



**REQUEST FOR PROPOSAL
FOR ALLOCATION FROM THE VENTURE CAPITAL FUND**

3 May 2018

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SECTION 1: INDUSTRY OVERVIEW

Background

- 1.1 Venture capital (VC) investments are an essential source of capital for start-ups. Venture capitalists, in addition to providing equity financing, also inject non-financial value add to start-ups by providing strategic and operational guidance, networking and market access opportunities which are necessary for such start-ups to achieve accelerated growth and contribute towards fulfilling the government's agenda in transforming Malaysia to become an innovative and high-income nation.
- 1.2 The establishment of government-funded VC management companies marks initial efforts to catalyse industry growth and seed capital formation for investments in risk capital. These were complemented with tax incentives to create greater industry momentum, enhance competitive positioning and build industry capabilities.
- 1.3 The **Malaysian Venture Capital and Private Equity Development Council (MVCDC)**, established in 2005, consisting of high level representatives from both the public and private sector, continued to focus on its mandates of providing direction and coordinating efforts for industry development. The collaborative efforts with industry stakeholders have contributed significantly to an ecosystem which is stronger and more comprehensive, with total committed funds growing from RM3.3 billion in 2006 to an estimated RM7 billion in 2017.
- 1.4 Despite such progress, the industry continued to be heavily reliant on public-sector funding with approximately 60% of funds committed coming from sovereign wealth funds and government investment companies and agencies. As the industry matures and learning from the experiences in more developed economies, it was recognised that there is a need to diversify fund sources by attracting more private-sector participation through the possibility of matching commitments from private investors.

Allocation by Institutional Investors

- 1.5 Institutional investors, globally, have increased their allocation to alternative investments such as real estate, venture capital and private equity as a means to diversify and boost investment returns. Given their size, mandate and long term nature of investments, these institutional investors are in a good position to invest in risk capital.

- 1.6 The Malaysian government, in Budget 2018, had announced that a sum of RM1 billion would be provided by major institutional investors (IIs) for investment into VC in selected sectors, coordinated by the Securities Commission Malaysia (SC).
- 1.7 The objectives of this programme are not merely as a measure to encourage greater investments in risk capital but also to -
- a. Address the funding gap for domestic start-ups especially those in promoted sectors such as ICT and Biotechnology ;
 - b. Attract greater participation from a more diverse range of players;
 - c. Facilitate knowledge transfer and strengthen industry expertise and skillsets;
 - d. Create sizeable SMEs eligible for listing on Bursa Malaysia; and
 - e. Accelerate growth and increase competitiveness of Malaysian SMEs in international markets.
- 1.8 The **Venture Capital Fund Coordination Committee (Committee)**, chaired by SC and comprising representatives of IIs, has been set up to review and assess applications by VC Management Companies (VCMC) for the purpose of facilitating the IIs in allocating the committed funds for VC investments.

SECTION 2: PURPOSE

Purpose of Request for Proposal

- 2.1 The SC invites proposals from prospective VCMC that are seeking risk capital investments for their proposed funds that meet the criteria as set out by the Committee in this Request for Proposal (RFP).
- 2.2 All proposals submissions will be compiled by the Secretariat. Proposals meeting the criteria will be circulated to the Committee for review. Applicants whose proposals have been shortlisted will then be invited for discussion and/or presentation to the Committee.
- 2.3 Evaluation will be conducted by participating IIs, taking into account the objectives of the programme as well as their respective mandates and investment policies. Final decisions on selected proposals will be subject to negotiation between the participating IIs and the VCMC.

SECTION 3: MINIMUM ELIGIBILITY CRITERIA

- 3.1 This section describes the minimum eligibility criteria that will be assessed by the Committee. Proposals that do not meet all the specified criteria may still be considered on a case to case basis, subject to the submission of appropriate plans to address any gaps in the criteria specified below or alternative proposals which are aligned to the objectives of this programme.

Part A: The Fund Manager

Entity and Key Personnel

- 3.2 The VCMC must be **registered** with the SC.
- 3.3 Key personnel of the fund must have sufficient **experience** in managing venture capital investments that includes managing a full investment cycle, from investment selection to exit, and must be able to show at least one investment with positive performance track record.

Employment

- 3.4 The VCMC must (or have the intention to) hire and train local personnel, maintaining a minimum of **30% Malaysian employees** involved in the investment-related processes of the fund such as deal sourcing, due diligence, investing, management of investee companies and divesting. This must be operationalised within a **year** from the point of receiving the allocation and such plans must be detailed out in the submission.

Part B: The Proposed Fund

Fund Size

- 3.5 Submission must include a justification as to how the proposed size of the fund commensurate with its investment strategy, sector and stage preference. Funds with a minimum target size of **RM 50 million** will be preferred.

Target investments

- 3.6 Submission must include detailed investment strategy, including target investment stage, sector(s) and geography.

- 3.7 Funds with allocations targeting **promoted sectors** as stipulated in the Venture Capital Tax Incentives Guidelines issued by the SC will be preferred.

SECTION 4: SUBMISSIONS

- 4.1 Submissions of proposals must be made in writing to the SC at the following address, not later than **Friday, 1 June 2018 at 5:00 p.m. (Malaysian Time)**.

The Secretariat
Venture Capital Fund Coordination Committee
Markets & Products Department
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara, 50490 Kuala Lumpur
(Attn.: Azryta Abdul Aziz)