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IT bourse, venture fund to be set up (HL)

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A VENTURE capital fund and a new over-the-counter (OTC) market are to be set up by January to nurture small- and medium-scale information technology companies to the point where they can seek Multimedia Super Corridor (MSC) status.

"The mechanism is aimed at propelling the small- and medium-scale enterprises (SMEs) towards entry into the MSC," said executive chairman of Multimedia Development Corporation Tan Sri Othman Yeop Abdullah when making the announcement in Cyberjaya yesterday.

"Mesdaq (OTC market Malaysian Electronic Securities Dealing and Quotation which is awaiting launch) will be the goal of the IT companies for their IPOs but before that you have to nurture them and there is as yet no venture capital mechanism for the purpose," said Othman.

The yet to be named scheme has already been approved by the MSC Implementation Council, which is chaired by Prime Minister Datuk Seri Dr Mahathir Mohamad.

"It is a modest effort to provide a mechanism to support the start-up companies... as we don't have any other way to accelerate the development of the SMEs in the IT sector," he said.

The new MDC initiative stems from the need to address difficulties faced by small IT companies in raising funds.

"The venture capital companies in this country at this point in time are not comfortable with providing capital to the IT companies because they have not been able to assess the value and determine the potential of new technologies," Othman added.

The concept of the fund, which could be called DanaIT, is based on a Swedish model and revolves around a fund to provide seed capital for start-up companies.

The fund will be backed by Bank Negara which will provide the seed money. Contributions from local financial institutions, and to a limited extent, foreign participation are also expected.

"Based on initial response, we don't have any problems getting the financial institutions in. They have been very bullish about the idea," Othman said.

At the same time, an OTC market - known as the "I-Market", the "I" standing for innovation - will be set up as an exit point for the venture capital companies to recoup their investments by way of sale of equity stakes.

The participating IT company will be advised by an "I-Manager", who will nurture it in terms of the technology it is developing, the management of the project and financial management.

The I-Manager will examine the management, capabilities and technology of the company to see whether it represents a worthwhile investment. If it is, the company will be groomed for a listing on the I-Market and eventually Mesdaq.

The idea is to have the I-Manager identify and assist companies which have commercially viable technology but which have little idea about the business side of things.

"The start-up companies are given access to venture capital and the I-Manager will nurture them to a point where they can exit into what we call the I-Market," said Othman, who leaves for Sweden today with officials from Bank Negara, Mesdaq and the Securities Commission to see how the

mechanism can be fine-tuned.

Commenting on the delay in the launching of Mesdaq, Othman said the MDC is just as anxious that the OTC market begin operations soon.

He also said the MDC feels that politics should be kept out of the MSC project, but he does not think prospective investors' decisions would be affected.

"Politics should not be introduced as a condition for companies to invest in the MSC," Othman said.

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