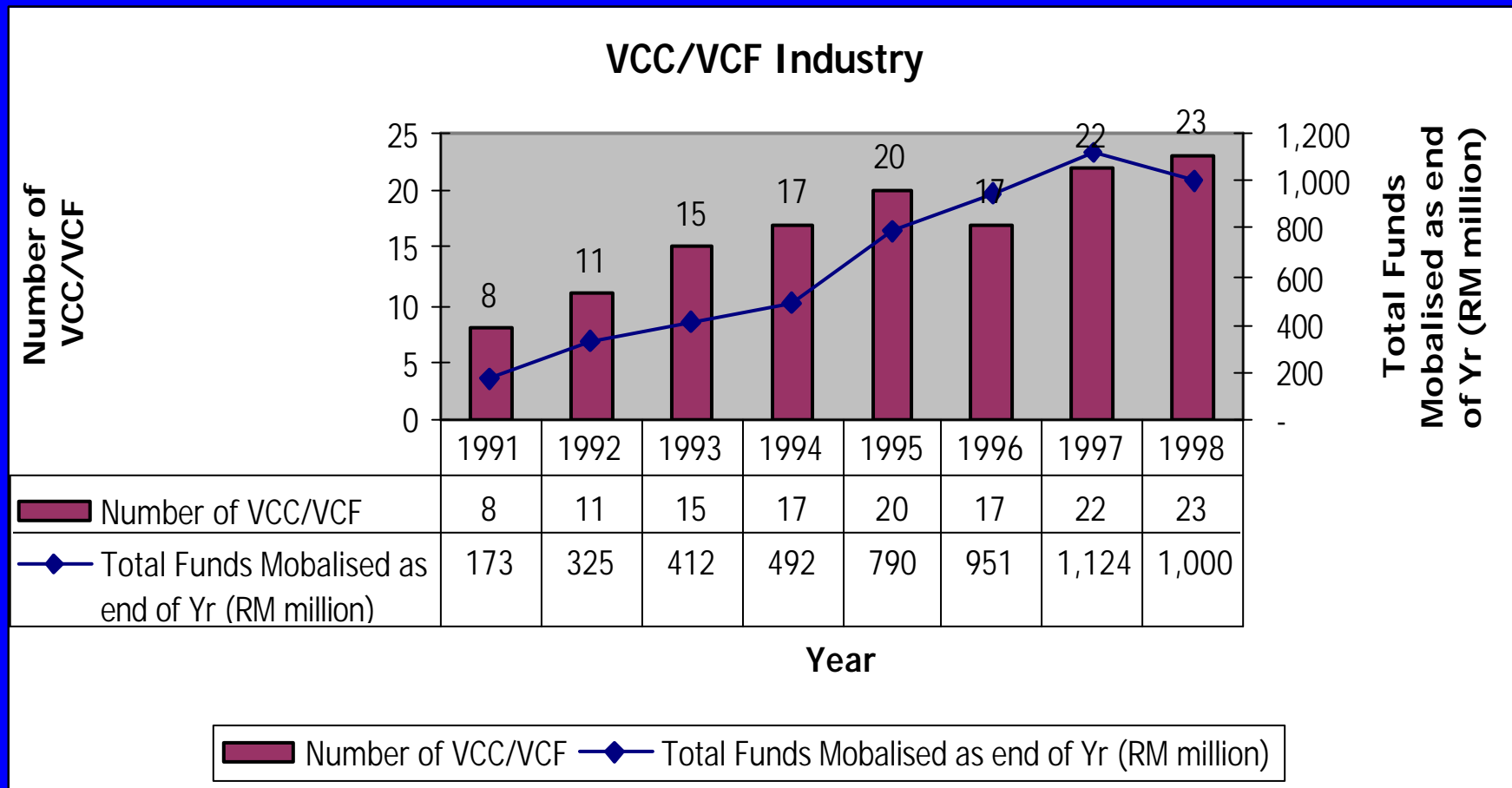


**Opportunities for the  
Venture Capital Industry :  
The Capital Market**

**Nik Ramlah Mahmood**



# The venture capital industry has seen steady growth over the past decade



# **The New Economy will be powered by new businesses**

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- **Which are increasingly created by small companies**
- **Which do not attract bank financing**
- **Which are too small for listing on public exchanges**



# Venture capital therefore has a crucial role to play

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- **Bridges the gap between bank financing and equity financing through public markets**



# Linkage between venture capital and capital market

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- **Facilitate the shift from over-dependence on bank financing**
  - greater role for equity and corporate debt markets
  - banks do not provide early stage financing



# **The other linkage is the exit mechanism**

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- **An exit via an IPO offers numerous advantages**
  - **Efficient valuation**
  - **Ensures liquidity**
  - **Gives greater profile to companies**
  - **Facilitate raising of additional capital**
  - **Attract a wider spectrum of investors**



# **But 'traditional' stock exchanges are not vc-friendly**

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- **Focuses on size and track record**
- **Increasingly more stringent listing requirement**



# **This has resulted in the development of new markets**

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- **Growth Enterprise Market of Hong Kong**
- **Market of High Growth and Emerging Stocks of Japan**
- **TechMARK of UK**
- **Others to be launched**





# **And Malaysia has established MESDAQ**

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- **Initiative for the establishment - 7th Malaysian Plan**
- **To complement KLSE**
- **More relaxed admission requirements**



# MESDAQ has far less stringent requirements

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- **For listing of high growth and high technology companies**
- **More facilitative listing requirements**
- **Without abandoning regulatory role of investor protection and ensuring fair and orderly market**



# Venture capital can tap funds from collective investment schemes

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- **NAV of Unit Trust and Closed-end funds currently RM43 billion**
- **Rules allow 10% investment in unlisted securities**
- **Need for fund managers with specialised skills**



# **Venture capital provide companies with early lessons in corporate governance**

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- **Demands high standard of discipline and accountability**
- **Help lay foundation for prudent and effective governance**



# **In conclusion, venture capital**

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- **fosters attributes which are essential for New Economy**
- **continues to receive support and recognition from the authorities**
- **must capitalise on existing opportunities**



# Thank you

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**Suruhanjaya Sekuriti**  
**Securities Commission**

“To promote and maintain fair, efficient, secure and transparent securities and futures markets and to facilitate the orderly development of an innovative and competitive capital market.”

