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Securities and Exchange Commission of Pakistan Notifies Characteristics of 'Venture Project' under the Venture Capital Companies and Venture Capital Funds Rules, 2001

The Securities and Exchange Commission of Pakistan (SEC) has notified vide SRO No.87 (I) /2002 that an entity which has following characteristics shall be treated a 'venture project' under the Venture Capital Companies and Venture Capital Funds Rules, 2001 (VCC&VCF Rules): -

- (a) It is in the start-up phase of its business/commercial operations or undergoing expansion; or
- (b) It is engaged in a service, manufacturing or production activity based on a new process, product, service or technology; or
- (c) It is located in a remote or underdeveloped area of the country.

The notification also clarifies that the venture capital companies and venture capital funds shall not be eligible for listing on the stock exchanges and investment in the following activities:

- (a) Arms and ammunition
- (b) High explosives
- (c) Radioactive substance
- (d) Security printing, currency and mint
- (e) Manufacture of alcoholic beverages or liquors
- (f) Environmentally hazardous projects
- (g) Gold financing
- (h) Non-bank financial institutions
- (i) Real estate

Text of VCC&VCF Rules and that of the SRO No. 87 is available at the Commission's website (www.secp.gov.pk). So far, the Commission has registered one company namely, TMT Venture Limited, under the VCC&VCF Rules.

The VCC&VCF Rules were notified by the Commission last year, to provide regulatory framework for encouraging venture capital financing in the country.

It may be recalled that profits and gains derived by venture capital companies and venture capital funds are exempt from tax for a period of seven years effective from 1st. July 2000 as per Central Board of Revenue's notifications dated 18 December 2000 and 24 February 2001. One of the requirements to qualify for the tax exemption by such companies is to invest in the 'venture projects' notified by the SEC from time to time