT), SEBI constituted this Committee, to decide on the issues raised by the industry. The Committee deliberated on various issues pertaining to venture capital and the details of these deliberations are given below. There are three broad sets of issues: operational, tax related and pertaining to foreign exchange matters.

2. 1 Operational Issues:

2.1.1 Issues common to VCF and FVCI

There are two major sets of restrictions on investments by a VCF/ FVCI as per SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investors) Regulations, 2000. These relate to Section 12 (d)/11(c) respectively and schedule 3 of both the regulations.

As per sec 12 (d) of SEBI (Venture Capital Funds) Regulations, 1996, venture capital fund shall make investment in the venture capital undertaking as enumerated below:

i. At least 75 per cent of the investible funds shall be invested in unlisted equity shares or equity linked instruments.
ii. Not more than 25 per cent of the investible funds may be invested by way of:

a. subscription to initial public offer of a venture capital undertaking whose shares are proposed to be listed subject to lock-in period of one year;
b. debt or debt instrument of a venture capital undertaking in which the venture capital fund has already made an investment by way of equity.

Further, Sec 2(ee) of SEBI (Venture Capital Funds) Regulations, 1996 defines `equity linked instruments' to include instruments convertible into equity shares or share warrants, preference shares, and debentures compulsorily convertible into equity.

As per schedule 3 of SEBI Regulations a VCF/FVCI cannot invest in

i. Real estate
ii. Non-banking financial services
iii. Gold financing
iv. Activities not permitted under industrial policy of Government of India.
v. Any other activity which may be specified by the Board in consultation with Government of India from time to time.

2.1.1.1 Lock-in of shares after listing:

At present, SEBI registered VCFs and FVCIs cannot invest more than 25 per cent of the funds in shares at the time of IPO(whose shares are proposed to be listed subject to lock-in period of one year) or in debt or debt instruments of a company in which the VCF has already invested by way of equity. While banks, domestic financial institutional investors and mutual funds can exit immediately on the listing of shares, the VCFs/FVCIs are subjected to a 'lock-in' for a period of one year.

Subscription to IPOs gives an opportunity to VCFs to acquire shares in companies in the focus areas of the fund with a view to provide early liquidity and returns to investors in the VCFs. Appropriate opportunities, if not taken advantage of because of the lock in period, may take a long time to recur. A VCF is likely to sell the listed stock only when the stock is quoting at a premium. A premium in turn is likely to be there only when the company is performing well and has enough investor interest in the secondary market

The Committee recommends that requirement of lock in of shares after listing may be removed.

2.1.1.2 Investment in listed companies:

Under SEBI Regulations, a VCF/FVCI is required to invest at least 75 per cent of the investible funds in unlisted equity shares or equity linked instruments. Upto 25 per cent of the funds can be invested in shares at the time of IPO or in debt or debt instruments of a company in which the VCF has already invested by way of equity. This restricts the option of the VCFs registered with SEBI from investing in listed companies.

Not only unlisted, but even listed companies may require venture capital funding for building capacity and sometimes funding a turn around. Furthermore, from a VCF's perspective, it makes economic sense to acquire listed securities at competing valuations and seek a return in a relatively shorter time horizon.

It has been suggested by the industry that the existing minimum limit of investment in unlisted shares be changed from 75 per cent, as present, to 50 per cent. It is further suggested that up to 25-30 per cent of the investible funds may be allowed to be invested in venture capital undertakings (VCUs) whose shares are listed on a recognized stock exchange in India. In this regard, another suggestion received by us was that listed companies that are financially weak or sick may be considered for this purpose. Such listed companies may not get funding from other sources and can benefit from venture capital funding.

However, it may be mentioned here that acquiring 15 per cent or more of the issued capital of a listed company triggers the provisions of the takeover code whereby the acquirer has to make an open offer of 20 per cent of the existing capital.

The Committee recommends minimum limit of investment in unlisted companies may be reduced from 75 per cent, as present, to 66.67 per cent. The remaining portion of 33.33 per cent or less may be permitted to be invested in listed securities. Because of the risky nature of investment in unlisted companies as well as gestation lag between investment and pay back, this enhancement will help VC funds protect their NAV during the initial period. Except for enhancement of the limit, this is in conformity with earlier regulations, and recommendations of the Chandrasekhar Committee. The aforesaid limit of investment shall be achieved by the end of the life cycle of a fund. A life cycle of more than 10 years will have to be justified by the fund, and subject to careful examination by SEBI. The Committee recommends that wherever such investments trigger the takeover code, all requirements of the code will have to be fulfilled by the VCF/FVCI and no exemption from the clauses may be provided.

However, where as a result of investments made under mandatory requirement of takeover code, investment restrictions are breached, the same may not be considered as a violation of SEBI (VCF) Regulations. The Committee felt that investment in listed securities may be capped at 33.33 per cent of investible funds as a VC should not lose its basic character of investment in unlisted companies.

2.1.1.3 Type of instruments of investment:

SEBI Regulations stipulate that the VCFs/FVCIs can invest 75 per cent of investible funds in the form of equity or equity-linked instruments. Some portion (25 per cent) of the investible funds is allowed to be invested in debt or debt related instruments provided the VCF/FVCI has already invested in the Venture Capital Undertaking (VCU) by way of equity. Thus, there is no flexibility of choosing pure debt instruments for investment in a VCU at the initial level.

The industry had represented that the purpose of venture capital investment is to invest in risk capital and they want the freedom to invest in instruments which give them flexibility to invest in some kind of hybrid instruments which are optionally convertible, such as optionally convertible debentures. The definition of 'equity linked instruments' suggests that the instrument should be compulsorily convertible into equity and thus deprive the VCFs of any post investment flexibility. It may be pointed out that optionally convertible instruments work as incentive for managements of the VCUs to perform, failing which there would be a pressure to repay the debts. As a matter of structuring the investment, particularly from the point of view of securing a viable exit from the investment, optionally convertible instruments are preferred instruments and it should be permitted.

The Committee recommends that some kind of hybrid instruments which are optionally convertible into equity may be permitted as a class of investment instruments under the 66.67 per cent (now recommended) portion of the investible funds.

2.1.1.4 Special Purpose Vehicles:

Special Purpose Vehicles (SPV) are independent, stand-alone entities (SPV) specifically set up for the purposes of a single

transaction / project. Since the SPV has its own separate and distinct legal personality, it can raise capital in its name, own assets and create a charge over them. SPVs also ensure that shareholders have a limited liability, usually limited to the extent of their unpaid shares, thereby insulating the shareholders from any unknown / unforeseen liability contracted by the business earlier. SPVs also ensure that there is complete alignment of shareholders' interests in the project.

Corporate India has evolved over the past few decades and we are witnessing, on the one hand, a growing trend towards consolidation to achieve economies of scale and, on the other hand, divestitures to maintain organizational focus and efficiency.

This is resulting in sale / buy out of business divisions of a company by other companies ("acquisitions") or by existing management ("management buy out"). As transaction sizes are on the rise, we are also witnessing a trend where above said acquisitions are being financed by a combination of financial and strategic investors. A case in point is the privatization process, wherein the Government has embarked on a mission of transferring controlling interest in an enterprise to a set of investor(s).

Lastly, project finance, especially in the area of infrastructure, usually carries high risk, and investors in the project prefer to associate themselves only with the risks of the project undertaken and not any other generic, sponsor related risk. This is achieved by setting up separate SPV companies for separate projects.

Each of the above areas would entail raising finances (by debt and / or equity) in the SPV.

As described above, there are several instances where VCFs/FVCIs need to resort to innovative financing structures by creating SPV in the form of Trusts or holding companies that will house the shares of an underlying business.

It was therefore requested that in order to make available a very valuable source of financing to corporate India, investment vehicles of the above nature specifically incorporated for facilitating a transaction be allowed in the permitted list of investments for VCFs/FVCIs.

The Committee recommends that SPVs which are mandated for promotion/investment of a VCU may be permitted up to a maximum of 33.33 per cent portion of investible funds.

2.1.1.5 Investment in Non Banking Financial Services:

Currently VCFs /FVCIs are not permitted to invest in the non-banking financial services sector. It has been represented by the industry that instead of a general prohibitive clause, SEBI can consider permitting investments in non banking financial institutions (NBFIs), who are registered with RBI and have been categorized as Equipment Leasing / Hire Purchase companies.

It may be noted that Government has allowed FDI in the NBFI sector. Further, many NBFIs are engaged in asset creation by financing assets as well as infrastructure projects such as roads, bridges, power and ports, either by granting direct loans to such projects or by providing lease finance for equipment. This has been more evident in developed countries of the world. As against 4-5 per cent in India, lease penetration for asset creation in the US is as high as 30 per cent. Most of the developed economies in the world have relied heavily on the lease finance route in their developmental process.

The Committee recommends that since the venture capital business entails bearing risk, they may be permitted to invest in NBFC in equipment leasing and hire purchase.

As the NBFCs come under the purview of RBI, the matter was referred to RBI. RBI indicated that though they have no objection to the proposal, the matter may be referred to DCA/SEBI. SEBI does not have any objection to the proposal and perhaps there is no restriction in the Companies Act for making investment by VCF/FVCI in the NBFCs.

2.1.1.6 Investment in Real Estate:

Currently VCFs /FVCIs are not permitted to invest in companies engaged in the real estate sector. It has been represented by the industry that this restriction be re-looked and VCF/FVCI may be permitted to invest in companies engaged in real estate. Now that even foreign investors have been allowed to invest in specific sectors such as integrated townships, barring SEBI registered VCFs/FVCIs from such sectors is difficult to justify.

The Committee noted that there is a need for quality housing and commercial facilities in the country. The Committee recommends permitting investment in real estate by VCFs/FVCIs.

2.1.1.7 Investment in Gold Financing:

At present, gold financing is not a permitted activity for VCFs/FVCIs under SEBI Regulations. Some of the members of the Committee expressed the view that VCFs/FVCIs may also be allowed to invest in companies engaged in gold financing because of the following reasons:

i. The gold refinery industry is mainly governed by unorganized/ crude refineries. These refineries need funds for their growth and development. These funds can be made available at the seed stage by way of venture capital funding.
ii. Further, the fresh gold market is dominated by the open general license (OGL) imports, which is predominantly controlled by banks and corporate sector companies (both public and private). Small scale outfits on the other hand do not have financial muscle of banks and financing corporations to access such capital.
iii. There seems little logic in excluding gold imports form the purview of venture capital funding particularly when:
    a. it is known that gold jewelry exports have displayed an impressive double digit growth even with adverse constraints or little policy support in fund availability,
    b. the industry is largely craft and artesian oriented who need to be encouraged.
iv. There are various small refineries and other companies engaged in gold extraction. But they lack the infrastructure and funds for growth.

The Committee recommends that there is a case for removal of gold financing from negative list for VCF/FVCI. However, such financing should be restricted to gold financing for jewelry alone and not pure trade and speculation in gold.

2.1.2 Specific issues relating to venture capital funds

2.1.2.1 Investment in offshore VCUs:

It has been represented that SEBI registered VCFs should be permitted to invest upto a certain percentage of their corpus in overseas companies. This will allow Indian VCFs to invest in synergistic offshore companies and also allow global management exposure. One view was that this would not benefit industrial activity in India.

The members of the Committee have pointed out that typically investments would be made in a company which has a front office overseas while back office operations are in India. This permits the company to enjoy better valuations and better chances of exit for venture capital funds. Further, Committee also considered that investment limits for overseas investments have not been fully utilized and India enjoys a comfortable foreign exchange position. In view of the above, the Committee felt that the matter may be referred to RBI for their views before making a final recommendation. RBI has indicated that domestic VCFs could consider the overseas investment route by setting up a JV/WOS satisfying the Regulation 7 of FEMA 19 dated 3rd May, 2000, besides certain other criteria. Alternatively, the scope of investment facilities as permitted in terms of AP(DIR) Circular No. 66 dated 13 January, 2003 (on the lines of permission given to mutual funds) could be enlarged to cover VCFs investing in off shore venture capital undertakings subject to certain limits. RBI has indicated that there could be restrictions on individual VCF investing in overseas companies (say 10 per cent of the corpus of VCF) and subject to overall limits for the entire VCF industry.

The Committee recommends that VCF may be permitted to invest in offshore VCUs. RBI may be requested to periodically announce the overall limit for investment by the VCFs and inform SEBI accordingly.

2.1.2.2 Flexibility to distribute in specie:

The VCF Regulations state that upon winding up of the scheme, the assets of the scheme shall be liquidated and the proceeds distributed among investors. VCF industry is of the view that it will be important to provide flexibility in the VCF Regulations to permit in-specie distribution of assets, as it may be difficult to liquidate all the assets.

The Committee recommends that the in-specie distribution of assets may be permitted at any time, as per the preference of investor(s).

2.1.3 Specific issues relating to foreign venture capital investors:

2.1.3.1 Appointment of custodians:

As per Regulation 8 (b) of the SEBI (FVCI) Regulations, FVCI is required to appoint a domestic custodian for purposes of custody of securities.

Most of the investments of FVCIs are in unlisted stocks. These securities can be handled internally by the FVCIs. In any case, when the portfolio companies of the FVCIs get listed, and a need is felt by FVCIs, they can at their own discretion decide to appoint a custodian to handle these securities.

Committee recommends that appointment of custodian by FVCI may be continued to facilitate the maintenance of records and a smooth transition when the VCU's shares get listed.

2.1.3.2 Investment Limits:

As per Regulation 11 (b) of the SEBI (FVCI) Regulations, a registered FVCI can not invest more than 25 per cent of its 'investible funds' in a single VCU. 'Investible funds' has been defined to mean the funds allocated for investments into India, net of operating expenses.

This condition poses a practical problem for FVCIs as most of these funds invest in India out of total investible funds for global investment. Some times, they do not earmark a fixed corpus size exclusively for investment in India. Furthermore, some FVCIs invest through their balance sheet i.e. they do not have a fixed size of investible funds. Therefore, these large global funds find it difficult to comply with this condition.

The Committee recommends that there is a case for removal of the restriction of not investing more than 25 per cent of the investible funds of a FVCI in a single VCU.

2.2 Specific tax related issues:

2.2.1 Section 10(23 FB):

To avail exemption under Section 10(23FB) of the Income Tax Act, the following criteria need to be fulfilled by a VCF:

i. fund should be set up as a trust or a company,
ii. should be registered with SEBI, and
iii. should invest in VCUs as defined by the Explanation 1 of Section 10(23FB).

To facilitate the overall growth of VC industry and flow of venture capital funds into India, SEBI may from time to time expand the definition of 'Venture Capital Undertaking'. The Committee has also recommended in this report other investment avenues for VCFs apart from primarily investing in unlisted companies.

The Committee recommends that if clause (c) of Explanation I of Section 10(23FB) is deleted, no further amendments to this Section will be required whenever SEBI changes the definition of 'Venture Capital Undertaking'. After deletion of this clause, all VCFs which are formed as trust/company, duly registered with SEBI would be eligible for exemption under Section 10(23FB). Alternatively, the definition of 'Venture Capital Undertaking' under clause (c) of Explanation I of section 10(23FB) may be aligned with definition of 'Venture Capital Undertaking' as defined under SEBI Regulations.

2.2.2 Exits:

Investors judge the performance of VCFs on the basis of their successful exits from the VCUs. Thus VCFs seek to exit from the VCUs as early as possible to distribute returns to their investors. The forms of exits may be through an Initial Public Offer, Merger & Acquisition (M&A) with a larger company or through a management buy out.

Predominantly, VCFs realize their exits through M&A with a larger organization. Whenever, 'Venture Capital Undertaking' is acquired by a foreign company, the consideration paid is through cash or through issuance of securities of a foreign company. The VCFs ultimately realize cash by sale of such foreign securities. In other words, a VCF which had invested in the securities of a domestic company receives foreign securities in lieu of such domestic securities.

The Committee recommends that for the sake of clarity and for the removal of ambiguity, a suitable clarification may be issued through a Central Board of Direct Taxes (CBDT) circular. Alternatively, in line with Explanation 2 under section 10(23FB), Explanation 3 may be added providing that VCFs would continue to enjoy tax exemption even after they receive foreign securities in lieu of domestic securities held by them in a 'Venture Capital Undertaking'.

2.2.3 Section 115U:

Section 115 U of the Income Tax Act (read with Rule 12C) stipulates that VCF shall furnish a statement of income distribution (in Form no. 64) to the investors of the VCF as well as to the Income Tax Authorities. It is

presumed that based on this statement, the income in the hands of investors shall be taxed. Clarity is required in this regard with reference to:

- whether income distribution entails (notional) distribution of loss;
- whether investors would be eligible to claim such loss in their income tax returns;
- whether the return would be filed on income accrual basis or on distribution basis;
- how to show distribution in kind; and
- the manner of taxation of investors of VCFs envisaged in Section 115U of the Income Tax Act.

The Committee recommends that for the sake of clarity and uniformity, a suitable illustration may be issued through a CBDT circular.

2.2.4 Procedural matters:

Various procedural matters need clarifications from CBDT. These are:

i. Is the tax audit u/s 44AB applicable to a VCF?
ii. The income of a VCF is exempt from tax. Is a VCF required to file a return of income?
iii. Form 64 (clause nos. 5, 6, 8, 10 & 12) provides only for the income from a 'Venture Capital Undertaking'. VCFs also earn income from other than 'Venture Capital Undertakings'.

The Committee recommends that CBDT may clarify on the above procedural matters through issue of a circular. As regards Form 64, clause nos. 5, 6, 8, 10 and 12 need to be changed to 'Income of Venture Capital Funds'.

2.3 Foreign exchange control related issues:

Most of the FVCIs prefer to have a wholly owned subsidiary in India to act as an advisor and for carrying out various investment and post-investment activities. The existing Indian foreign investment policy and exchange control laws require that any such subsidiaries (which technically are non-banking financial services companies) should have a minimum capitalisation base of US$ 500,000 (approx. Rs. 2.5 crore).

FVCIs are of the view that the activities carried out by these subsidiary companies do not require blocking of such funds. However, because of the minimum capitalisation requirement, FVCIs are being forced to lock in cash into their Indian advisory subsidiaries.

The Committee recommends that wholly owned Indian subsidiaries of FVCIs registered with SEBI may be exempted from the minimum capitalization requirement of an Indian company.

The Committee referred the matter to RBI, it was felt that If the FVCI wish to operate through a wholly owned subsidiary, the capitalization norms stipulated by Government of India will have to be followed. Further, any change in these guidelines will have to be referred to the Government.

Acknowledgement

The Committee records its appreciation of the assistance received during its deliberations from the representatives of the various venture capital funds, members of the Committee and the concerned officials of SEBI.

Dr Ashok Lahiri **Mr. A.J. Majumdar**

Mr. D.P. Sengupta **Mr. Y.S.P. Thorat**

Mr. Rajiv Memani **Mr. Saurabh Srivastava**

Prof. Malay Bhattacharyya **Mr. Raja Kumar**

Mr. Rakesh Rewari **Ms. Renuka Ramnath**

Mr Muneesh Chawla **Mr. C. Jayaram**

Mr. Vipin Malik

Place:
Dated :

Annexure 1

List of Members of Advisory Committee on Venture Capital

S. No	Organization	Name & address
1	Ministry of Finance	**Dr Ashok Lahiri** (Chairman of the Committee) Chief Economic Advisor Ministry of Finance Government of India North Block New Delhi – 110001
2	CBDT	**Shri A.J. Majumdar** Joint Secretary (TPL – I) Room No. 147B-I Central Board of Direct Taxes Deptt. Of Revenue, Ministry of Finance & C.A. Government of India North Block New Delhi – 110 001
3	CBDT	**Shri D.P. Sengupta** Joint Secretary (TPL) Deptt. Of Revenue, Ministry of Finance & C.A. Government of India North Block New Delhi – 110 001
4	Reserve Bank of India	**Mr Y.S.P. Thorat** Executive Director Reserve Bank of India

		Central Office Central Office Building, 17th Floor Shaheed Bhagat Singh Road, Fort Mumbai – 400 001
5	Ernst & Young	**Mr. Rajiv Memani** National Director - Corporate Finance Ernst & Young Pvt Ltd Ernst & Young Tower B-26, Qutab Institutional Area New Delhi 110 016
6	Indian Venture Capital Association	**Mr. Saurabh Srivastava**, Chairman, Indian Venture Capital Association C-2 Sector I Noida – 201 301
7	IIM (Lucknow)	**Prof. Malay Bhattacharyya**, Dean (Academic Affairs), I.I.M. (Lucknow) Prabandh Nagar, Off Sitapur Road Lucknow – 226 013
8	UTI Venture Funds	**Mr. Raja Kumar** C.E.O. UTI Venture Funds Management Co. Ltd. Raheja Towers, 12(m) Floor, 26/27, Bangalore – 560001
9	SIDBI Venture Capital Ltd	**Mr. Rakesh Rewari** C.E.O. SIDBI Venture Capital Ltd. 105-107, 10th Floor, Jolly Maker Chambers II Nariaman Point, Mumbai - 400021
10	ICICI Venture Fund Management Company Ltd.	**Ms. Renuka Ramnath** C.E.O. ICICI Venture Funds Management Co. Ltd ICICI Towers Bandra Kurla Complex Mumbai 400 051
11	II&FS Investment Managers	**Mr Muneesh Chawla** Managing Director

		IL&FS Investment Managers Ltd HDFC House, 51, Kasturba Road Bangalore 560 001
12	Kotak Mahindra Venture Capital	**Mr. C. Jayaram** Executive Director Kotak Mahindra Finance Limited Bakhtawar, 2nd floor, 229, Nariman Point, Mumbai 400 021
13	Chartered Accountant	**Mr. Vipin Malik** V. Malik & Associates Flat No 104/108, Golf Apartment, Sujan Singh park New Delhi - 110003
14	SEBI (Member Secretary)	**Mr. Suresh Gupta** G.M. (Investment Management Department) S.E.B.I. Mittal Court 'B' Wing, First Floor 224, Nariman Point, Mumbai – 400 021

Annexure 2

Web Sites

General
http://www.altassets.net/default.asp
http://vcexperts.com/vce/
http://www.corante.com/venture/
http://www.ventureeconomics.com/

Australia
http://www.asic.gov.au/asic/asic.nsf
http://www.deloitteap.com/pubs2003/aust_vc.pdf
http://www.avcal.com.au/
http://www.v-capital.com.au/vcdirectory.htm

China
http://www.csrc.gov.cn/CSRCSite/eng/elaws.htm
http://www.hewm.com/use/articleDetails.asp?articleID=713

http://analyzed.sppc.org.cn/analyzed/english/showfile/showlist_1.htm
http://killdevilhill.com/z/ybusinessd/VentureCapitalhall/cas/241.html
http://www.pwcglobal.com/extweb/pwcpublications.nsf/4bd5f76b48e282738525662b00739e22/54b5cfe852057373ca256cfd000b232f/$FILE/Chinese%20Trade%20Regulation%20Feb2003.pdf

Europe
http://www.evca.com/html/home.asp

Hong Kong
http://www.hksfc.org.hk/eng/html/index.html
http://www.chamber.org.hk/

Hungary
http://www.pszaf.hu/

India
http://www.sebi.gov.in
http://www.vcline.com/
http://indiavca.org

Israel
http://www.insead.edu/entrepreneurship/Israel.pdf
http://www.incubators.org.il/
http://www.ivc-online.com/

Korea
http://english.fss.or.kr/en/englishIndex.jsp
http://www.kvca.or.kr/htm/index/index.htm

Malaysia
http://www.sc.com.my/html/resources/guide2.html
http://www.mvca.org.my/page.cfm?name=aboutus

Singapore
http://www.mas.gov.sg/
http://www.svca.org.sg/

Taiwan
http://www.sfc.gov.tw/ensfcindex.htm
http://www.tvca.org.tw/indexe.htm
http://www.selaw-e.com.tw/

UK

http://www.fsa.gov.uk/
http://www.bvca.co.uk/home.html

USA
http://www.nvca.org/