



REPORT

OF

**THE SPECIAL SELECT COMMITTEE OF THE SENATE
APPOINTED TO CONSIDER AND REPORT ON A BILL
ENTITLED “THE VENTURE CAPITAL (AMENDMENT) BILL
(NO.2), 2004”**

Ordered by the Senate to be printed

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REPORT

Establishment and Mandate of Committee

1. At a sitting of the Senate held on Tuesday September 28, 2004, the following Bill was referred in accordance with Standing Order 51 (1) to a Special Select Committee of the Senate:

“The Venture Capital (Amendment) Bill, (No. 2) 2004”.

2. The mandate of the Committee was to consider and report on the Bill within twenty-one (21) days.¹

Membership

3. In accordance with Standing Order 69(1) the following Senators were appointed to serve on the Committee:

Senator the Honourable John Jeremie	–	Chairman
Senator the Honourable Rennie Dumas	–	Member
Senator the Honourable Christine Sahadeo	–	Member
Senator Carolyn Seepersad-Bachan	–	Member
Senator Mary King	–	Member

Background

4. In the 2003-2004 Session of Parliament, a Bill entitled “The Venture Capital (Amendment) Bill, 2004” was passed with amendments in the House of Representatives on Friday May 21, 2004. The Bill was passed in the Senate with amendments on Tuesday July 06, 2004. However that session of Parliament was prorogued² before the House of Representatives was able to concur with the Senate on the amendments. The Bill therefore lapsed.

5. During the deliberation in Committee of the whole in the Senate, Senator Mary King had proposed amendments to the Bill to include a new concept of ‘**Corporate Venturing**’. However, because these amendments sought to introduce

¹ By resolutions of the Senate adopted in accordance in the provisions of Standing Order 51 (2) on the November 02, 2004; November 23, 2004; December 21, 2004; January 18, 2005 and February 15, 2005 this time was extended to March 08, 2005.

² The 2003-2004 Session of Parliament was prorogued on September 03, 2004.

a new principle, the Senate could not at that stage have taken them into consideration.³

6. Senator the Honourable Christine Sahadeo, who piloted the Bill and Senator the Honourable Dr. Lenny Saith, Leader of Government Business gave the commitment that the Government will consider this new principle and if it is found to be rational, would at a subsequent time introduce the relevant and appropriate provision by way of an amending Bill.

Meetings

7. The Committee held three (3) meetings as follows:

- Monday October 18, 2004;
- Tuesday November 02, 2004; and
- Thursday March 03, 2005.

8. At these meetings the Committee considered written documentation on **‘Corporate Venturing’** circulated by Senator King and sought the assistance of the Honourable Kenneth Valley, Minister of Trade and Industry, as well as the Technocrats from the Venture Capital Investment Programme (VCIP). At its last meeting the Committee was also assisted by representatives of the Attorney General’s Office.

Deliberations

9. It was against the background outlined above that the Committee decided to focus its attention primarily on the following during consideration of the Bill:

- elucidating the concept of **‘Corporate Venturing’**;
- the regulation of Fund Managers by requiring their registration with the Securities and Exchange Commission established by the Securities Industry Act, 1994; and
- the introduction of a monitoring mechanism for venture capital incentives by the introduction of a Board or Advisory Council.

10. The Committee invited the Honourable Kenneth Valley, MP, Minister of Trade and Industry and Technocrats of that Ministry to attend its Second Meeting

³ Standing Order 52 (1) – “Any Committee to which a Bill is committed shall not discuss the general merits and principles of the Bill but only its details”.

to assist the Committee with its deliberations on the issues which was the focus of the Committee's work. At that Meeting Minister Valley advised that his Ministry had accepted the recommendations put forward by Senator Mary King and a note seeking approval for the proposed amendments would be considered by Cabinet in two days time. Minister Valley further advised that the Legal Draftsmen and the Technocrats were mandated to prepare a list of amendments with the appropriate format and mechanism to give effect to the concept of corporate venturing. This he said will be forwarded to the Committee within two weeks.

11. At its Third Meeting, during the consideration of proposed amendments to corporate venturing, the Committee and technocrats of the line Ministry were at variance on the important issue of the funding of the activity to be undertaken by the qualifying investee company. Strong views were expressed that the existing requirement under the Act for the venture capital company to fund the qualifying investment company by means of equity injections of capital is a restriction that should not apply to corporate venturing. It was reported that in North America and Europe, debt financing is an acceptable form of financing the qualifying investee company.

12. It was the line Ministry's view however, that the structure of the existing Act contemplated only equity financing, and to introduce debt financing would take the concept outside the scope of the legislation and moreover, the Government's policy is to encourage the movement away from debt financing to equity financing.

13. Other issues which engaged the attention of the Committee related to:

- the nature of the relationship between the corporate venturing company and the qualifying investee company. The existing Act preserves the **'arms length'** relationship between both companies. The proposal put forward to the Committee if implemented would permit a **'non-arms length'** relationship. This again appeared not to be in the contemplation of the Act, nor the Government's policy;
- the definitions of **'innovation'**, **'research and development'**; and the nature of the activity/innovation for which the tax relief should be given;
- the need to avoid abuse of a venture capital fund which may not be used for the innovation contemplated by the amendment;
- the need for effective monitoring of the system by the introduction of a Board or Advisory Council.

14. The difficulties encountered in marrying the new concept of **‘Corporate Venturing’** with the exiting Act remained unresolved by the Committee.

Recommendations

15. The Committee accordingly recommends:

- (i) That **‘The Venture Capital (Amendments) Bill (No. 2), 2004’** should not be amended further at this time to include the concept of **‘Corporate Venturing’**;
- (ii) that the Government request the Attorney General to undertake the necessary research to determine the correct legislative framework for the concept of Corporate Venturing; and
- (iii) that the Government give an undertaking to introduce at the earliest possible opportunity legislation along the principles enunciated by the Committee.

Sgd.
John Jeremie
Chairman

Sgd.
Rennie Dumas
Member

Sgd.
Christine Sahadeo
Member

Sgd.
Carolyn Seepersad-Bachan
Member

Sgd.
Mary King
Member

**THE SPECIAL SELECT COMMITTEE OF THE SENATE
APPOINTED TO CONSIDER AND REPORT ON “THE VENTURE
CAPITAL (AMENDMENT) BILL (NO.2), 2004”**

**MINUTES OF THE FIRST MEETING HELD IN COMMITTEE ROOM NO. 4,
PARLIAMENT, THE RED HOUSE, ABERCROBMY STREET, PORT OF
SPAIN ON MONDAY OCTOBER 18, 2004 AT 1:00 P.M.**

PRESENT

Mr. John Jeremie	-	Chairman
Mr. Rennie Dumas	-	Member
Mrs. Christine Sahadeo	-	Member
Mrs. Mary King	-	Member
Mr. Neil Jaggassar	-	Secretary
Mr. Daya Mc Farlane	-	Assistant Secretary

ABSENT

Mrs. Carolyn Seepersad-Bachan	-	Member (Excused)
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INTRODUCTION

- 1.1 The Chairman called the meeting to order at 1:12 p.m.
- 1.2 He informed Members that at a Sitting of the Senate held on Tuesday September 28, 2004, they were appointed to serve on the Special Select Committee of the Senate and welcomed them to this the First Meeting of the Committee.

QUORUM

- 2.1 The Chairman advised Members that the first order of business was the determination of a quorum. He referred to Standing Order 73(5) of the Senate and explained that the quorum for a Special Select Committee of the Senate is normally three, unless otherwise directed by the Senate and enquired if there were any differing views.
- 2.2 There were none and it was agreed that the quorum of the Committee would be three Members inclusive of the Chairman.

TERMS OF REFERENCE

- 3.1 The Chairman indicated to Members that the terms of reference as given by the Senate was:

“To consider a Bill entitled ‘The Venture Capital (Amendment) Bill (No.2), 2004’ and to report back to the Senate”.

- 3.2 He further indicated that in accordance with the provisions of Standing Order 51(2), the Committee had twenty-one (21) days from the date of its appointment to report back to the Senate or if for any reason the Report was delayed, to report its progress at the next

sitting of the Senate and every twenty-one (21) days thereafter until in submitted its Final Report.

3.3 The Chairman noted that the period of twenty-day (21) days would expire on October 19, 2004 and it was unanimous agreed that an Interim Report be submitted in accordance with the Standing Orders.

OTHER BUSINESS

4.1 After a short discussion, it was decided that Tuesdays before the sitting of the Senate would be the most appropriate day for meetings of the Committee. The next meeting was accordingly fixed for Tuesday November 02, 2004 at 11:30 a.m.

4.2 It was also decided that the Committee would not proceed with a detailed clause by clause consideration of the Bill, but focus would be placed on the amendments with respect to Corporate Venturing, Regulations of Fund Managers and the setting up of a of a Governing Board and monitoring program.

4.3 The Secretary was directed to issue letters of invitation to the following persons to attend the next meeting of the Committee:

- (i) The Honourable Kenneth Valley, Minister of Trade and Industry and Minister in the Ministry of Finance;
- (ii) Ms. Edwina Leacock, Permanent Secretary, Ministry of Trade and Industry; and
- (ii) Mrs. Claire Blake, SC, Chief Parliamentary Counsel or her representative.

4.4 Senator Mary King submitted the undermentioned documents and the Secretary was requested to make the necessary copies for circulation to Members and the persons invited to the next meeting.

- Article - "Corporate Venturing; and
- Article - "The Graziadio Business Paper – Managing Innovation through Corporate Venturing".

ADJOURNMENT

4.5 The meeting was adjourned to Tuesday November 02, 2004 at 11:30 a.m.

4.6 The Adjournment was taken at 1:25 p.m.

We certify that the above Minutes are true and correct.

Chairman

Secretary

**THE SPECIAL SELECT COMMITTEE OF THE SENATE APPOINTED TO
CONSIDER AND REPORT ON “THE VENTURE CAPITAL (AMENDMENT)
BILL (NO.2), 2004”**

**MINUTES OF THE SECOND MEETING HELD IN COMMITTEE ROOM
NO. 4, PARLIAMENT, RED HOUSE, ABERCROMBY STREET,
PORT OF SPAIN ON TUESDAY NOVEMBER 2ND, 2004 AT 11.30 A.M.**

PRESENT

Mr. Rennie Dumas	-	Chairman (Elected for the day)
Mrs. Christine Sahadeo	-	Member
Mrs. Carolyn Seepersad-Bachan	-	Member
Mrs. Mary King	-	Member
Mr. Neil Jaggassar	-	Secretary
Mr. Daya Mc Farlane	-	Assistant Secretary

ABSENT

Mr. John Jeremie	-	Chairman (Excused)
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ALSO PRESENT

Hon. Kenneth Valley, MP	-	Minister of Trade and Industry and Minister in the Ministry of Finance
Ms. Stacy Cummings	-	Legal Trade Specialist in the Ministry of Trade and Industry
Mr. Wayne Punnette	-	Assistant Director Industrial Development, Ministry of Trade and Industry

INTRODUCTION

1.1 The Secretary informed Members that just a short while ago the Chairman indicated that as a result of an urgent matter that came up, he would be unable to attend the meeting.

1.2 Members were advised that in accordance to Standing Order 73(2) of the Senate a Chairman will have to be elected for the day and the Secretary outlined the procedure for doing so.

ELECTION OF A CHAIRMAN FOR THE DAY

- 2.1 The Secretary invited nominations.
- 2.2 Mrs. Christine Sahadeo nominated Mrs. Mary King who declined.
- 2.3 Mrs. Mary King nominated Mr. Rennie Dumas and Mrs. Christine Sahadeo seconded the nomination.
- 2.4 Mr. Rennie Dumas was duly elected Chairman for the day.
- 2.5 The Chairman called the meeting to order at 11.45 a.m.

CONFIRMATION OF MINUTES

- 3.1 Mrs. King moved that the Minutes of the First Meeting be confirmed.
- 3.2 Mrs. Sahadeo seconded the motion and the Minutes of the First Meeting were duly confirmed.

MATTERS ARISING FROM THE MINUTES

- 4.1 The Chairman indicated that at the last meeting a decision was taken to invite the Honourable Kenneth Valley, Minister of Trade and Industry and other technocrats from the Ministry to attend this meeting. He was advised that they were present.
- 4.2 The Assistant Secretary was directed to invite the Honourable Minister and his team to join the Committee.

EXAMINATION OF WITNESSES

- 5.1 The Chairman welcomed Minister Valley and his technocrats, introduced the Members of the Committee and invited the persons accompanying the Minister to introduce themselves.
- 5.2 Ms. Stacy Cummings, Legal Trade Specialist in the Ministry of Trade and Industry and Mr. Wayne Punnette, Assistant Director Industrial Development, Ministry of Trade and Industry accordingly introduced themselves.
- 5.3 The Chairman summarized the Terms of Reference of the Committee and invited The Minister of Trade and Industry to explain the purpose of the existing legislation and the objectives of the amendments.

5.4 Minister Valley informed the Committee that the amendments recommended by Mrs. King have been accepted by his Ministry and that a Note has been forwarded to Cabinet for approval. The Minister referred to some matters contained in the Note to Cabinet to wit:

- ↪ A recommendation to include corporate venturing, limited to investments that fostered technological advancements within the venturing framework. He referred to the Information Technology and Communication (ITC) area and explained that since it is the intention to develop information technology, there should be some limit to that area initially in order to encourage technological growth.
- ↪ A recommendation that Fund Managers of Venture Capital Companies should be registered with the Securities and Exchange Commission in order to ensure and allow the exchange of information between the Venture Capital Incentive Programme (VCIP) and other Regulatory Authorities.
- ↪ A recommendation that the Attorney General include the necessary amendments to give effect to sub-paragraphs (a) to (c), and that the draft amendments be included in the review now being conducted by the Committee. (*see verbatim notes*)

5.5 The Minister explained that present legislation maintains an arms length relationship between Venture Capital Companies (VCC) and Qualifying Investee Company (QIC), however with Corporate Venturing there will be a closer relationship between both entities.

5.6 The Committee expressed concern about how technological advancement would be defined/reflected in the legislation. Minister Valley indicated that the legislative draftsmen would come up with an appropriate definition.

5.7 The Committee was also advised that a company could set up its own venture capital fund, use that fund to make equity investments into subsidiary companies thus qualifying for tax benefits under the legislation.

5.8 Minister Valley reiterated the importance of getting the Note passed by Cabinet and once this was achieved, the amended Bill would be submitted to the Committee for consideration. The Chairman pointed out the Committee had the responsibility to report to the Senate by November 11, 2004. It was suggested that the Committee could submit an interim report and ask for an extension in order to complete its deliberations.

5.9 The Minister of Trade and Industry was asked to identify what measures were in place to insulate the fund from non-corporate venturing usage and abuse. He advised that tax credits would only be triggered when the fund goes into a qualified investment. He further explained that to some extent abuse of the system will have to be rectified as the programme develops, however the real emphasis now was to stimulate research and development and innovation.

5.10 On issue of the Venture Capital Incentive Programme operating without a monitoring Board, Minister Valley stated that the Venture Capital Incentive Programme was supervised by the Ministry of Trade and Industry with some oversight support from the Ministry of Finance. He pointed out that a Board would suggest that the Venture Capital Incentive Programme is a company, which is not the case.

5.11 Some Members of the Committee suggested that if there was not going to be a Board to oversee the Venture Capital Incentive Programme, then an Advisory Council should be set up to ensure that there is no abuse. The Minister indicated that another control mechanism would be the Joint Select Committees appointed by Parliament, since the Ministry of Trade and Industry and by extension the Venture Capital Incentive Programme is also accountable to the Parliament through these Committees. (*See Verbatim Notes*)

5.12 Mrs. King referred to her proposal, that in addition to all other qualifications, fund managers should also be registered with the Securities and Exchange Commission (SEC). The Minister agreed with this suggestion.

5.13 The Chairman thanked the Minister of Trade and Industry, Hon. Kenneth Valley, MP, and the accompanying technocrats for attending. He advised that further communication and/or correspondence could be sent to the Committee via the Secretary. The Minister and his team accordingly left and the Committee resumed its discussions.

OTHER MATTERS

6.1 The Chairman referred to the articles relating to Corporate Venturing which were provided by Mrs. Mary King and circulated.

6.2 The Committee discussed the issue of including Board/Advisory Council in the legislation as a monitoring mechanism. It was agreed that the Committee had requested the Minister to consider this matter for possible inclusion in the legislation and that when the draft Bill comes to the Committee the matter will be reviewed.

6.3 The Secretary was mandated to prepare an Interim Report on the progress of the Committee for submission to the Senate. The Committee agreed to seek the approval of the Senate to continue its deliberations with the expectation that the Ministry of Trade and Industry would provide the necessary information/documentation as discussed within the agreed two weeks.

ADJOURNMENT

7.1 The meeting was adjourned to Tuesday November 23, 2004.

7.2 The meeting ended at 12.20 p.m.

CHAIRMAN

SECRETARY

**THE SPECIAL SELECT COMMITTEE OF THE SENATE APPOINTED TO
CONSIDER AND REPORT ON “THE VENTURE CAPITAL (AMENDMENT)
BILL (NO.2), 2004”**

**MINUTES OF THE THIRD MEETING HELD IN COMMITTEE ROOM
NO. 4, PARLIAMENT, RED HOUSE, ABERCROMBY STREET,
PORT OF SPAIN ON TUESDAY MARCH 03, 2005 AT 2:00 P.M.**

PRESENT

Mr. John Jeremie	-	Chairman
Mr. Rennie Dumas	-	Member
Mrs. Carolyn Seepersad-Bachan	-	Member
Mrs. Mary King	-	Member
Mr. Neil Jaggassar	-	Secretary
Mrs. Jacqueline Stoute	-	Assistant Secretary

ABSENT

Mrs. Christine Sahadeo	-	Member
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ALSO PRESENT

Officials from the Office of the Chief Parliamentary Counsel:

Ms. Clair Blake	-	Chief Parliamentary Counsel
Ms. Ida Eversley	-	Senior Parliamentary Counsel
Ms. Andrea Julien	-	Ag. Parliamentary Counsel II

Officials from the Venture Capital Incentive Programme, Ministry of Trade and Industry:

Ms. Judith Mark	-	Administrator
Mr. Bevan Narinesingh	-	Legal Trade Specialist
Mr. Wayne Punnette	-	Assistant Director Industrial Development, Ministry of Trade and Industry
Mr. Eugene Williams	-	Consultant

INTRODUCTION

1.3 The Chairman called the meeting in order at 2:10 p.m. and welcomed members and Officials from the Venture Capital Unit and the Ministry of Trade and Industry.

1.4 The Chairman welcomed the technocrats from the Ministry of Trade and Industry, and the Chief Parliamentary Counsel.

CONFIRMATION OF MINUTES

2.1 Mr. Rennie Dumas moved that the Minutes of the Second meeting be confirmed. Mrs. Mary King seconded the motion.

2.2 The Minutes of the Second Meeting were accordingly confirmed.

MATTERS ARISING FROM THE MINUTES

3.1 The Chairman indicated that at the last meeting a decision was taken for the Office of the Chief Parliamentary Counsel to formulate definitions.

3.2 The Chief Parliamentary Counsel informed the Committee that she was unsure as to what definitions the Committee required. She therefore submitted definitions for the terms “corporate venturing” and “innovation” which were forwarded to the technocrats in the line Ministry for circulation to Members of the Committee.

3.3 The Chairman referred Members to the definitions at 3A and B and 6 on the List of amendments and enquired whether the definitions satisfied the concerns which members had expressed at the second meeting.

3.4 Mrs. King referred to the following definition of “corporate venturing” which was given to the Senate:

“an existing company wishing to inject funds into an existing or new innovative company, to produce a product or service that will effectively improve the competitiveness of the old company doing the injection of funds”

3.5 Ms. Mark, Administrator of the Venture Capital Incentive Programme in attempting to clarify this definition informed the Committee that the process as well as the company that will benefit from the tax credit needed to be defined. She added that the Chief Parliamentary Counsel should adjust the language of the definition in order for it to fit into the legislation.

3.6 Ms. Mark expressed concern with the definition of the word “innovation” in terms of the language. She indicated that she was unsure whether we can say “have a commercial value” as distinct from “potential of” or “unlikely to”.

3.7 The Administrator gave the following explanation on the term “process of innovation”

“the process of innovation resides in the investee company as opposed to the corporate venture company, which means a company through its investment activity would facilitate a process of innovation, it cannot be the company’s process of innovation”.

3.8 After lengthy discussion on the terms “innovation” and “corporate venture company” the Chief Parliamentary Counsel suggested that the definitions of both terms be deleted and that the Committee revert to the old amendment, because the concept of corporate venturing can be accommodated either in the Income Tax in Aid of Industry Act or the Corporation Taxes Act. She requested some time to look at the pieces of legislation to arrive at a firm recommendation as to which legislation will properly accommodate this concept.

3.9 The Chairman instructed the Chief Parliamentary Counsel to prepare a report, so that when the Committee reports the Bill back to the Senate, that report will have the specific recommendations as to the relevant Act that has to be amended.

3.10 The Chairman informed the Committee that he will be reporting to the Senate on Tuesday March 08, 2005 informing Senators that the Committee had completed its business.

ADJOURNMENT

5.1 The adjournment was taken at 3.20 p.m.

CHAIRMAN

SECRETARY

MEETING OF THE SENATE SPECIAL SELECT COMMITTEE APPOINTED TO CONSIDER AND REPORT ON A BILL ENTITLED THE VENTURE CAPITAL (AMDT.) BILL (NO. 2), 2004, HELD IN COMMITTEE ROOM NO. 4, RED HOUSE, PORT OF SPAIN, ON MONDAY, OCTOBER 18, 2004, AT 1.10 P.M.

PRESENT

Mr. John Jeremie	Chairman
Mr. Rennie Dumas	Member
Mrs. Mary King	Member
Mrs. Christine Sahadeo	Member
Mr. Neil Jaggassar	Secretary
Mr. Daya Mc Farlane	Assistant Secretary

ABSENT

Mrs. Carolyn Seepersad-Bachan	Excused
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Mr. Chairman: Colleagues, can we begin? Under Standing Order No. 73(4) and (5), it is provided that the quorum of a Select Committee shall be three at least unless the Senate directs otherwise. The Senator in the Chair shall be counted for the purposes of that number.

I call the meeting to order and welcome all Members to our first meeting. Our business is to consider and report on the Venture Capital (Amdt.) Bill (No. 2), 2004 to the Senate.

The first matter on our agenda is the formal fixing of a quorum. Does anyone have any views? I think that it should be three. If we had difficulty today getting more than three.

Mrs. Sahadeo: Three might be difficult.

Mrs. King: Three Senators are fine. They do not have to be from either party. I agree with that.

Mr. Chairman: We would fix the quorum at three inclusive of the chairman.

The second item on our formal agenda is a consideration of our terms of reference. As given by the Senate, under the terms of reference we are required to consider and report on the Venture Capital (Amdt.) Bill (No. 2), 2004 and report to the Senate.

Under Standing Order No. 51(2), it is provided that when a Bill has been committed to a Select Committee no further proceedings are to be taken until the select committee has presented its report to the Senate, providing that if the report is delayed for whatever reason for more than 21 days, the chairman of the Select Committee or in his absence, any person authorized by the committee must report progress to the Senate at the next sitting of the Senate which follows immediately after the expiration of the 21-day period, and thereafter every 21 days until the final report is presented.

Our 21-day period expires on the 19 October. Our Committee has to present a report to the Senate when it next meets. That might not be until Thursday. We could settle the sort of procedural matters and then turn to when next we shall meet. That is taking into account that our Select Committee happens to be sitting at a difficult time, the time of the budget debate. We have work to do. We have to settle when next we would meet and the approach to our business.

Under Standing Order No. 52(1), the Committee is not empowered to discuss the general merits and principles of the Bill, only its details. That might cause some difficulty if we were to rigidly adhere to it, because as I understand it, we shall discuss the question of Corporate Venturing. That is a

proposal which has been put on the table for the first time by Sen. King. I propose to deal with that by stretching the general merits and principal points and to argue that that is a question of detail.

We have the power to make amendments which might include new clauses and schedules, insofar as they are relevant to the subject matter of the Bill.

Mrs. Sahadeo: I understand that there is a summary of what has been on the table. Has that copy been sent to you?

Mr. Chairman: I have a copy of Sen. King's proposed amendments.

Mrs. Sahadeo: Subsequently, we have had meetings. I think Minister Valley's Permanent Secretary was supposed to have summarized.

Mr. Chairman: I do not have that. We will come to that when we deal with how we shall proceed.

We have power to make amendments as we see fit and that might include new clauses or schedules. The conjoined effect of our power or jurisdiction is contained in Standing Orders Nos. 44, 45, 46, 52, 53, 72, 73 and 74. That is for those of you who wish to familiarize yourself with the Standing Orders.

We can move quickly to the substantive matter, other business. Under this item I would like us to fix the date and time of our next meeting. We need to pay attention to the fact that the budget debate is likely to begin on Thursday. That debate must finish by the end of the month.

Mrs. Sahadeo: Can it be on Tuesday before Senate?

Mr. Chairman: The first Tuesday in November is within our time period. That allows us to do work. At what time?

Mrs. Sahadeo: 12.30 p.m.

Mr. Chairman: If the Senate begins at 1.30 p.m. that would not give us

enough time.

Mrs. King: 11.30 a.m.

Mr. Chairman: Tuesday 02 November, at 11. 30 a.m.

Do we need any experts? My Chief Parliamentary Counsel would be here in any event.

Mrs. King: We met with the PS of the Ministry of Finance.

Mrs. Sahadeo: We should be meeting with the PS of the Ministry of Trade and Industry. Venture capital falls under him. Mr. Mankee has indicated that he is not *au courant* with this; he just helped me because I asked him. He is not assigned.

Mr. Chairman: Miss Leacock.

Mrs. Sahadeo: Minister Valley should be invited to this meeting.

Mr. Chairman: We would invite Minister Valley, the Permanent Secretary and the Chief Parliamentary Counsel.

Mrs. Sahadeo: Would we need to call the VCIP people to get clarification?

Mr. Chairman: Not for our first meeting. If there is a need then we will go that route. I do not think that would be much help at this stage.

Mrs. King: She sent her framework for me to fill in. It is being done by me.

Mr. Chairman: We can proceed without her.

What approach should we take during our deliberations? Sen. King we would be relying on you very heavily. Do you think that we should go through the Bill clause by clause?

Sen. King: No. We did that in the Senate when we were discussing the whole concept. We are asking for amendments to that Bill which would look at Corporate Venturing. We suggested that fund manager within the corporate venturing programme should be registered by the SCC. Given what has been happening we thought that it is time we have a monitoring unit on the

programme and that we set up a board. That is the only way you would get effective management of the programme.

Mr. Chairman: We would look at the Bill in its holistic sense. We would look at the amendments as opposed to going through the Bill clause by clause.

Mrs. King: I prepared a document for the Minister and the meeting that we held with VCIP. The document could be copied and everybody would become familiar with the issue.

Mr. Chairman: Mr. Jaggassar would undertake to make copies for all of us before our next meeting.

Are there any final comments? Can we conclude the meeting on that note?

Mrs. Sahadeo: If we are doing the budget debate on Thursday, would it be necessary for that update to be done, or can it be deferred?

Mr. Chairman: Under the Standing Orders we have to report that there has been progress and seek an extension of time.

Mrs. Sahadeo: Would you be here?

Mr. Chairman: Whether I am here or not the report would have to be made to the Senate. We do not need to settle that today. As things stand I would not be here on Thursday. I am sure that any one of my colleague can report progress and ask for a further 21 days. It is not unreasonable.

Colleagues, thanks for taking some time from your busy schedule to come this afternoon.

1.25 p.m.: *Meeting adjourned.*

MEETING OF THE SENATE SPECIAL SELECT COMMITTEE APPOINTED TO CONSIDER AND REPORT ON A BILL ENTITLED THE VENTURE CAPITAL (AMDT.) BILL (NO. 2), 2004, HELD IN COMMITTEE ROOM NO. 4, PARLIAMENT, RED HOUSE, ABERCROMBY STREET, PORT OF SPAIN, ON TUESDAY, NOVEMBER 02, 2004, AT 11.45 A.M.

PRESENT

Mr. Rennie Dumas	Chairman
Mrs. Christine Sahadeo	Member
Mrs. Carolyn Seepersad-Bachan	Member
Mrs. Mary King	Member

ABSENT

Mr. John Jeremie	Chairman
Mr. Neil Jaggassar	Secretary
Mr. Daya Mc Farlane	Assistant Secretary

Mr. Jaggassar: Good morning, members. A short while ago I was informed by the hon. Attorney General, the Chairman of this Committee, that some thing came up and he would be unable to attend this meeting. Therefore, in accordance with Standing Order No. 73(2) of the Senate, we would have to elect a chairman for the day. Any member can nominate another member and the nomination has to be seconded.

Mrs. Sahadeo: I would like to nominate Sen. Mary King.

Mrs. King: Thank you very much for the nomination but as the one who brought the amendment, I really do not think I should chair the meeting because I will be totally biased.

I recommend Rennie Dumas.

Mrs. Sahadeo: Seconded.

Mr. Jaggassar: Sen. Dumas, would you please move to this chair? I have your documents here for you.

[Mr. Dumas occupies the seat of the Chairman]

Mr. Chairman: Members, I think it is in order to suggest that the meeting is now called to order.

Members, have you all had time to read the Minutes?

Assent indicated.

Mr. Chairman: I therefore move that the Minutes be now confirmed.

Moved by Mrs. King.

Seconded by Mrs. Sahadeo.

Mr. Chairman: We were expecting Minister Valley and—

Mr. Jaggassar: He is here.

Pause

Mr. Valley and guests joined the meeting.

Mr. Chairman: Minister, guests, on behalf of the committee, I welcome you to this meeting. Can we have the names and the portfolio of the other two guests?

Stacy Cummings: Legal Trade Specialist in the Ministry of Trade and Industry.

Wayne Punnette: Assistant Director Industrial Development, Ministry of Trade and Industry.

Mr. Chairman: The terms of reference of the committee are quite simple: “To consider and report on a bill entitled the Venture Capital (Amdt.) Bill No. 2 of 2004” and, of course, to report to the Senate. The view of the committee on the last day was that the programme of the committee could be

furthered by your appearing and talking to us about this Venture Capital Act and its implications, on the Bill and what your views on it are. Is there a particular way that you want to proceed?

Mr. Valley: Mr. Chairman, I am completely in your hands. If I am to understand you, you want me to give an exposition on the purpose of the existing legislation and what we hope to achieve by the amendments and speak to the amendments?

Mr. Chairman: Yes.

Mr. Valley: I can start from the end. As I have stated in the Parliament, we have accepted the recommendations made by Sen. King. As a matter of fact, there is a Note to go before the Cabinet on Thursday asking Cabinet to agree to the subject amendments and also that it be included at the committee stage. For example, the recommendation to ask Cabinet to agree to the inclusion of the corporate venturing, limited to investments that foster technological advancement within the venture capital framework.

As you know, we are talking about the whole ITC area and we are saying that we want to limit—the concept of corporate venturing is very similar to research and development. What we are doing is out-sourcing research and development, basically. We are saying that since we want to develop that field of information technology, we should look at it and limit it to that area in the first instance. That is the first recommendation. The second recommendation is one which came from Sen. Seetahal, I think it was, to the requirement that Fund Managers of the Venture Capital Company—

Mrs. King: That was also one of my recommendations.

Mr. Valley: —Okay—be registered with the Trinidad and Tobago Securities and Exchange Commission to the development of the structure to allow for the exchange of information between the VCIP and other

regulatory authorities, and that the Attorney General cause the necessary amendments to be prepared to give effect to sub-paragraphs (a) to (c) above, and that the draft amendments be included in the review, which is now before this Special Select Committee. So, basically, we are in agreement. I think the concept is novel. To me, the concept of out-sourcing your R and D makes quite a lot of sense and we are prepared to include it in the legislation. I think we have to do everything we can to get the whole concept of venture capital moving.

I do not know whether there is anything further I need to state or how members feel about their limitation—

Mrs. King: Excuse, Sir, I did not quite get what you said. What is your constraint? It is something to do with—

Mr. Valley: Okay. —to the inclusion of the corporate venturing concept but limited to investments that foster technological advancement.

Mrs. King: Thank you.

Mr. Valley: Your committee would find suitable wording for that, and that is for the lawyers to do, but that is the concept that we would allow for corporate venturing.

Conceptually, I think what we are saying is that while the legislation suggests some type of arms length dealing between the VCC and the QIC, that in the case of corporate venturing there would be this non-arms length approach, as it were.

Mr. Chairman: Which in plain English means, that a company that is already in existence—

Mr. Valley: Like Neal & Massy for example.

Mr. Chairman: —can then indulge in an investment as part of its portfolio for the period in research and development, what must be defined as contributing to technological advancement. That is your argument.

Mr. Valley: Yes.

Mr. Chairman: The question that I have is: How do you, as it were, encapsulate that area—

Mr. Valley: Technological advancement?

Mr. Chairman: Yes.

Mr. Valley: Lawyers. We have to allow the lawyers to fight with that to get a definition.

Mr. Chairman: I think we have to get a practical definition and then we could then get a legal definition.

Mr. Valley: What we are driving at is that while in the main we want to include the ITC area, I do not think one wants to limit it to that area. It must be using technology.

Mrs. King: Technological advancement that improves the competitiveness of the company, Neal & Massy or Petrotrin, whoever it is.

Mr. Chairman: The corporate structure?

Mrs. King: Yes.

Mrs. Sahadeo: I suppose the Minister would also have to get the legal people to also look at the legislation now there is going to be a contradiction because in the Venture Capital Act, if my memory serves me right, the supply of that service should be an arms length transaction.

Mr. Valley: This is only in the case of corporate venturing. It is only in that case of corporate venturing.

Mrs. Sahadeo: Okay, so there is not going to be any contradiction there with venture capital?

Mr. Valley: Yes. But you accept that non-arms ought to be arms length except in the case of corporate venturing.

Mrs. King: Mr. Chairman, to ensure that they are given the same conditions and benefits as corporate venture, I had proposed a new clause where an operating company engages in corporate venture with an approved investee company under the regulations, the operating company can be—

Mr. Valley: They will benefit in like manner. In other words, they will now fall under the ambit of the Venture Capital legislation—corporate venturing. Basically that is what we are saying. So the same benefit given to a VCC will be given to either an operating company, if it does not want to have its funds—preferably, I would think that you would want the operating company to first transfer the money into a VCC and then by transferring—

Mrs. King: No, no, no, this would not be arms length; this would be a closer relationship?

Mr. Valley: I am saying that a company like Neal & Massy can set up its own venture capital fund and then use that fund to make the equity investment into the subsidiary. By transferring the money into the venture capital fund it will qualify for the tax benefit under the legislation.

Mrs. King: Right. But you are saying we do not have to spell it out; it would be understood that they would get the same benefits.

Mr. Valley: If you define the venture capital fund to include corporate venturing—*[Interruption]* Yes, that is how I think.

Mrs. King: We will ensure the clauses are read correctly.

Mr. Chairman: Yes, I think we have the concept; I think the mechanisms are what we have to workout and hear other views. This is what we were going to suggest if the ministry could advise us—

Mr. Valley: What we can do is to get this Note passed and we will draft the required amendments and submit it to the committee.

Mr. Chairman: How much time do you think you would need? We have a reporting responsibility for the November 11, 2004.

Mr. Jaggassar: The 21 days for the committee to report its progress will be up on November 11, 2004.

Mr. Valley: We will report the progress and ask for an extension to the end of the month.

Mr. Chairman: Yes, we can do that. Is there anything else any member wants clarified?

Mrs. Seepersad-Bachan: I still have a little concern about the arms length and how it would work. Probably after they have finalized, I would be able to identify. I suppose it is only when we see the actual—

Mr. Valley: It is going to be non-arms length venturing.

Mrs. Seepersad-Bachan: But what I think we need to examine at that point, and I am sure the committee would agree with me, is to look at a non-arms length relationship between the two, if we need to put on any further constraints to prevent the abuse.

Mr. Chairman: That is why I asked the Minister if we would want to speak to ways of insulating the fund from non-corporate venturing usage and any ensuring that the benefits are made available—

Mr. Valley: What we need to do, therefore, the tax credit is only triggered when the fund goes into an investment that qualifies.

Mr. Chairman: This is why I also raised the question of whether you would want to assist us by identifying a body of conditions that would then trigger the access to the benefits of the venture.

Mr. Valley: Mr. Chairman, we could attempt that but that was part of the problem of the 1994 legislation; one attempted to try to cover everything.

Mr. Chairman: We may not want to cover everything, but to make it general enough that someone is given the responsibility to so identify—

Mr. Valley: Or, you can go to the other end and say: Let us see how it works and if there is abuse, we will cut it out as we go along. Because nothing is happening and you want to get things moving. This other thing is, I think, if we see this really as a way to stimulate research and development, that is what it is, and consider then what type of constraints you really want to put on research and development.

Mrs. Seepersad-Bachan: Mr. Minister, sometimes if we do not identify ways that it can be abused, let me tell you what can happen. Our intent is to ensure that there is a genuine attempt at research, development and innovation. If you allow the corporations in this country, they would find ways to implement and develop something and tell you that is innovative research and development. So what I am really trying to ensure that whenever these funds are—What you want to get is the economy going in terms of innovation and research and development. So we want to ensure that we focused on achieving that.

Mr. Chairman: Just by the whisperings you have made there, you are saying that we could identify the body of conditions or we could identify a process with an authorizing body, so I am saying to speak to that.

Mr. Valley: Yes.

Mr. Chairman: If your submission speaks to that then we could—

Mr. Valley: Okay. I understand.

Mrs. King: Mr. Chairman, with these things in mind at the last meeting, we brought up the point that the Venture Capital Incentive Programme is really

running without a monitoring board. If we are really serious about controls and proper governance, that Venture Capital Incentive Programme should have a board with competent persons who understand innovation; who understand research; and who understand good governance. That is one of the Minutes that we recorded, that we should look at the concept of a board.

Mr. Valley: That is one that we did not take on board, Senator. The board suggests a company. The venture capital is still, in fact, a Venture Capital Incentive Programme reporting to the Ministry of Trade and Industry. To my mind we need to get some action going. What should happen, eventually, is that we set it up as a company with a board and so on, but we really need some action first. In the mean time the supervising body is the Ministry of Trade and Industry, with some oversight at the Ministry of Finance also. To me it is a contradiction in terms that you have a programme with a board. You may talk about an advisory counsel or something of the sort—

Mrs. King: Well, call it what you want, once there is some monitoring mechanism.

Mr. Valley: Yes. So that one can deal with that, perhaps, informally. But until such time that we really see some action where we should take the second step and have it converted into a company—Venture Capital Incentive; something of the sort—

Mrs. Seepersad-Bachan: Your concern is that you are not at the stage where you want to move it into a company format but what Sen. King is saying is that she is concerned about the monitoring function right now and ways to step up the—

Mr. Valley: Right now the monitoring function is the Ministry of Trade and Industry. We are the line ministry for the venture capital company and that is what we do. But I take the point.

Mrs. King: We have had abuses of the Act [*Inaudible*] and you know maybe if you had had a board monitoring—

Mr. Valley: Mary, we cannot say abuses; perhaps there might be a perception of abuse; the jury is still out on that.

Mr. Chairman: I think the Chairman has to intervene here.

Mrs. King: That is the only reason I think we need a board.

Mr. Valley: I take the point and perhaps we may want to look at some advisory council at some time.

Mr. Chairman: If I may, Mr. Minister, I think it is making a straight statement of policy that you are making. The Minister is making a straight statement of policy that says: You are viewing the development as still nascent, although it has been in there a while, and you want to know whether you want it under direct control and management of the ministry, as against your argument which says: Maybe you need to put an interventory body inside there that is not based in the Ministry of Trade and Industry. I am saying that we could put it down and discuss it later.

Mrs. Seepersad-Bachan: Mr. Chairman, I need to add to that as well. I think what is important why we need to discuss the issue is given that we are now looking at this whole corporate venturing and where there this strict arms length will no longer exist for corporate venturing. I think it is more important now that we look at the monitoring functions to ensure that there is no abuse.

Mr. Chairman: I am saying that we will look at it; that there is an argument that has some strength in saying that it is a development programme and, therefore, you may need direct management on the one hand as against something like in-operation that is up and running, and that you feel it merits

bringing in other people on a wider based national framework. But we could discuss that.

Mr. Valley: The other thing is that in a sense the Parliament provides some monitoring. Via the Joint Select Committees the Parliament has responsibility for the Ministry of Trade and Industry and for all the different arms, so to that extent—

Mr. Chairman: Let us just agree to look at it. Maybe, Mr. Minister, in your submission you will speak to it.

Mr. Valley: Yes.

Mr. Chairman: Are there any other issues we need to discuss with the Minister?

Mrs. King: Mr. Chairman, I had proposed a Fund Manager, besides all the other conditions; qualifications, that he or she should be registered with the SCC and that is something I think we really need to have in this day and age.

Mr. Valley: Yes.

Mrs. King: Excellent. Good.

Mr. Chairman: One thing I am not clear on, maybe I need to depend on the advice of the people who know more about this. What do you expect to come to the table with, Mr. Minister? Is it that you propose to provide us with a replacement draft of the Act?

Mr. Valley: No.

Mr. Chairman: Or the Act with amendments?

Mr. Valley: No, with the amendments to this Bill. The Bill is amending the Venture Capital Act but it is going to be further amended by our recommendations.

Mr. Chairman: Are you suggesting that you have found grounds for agreement here with those amendments that were proposed by the Senator and that we will incorporate that?

Mr. Valley: Yes, to strengthen the legislation.

Mr. Chairman: Are there any outstanding areas still? Well, Minister, thank you for your time. You did say two weeks?

Mr. Valley: Yes, preferably on a Tuesday.

Mrs. Sahadeo: Can it be closer to the Senate time? Mr. Chairman, if we know that we are going to take half an hour or thereabouts for the meeting, can we meet, therefore, at 12.45 p.m.?

[Crosstalk]

Mr. Chairman: The committee still that has to look at some documents that we have been provided with by Sen. King. So while we give you permission to leave our presence, we still have some things to do.

Mr. Valley: I thank you, Mr. Chairman, for the efficiency with which you have dealt with this meeting. I wish to add that if members prefer—well, I will send it, of course, to the Clerk—the document can be circulated before the meeting.

Mr. Chairman: We were just whispering that. The Clerk will contact you. We would discuss the meeting afterwards, but I was making the suggestion that maybe the committee could meet a week after you give us that matter in two weeks.

Mr. Valley: Thanks a million.

[Mr. Valley and the officers from his ministry leave the meeting.]

Mr. Chairman: Sen. King, you have provided us with some articles—

Mrs. King: It was background reading to the rationale of what venture capital was all about and where it has worked in other countries. As I said, it was just background reading for this meeting to support the inclusion.

Mr. Chairman: So that your papers have been overtaken by the agreement?

Mrs. King: Yes. I assumed that people would have read it before now. Thank you very much.

Mrs. Sahadeo: Is there any other thing, Senator, regarding corporate venturing—leave it open or should we be more definitive in our approach to corporate venturing?

Mrs. King: What the Minister and the Chairman had been talking about is that we could detail what are the specific things. But you do not want to do that because if something new comes up that you are not aware of, you would have to go back and fix the Act. If we can have an understanding of what we mean by technological advancements that improves the competitiveness of the corporation? That is why, I think, we need a board with competence, which understands what innovation is; what research is; what is a new product for a company; how does that improve its competitiveness.

12.15 p.m.

Mrs. King: I do not think it should be pinned down to details.

Mr. Chairman: We did put an option. In speaking, we spoke about an option setting conditions or establishing a process. Once a process is established with an authorizing agency, in a sense, the kind of flexibility that you are asking for, yet, taking into consideration the responsibilities within that process, that can be exercised. I think we can deal with it like that.

Mrs. King: Maybe, within now and next week we can put a little more focus and come back with what we think is necessary.

Mr. Chairman: I know we have able researchers in this committee so that the issues of some of the conditions and processes that are used may be considered. I know the Japanese have a process that we can look at.

Mrs. King: To say that they are not ready for a board, who is to say that had they not had a board where people who understood—whether we call it a board or advisory council I would still like to think that we propose it.

Mr. Chairman: Senator, the only difference I have is that I am not thinking—we should let them address us as they agreed to before we get into that debate.

Mrs. King: I am not saying no. I am saying I do not understand—

Miss Sahadeo: I think what is being asked at this time is that they would like that consideration to be included and I think, to say you wait, and afterwards, for the inclusion of that.

Mr. Chairman: I understand that. What I am saying to the Senator is that two things were put on the table. I have asked them to address the options in their presentation. I think that is what they said. I am saying, let us await their address and then we can discuss which of the options they prefer, whether it is a board should be inserted in the process or whatever.

Mrs. King: An advisory council. It does not matter what you call it, as long as it works.

Mr. Chairman: I have had the experience of working with quite a number of boards and I do not know that boards necessarily protect you.

Mrs. King: I have also worked with many boards and it depends on who you put on the boards.

Mrs. Seepersad-Bachan: Can we ask the Clerk if any research can be done or, if Sen. King has had any idea where we could direct it; legislation.

Mrs. King: In my documents we looked at different countries which have already legislated, for example, the United Kingdom, United States. You did not get the document that went to the Ministry? Maybe I could leave you this copy.

If you have it, we looked at other models.

Mr. Chairman: What I think the Senator is saying if we have specific legislation that is already in place—I know you are saying where the legislation may be—what the Senator was asking—

Mrs. King: I will give you some websites.

Mr. Chairman: I think what she is asking is if your institution can, in fact, check to see whether there are models of the law that can be brought to our attention.

Mrs. Seeparsad-Bachan: Not venture capital but corporate venture.

Mr. Chairman: I think we are just about at the end and we can close this meeting by considering a date and time for the next meeting. We have had 21 days to report on the progress. The 21 days expires on November 11. I think it is in order to ask the Secretary to prepare a report for us that we can submit on November 11. But, we agree that we are seeking permission to continue with the expectation that the ministry will provide us with an address to the points taken into account in the earlier discussion. They have agreed to give us that in two weeks. We would agree to have the information they provide circulated and we would have a meeting the week following which would be Tuesday, 23 November, 2004.

On that day we should actually be considering the amendments. We might need more time. We should keep the same time and that is the day I hope we can close our business.

12.20 p.m.: *Meeting adjourned.*

**MEETING OF THE SENATE SPECIAL SELECT COMMITTEE
APPOINTED TO CONSIDER AND REPORT ON A BILL ENTITLED
THE VENTURE CAPITAL (AMDT.) BILL (NO. 2), 2004 HELD IN
COMMITTEE ROOM NO. 4, PARLIAMENT, RED HOUSE,
ABERCROMBY STREET, PORT OF SPAIN, ON TUESDAY,
MARCH 03, 2005 AT 2.00 P.M.**

PRESENT

Mr. John Jeremie	Chairman
Mr. Rennie Dumas	Member
Mrs. Carolyn Seepersad-Bachan	Member
Mrs. Mary King	Member

ABSENT

Mrs. Christine Sahadeo	Member
Mr. Neil Jaggassar	Secretary
Mrs. Jacqueline Stoute	Assistant Secretary

CHIEF PARLIAMENTARY COUNSEL

Mrs. Claire Blake	Chief Parl. Counsel
Ms. Andrea Julien	Ag. Parl. Counsel II
Ms. Ida Eversley	Snr. Parl. Counsel

VENTURE CAPITAL INCENTIVE PROGRAMME

Ms. Judith Mark	Administrator
Mr. Eugene Williams	Consultant

MINISTRY OF TRADE AND INDUSTRY

Mr. Bevan Narinesingh

Legal Trade Specialist

Mr. Wayne Punnette

Asst. Director

Mr. Chairman: Can we begin? We have a quorum. I think the quorum is three. We fixed a quorum at our first meeting.

I welcome members from Venture Capital. Is there anyone from the Ministry of Trade?

Mr. Narinesingh: Yes.

Mr. Punnette: Yes.

Mr. Chairman: Welcome to the meeting of the Special Select Committee of the Senate appointed to consider and report on the Venture Capital (Amdt.) Bill (No. 2) of 2004.

The agenda has been circulated. We can go to the first item on the agenda which is the Confirmation of Minutes of the last meeting. We take page one; page 2; page 3; page 4 and page 5.

[*Interruption*] Can I have someone move that the Minutes be confirmed?

[*Confirmed by Mr. Dumas*]

[*Seconded by Mrs. King*]

Mr. Chairman: Business arising out of the Minutes. I was not here on the last occasion, were there any specific matters to which the experts were directed and on which they are supposed to report to us today?

Mrs. King: As far as I am aware the constraint we had from following up on the decisions we were taking, was that someone was working on the definitions. I believe whoever was working on the definitions was at the CPC office and we are awaiting some information on that today.

Mrs. Blake: I am not aware of—

Mrs. King: Unless Mr. Jaggassar has something else.

Mrs. Blake: I am not aware of what transpired at the last meeting, about someone working on a definition; I am not sure a definition of what. I have not had a copy of the Minutes; I can only produce a definition of “corporate venturing”. The Ministry of Trade, the Venture Capital Incentive Programme, may have been working on that definition which was passed on to us.

Mr. Chairman: Do we have a definition of “corporate venturing”, corporate venture company, those expressions?

Mr. Narinesingh: Yes; the CPC did a draft definition for corporate venture company and innovation and that was circulated to the Ministry, which I did then circulate to the Venture Capital Incentive Programme; that was done on Monday, so there is a draft a definition at present.

Mr. Chairman: Is that the document which is before us? Mrs. King, do you have a document?

Mrs. King: It is not before me.

Mr. Jaggassar: It was circulated with the package with the letter of invitation to all members. A copy of the list of amendments and a copy of a redrafted bill incorporating the amendments.

Mrs. King: May I have a copy, please?

[Document given to members]

[Members peruse documents]

Mr. Chairman: Note the definitions before us at 3A and B and 6. Do those definitions meet the concerns which members had on the last occasion? As I understand it, the corrected Bill, that is, the Bill including the amendments, is also before us and the amendments are in bold in that Bill.

Mrs. Seepersad-Bachan: You are asking if we are in agreement with—

Mr. Chairman: I am just asking if, insofar as the definitions with respect to corporate venture company and innovation, I am asking if the concerns of the meeting are reflected in the drafts before us.

Mrs. Seepersad-Bachan: What I would imagine is that in order to come up with this definition, based on what was defined at our last meeting, the members of the Ministry of Trade and Industry would have some input into this.

Ms. Mark: The answer is yes. Of course, we met with CPC approximately two weeks ago; having discussed it, we would have seen what was actually presented two days ago. So far on this page we are in agreement with the definitions presented; there may be others that we have concerns with.

Mrs. Seepersad-Bachan: I would like to have some discussion on this definition, because you have to look at innovation, how you define innovation and how you have done it in 5A, in order to ensure that we have accomplished the objective that was set out. I do not know, Mr. Chairman, if you want to move to that discussion. Are we still on “Matters Arising”?

Mr. Chairman: No. I am dealing with matters arising out of the Minutes, but I have sort of merged that into consideration of the list of amendments so that we can speed around our business.

Mrs. Seepersad-Bachan: I just have one other matter from the Minutes.

Mr. Chairman: You have a matter from the Minutes?

Mrs. Seepersad-Bachan: On “Matters Arising”.

Mr. Chairman: With respect to corporate venturing and innovation?

Mrs. Seepersad-Bachan: I had requested of the Secretary of the committee if it were possible for us to get draft legislation from other countries that had incorporated corporate venturing into their legislation.

Mr. Chairman: Mr. Secretary?

Mr. Jaggassar: The library made a search and they said that they did not get any.

Mr. Chairman: That is no reason for us not to be the first to innovate.

Mrs. Seepersad-Bachan: I have no problem with that.

Mrs. King: What he did not find was their law.

Mrs. Seepersad-Bachan: There are some areas subject to abuse; that is that is my concern.

Mr. Chairman: Insofar as the discussion went on the last occasion, the definitions which are before us in relation to corporate venture company, corporate venturing and innovation, do those reflect the concerns which members expressed?

Mrs. Seepersad-Bachan: They are the standard definitions. What is stated here is a standard definition for the corporate venture company and innovation and then as you included it here into section 5, as 5A, how someone would qualify for corporate venturing, is where I would like to hear some input from the technocrats.

Mr. Chairman: So we can move on.

Mrs. King: You are on the definitions, are you?

Mr. Chairman: Yes, I am.

Mrs. King: I refer to this definition which has been proposed. Remember what we are trying to do is to expand the capability of venture capital. What was proposed to the Senate when we were debating the amendment to the

Corporate Venture Capital Act was that we wanted to include the term “corporate venture”. The definition we gave the Senate was an existing company wishing to inject funds into an existing or new innovative company; to produce a product or service that will effectively improve the competitiveness of the old company doing the injection of funds. That is the corporate venturing company. This is saying here that a corporate venturing company is one whose process of innovation has been declared in a crude process; totally not what we are suggesting at all; that is not what this committee was doing. The corporate venturing company is a company who will inject funds into a new and innovative business to bring about more effectiveness within its own business and, therefore, they will be able to benefit from the corporate venture tax incentives or the venture capital tax incentives; this definition does not cover it.

Ms. Mark: Can I provide some clarification. In the discussion with CPC, what Mrs. King is saying, in fact, hold true, but in order for the language to fit into the legislation and to determine as to how a company would qualify, that is why the definition is as it is. So you have to define the process as well as the company that will get the tax credit. I think it covers your definition as well, but in terms of how you are going to use it throughout the legislation, perhaps, CPC should shed some light on that.

It does not exclude a company investing in another company in an innovative system or process for strategic benefit; it does that, but because it wants to refer to the entity as a “corporate venture company” as distinct from what we have now, which is the venture capital company; you have the definition of a corporate venture company. What that company does is where it is included in the definition of an innovative or innovation, so that

the company engages in innovation or investing in a company that engages in innovation.

My concern, however, has to do with the definition of “innovation” and that is at 3B where we say that it must have a commercial value. Very often, at the onset, you would not be sure that there is a commercial value, so in terms of the language, I do not know if we can say, “have a commercial value” as distinct from “potential of” or “unlikely to”.

Mrs. Seepersad-Bachan: The objective being of commercial value?

Ms. Mark: Yes; objective being, as opposed to having a commercial value.

Mr. Chairman: Mrs. King, are you clear in your mind that the definition of “corporate venture company” catches the relationship between investor and investee, which we had discussed in the Senate?

Mrs. King: No, because this process of innovation may not be done within that company; they may benefit from it, but their process of innovation may not change; but they will benefit eventually from it. This does not capture it; that is why we need to work on this proposed definition.

Ms. Mark: The process of innovation resides in the investee company as opposed to the corporate venture company; so it means a company whose process—it cannot be the company's process of innovation, but through its investment activity it would facilitate a process of innovation.

Mrs. Seepersad-Bachan: You want the investment in that innovative process; that is what you want.

Ms. Mark: That is correct.

Mrs. Blake: After we had discussed this formula, I looked at it and I recognized that there was an error somewhere and I had come up with another formula. It says that a corporate venture company means a company

which provides equity capital for another company to assist it to undertake an approved process. So the corporate venture company is providing the equity capital for another company to undertake, in other words, the approved process. So that the innovation, in that case, does not reside in the corporate venture company, but the innovation would take place with the investee company. I think this is, probably, one of the things you are getting at.

Mrs. King: That is the main reason for having the amendment in the first place. My definition was an existing company that contracts with or funds an existing or innovative company to produce a product or service that improves the competitiveness of that company.

Mrs. Blake: Of which company?

Mrs. King: The existing operating company; the one doing the investment, because you are not going to go out and just invest in an innovative company if it is not benefitting you. That is why you will not get the kind of misappropriation, or whatever you were saying, that it could be mishandled. You would not get that because that company is only investing for its own benefit, but because it really improves upon new innovative companies and helps them by investing in them, then they should benefit from the tax relief.

Mrs. Seepersad-Bachan: But, Mrs. King, when I was talking about abuses, my concern was in the innovation, because a lot of people in this country would jump to what they call “innovation” and it may not be innovation.

Mrs. King: It must benefit the main investor.

Mrs. Seepersad-Bachan: Innovation itself, some people tend to just adopt a technology and implement it and they call that innovation; you would be aware of that situation, so we have to clean up innovation, but I am taking

the point that you are making. I am wondering, if we clean up innovation in that light, does it necessarily mean that we have to restrict this investing company, the company making the investment, to only another company that it will benefit from? If you are investing in innovation, we should make it across the board. It lies within and stays within the whole thrust of the Venture Capital Act, the whole objective of a Venture Capital Programme. Even if it means that they invest and it does not reap any rewards for this investing company, the company that is making the investment, so be it, but once they have invested in innovation. Your concern, if I recall from the last time, was that we wanted to be able to include in there that the company making the investment, the investee company, could be an affiliate or subsidiary of the company making the investment. That is where we have to clean that part of it up.

Mrs. King: You do not even have to mention it.

Ms. Mark: The point being made was raised in my office earlier today. If you say for strategic reasons you would limit the activity, when the bigger picture is really fostering innovation in the country, but we are saying that if you say strategic—if a company decides to invest, even if it is not directly tied to its coactivity, from a business standpoint, it is still strategic in nature, whether it is in terms of a good corporate citizen. So saying the words “for strategic benefit”, does not necessarily limit, because any corporation by its actions, whatever it engages in, in the final analysis, it is strategic in nature, but it might be defined differently, in that, what I consider to be strategic may be different from another company, so that strategic, in itself, does not narrow the range of activities.

Mrs. Seepersad-Bachan: I am not sure I want to use strategic; I would prefer to use innovation.

Mrs. King: I do not think that word is needed.

Mrs. Seepersad-Bachan: I would leave it with innovation, because you want to get innovation; you want the country to get involved in research and development and innovative activities. I think this is the purpose of venture capital in the first place, so this is in keeping within that thrust.

Mr. Chairman: CPC do you have a form of words which will capture Mrs. King and Mrs. Seepersad-Bachan concerns with respect to the definition? That is to say, a form of words which will capture the relationship between investor and investee, not in as narrow terms as you spoke to equity capital.

Mrs. Seepersad-Bachan: We do not need to qualify it with equity. Is there any reason for putting in the equity capital or could it just be capital.

Mrs. King: It does not have to be equity.

Mrs. Seepersad-Bachan: If you say equity capital now, there may be the connotation that I have to buy shares in the company.

Mrs. Blake: This was what I understood that the VCIP department wanted to capture that it must be equity capital, but you are saying it is not necessarily so.

Mr. Chairman: They have moved away from that.

Ms. Mark: May I say that the definition of “equity” has been broadened and is not as what obtains in the current legislation, so that while we want to include and expand with respect to corporate venturing, I think the whole focus in terms of really exposing people to alternative financing mechanisms—it is still sort of equity financing/preference shares, so it is a broader definition of equity, but it does not include traditional debt financing

and that was the focus. I think that is what the Task Force wanted, so that you still deal with equity, but you broaden the definition.

Mrs. Seepersad-Bachan: You will have to put a definition for equity here.

Ms. Mark: It was in the amendment, the new definition.

Mr. Chairman: They have already done that.

Mrs. Seepersad-Bachan: You have to be careful; the way equity is treated in other legislation the meaning is still—

Mrs. King: You cannot just put equity here and not there. I would not venture there at all.

Mrs. Seepersad-Bachan: Until we upgrade all our legislation and the interpretation of equity.

Mrs. Blake: On page 2 of the list of amendments, there is a definition of “equity share”. In other words, this concept that we are dealing with, we have to decide how broad it is going to be, how narrow it is going to be and what are the restrictions or otherwise. With respect to the corporate venturing, could the committee decide exactly whether it is going to be the narrow definition of equity or as Ms. Mark is suggesting, the broader definition.

Mrs. King: It does not have to be equity at all. It does not involve equity in any way.

Mr. Chairman: I thought that the venture capital was moving away from equity; those were your old constraints, equity.

Mrs. Seepersad-Bachan: Let me just get it clear from the VCIP people, but so far throughout your legislation, the whole thrust of your venture capital has been mainly in equity financing.

Mr. Chairman: They are now beginning to move away from that.

Mrs. Seepersad-Bachan: You do not want to go back to debt financing, is that it? You do not want to include the traditional forms of debt financing?

Ms. Mark: Correct, so that while you widen the definition of equity, it is not the intent to include debt financing at all.

Mrs. Seepersad-Bachan: You are saying this definition is broad enough?

Ms. Mark: That is right.

Mr. Chairman: So ordinary preference and convertible preference, which is a hybrid debt and equity.

Ms. Mark: That is right.

Mr. Chairman: But not debt.

Ms. Mark: No.

Mrs. Seepersad-Bachan: Does that take into consideration if you floated a bond and then convert it to shares?

Mrs. King: We are moving away from venture capital.

Mrs. Seepersad-Bachan: Those sorts of bonds are deemed equity, but I think it would be captured under the convertible shares.

Mr. Chairman: It would be the other way around, if it is a share convertible into a—

Ms. Mark: The definition we have now is as far as I think—with financing instruments you can have it as wide as possible, but given that we are dealing with the venture capital legislation and the idea was really to expose people to equity financing, I do not think we want to widen to go the full range of—

Mr. Chairman: We do not want money lending; you want something short of that, but wider than your traditional shares.

Ms. Mark: That is right; we will go straight back to square one if we go back into debt financing, back to traditional providers.

Mrs. King: Chairman, corporate venture company does not have to have any shareholding. They are investing money in a company for a service, an innovation application product which will help them; they are not buying any shares, unless that is an arrangement that they make with the company; we have not improved that here.

Mrs. Seepersad-Bachan: That is tantamount to becoming an investment in—

Mrs. King: We only want them to invest in new and innovative services to help their companies, but it would build innovative companies.

Mrs. Seepersad-Bachan: Then it is almost like a payment for a service then.

Mrs. King: Yes, but because they are building innovative companies, then they should benefit from the venture capital type incentives. We have to move away from equity and shares; this is not included in that at all; that is definitely in the Venture Capital Act already.

Mr. Chairman: Would you have a strong objection if the Senate were to make such a radical change?

Ms. Mark: Yes, I would have an objection. Firstly, I would like to know what will be the investment vehicle in that case; if it can be defined, perhaps, that would allow me to take an informed decision. In terms of our saying invest, invest by what means? Because you leave it open—so if I can get what is the alternative as opposed to what we have before us that will help.

Mr. Chairman: Mrs. King, you had proposed a definition. That definition uses the word “fund”.

Mrs. King: “Contracts with or funds” or you could put finances.

Mr. Chairman: That would open it right up. That would include everything; funding would include purchasing—

Mrs. Seepersad-Bachan: It includes a bank giving them money.

Mr. Chairman: It would include banking business, anything and everything.

Mrs. King: The existing company is only investing in an innovative company for a new service or application which will improve their own competitiveness. We are not talking about banking; we are talking about a Neal and Massy who wants to get into a new industry and it invests money in an innovative company to produce the services or products that would get them there. We do not want to include banks. Or BP investing in local software companies to develop monitoring of their gas pipe lines; let them benefit because they are helping innovation in the country; that is the basis of this proposal.

Mr. Chairman: I understand and it makes a lot of sense. What do you think?

Ms. Mark: It makes a lot of sense, except that if you are going to have a legislation we are going to regulate, I do not know how practical it is. People can continue to invest by whatever means, but in this sort of context you would have to define the investment instrument. If we say finances, again, we can talk about banks; we are talking about grant money, about anything that would allow an injection of financial capital in the business. Within the context of the legislation, you would want to decide what you are referring to.

Mrs. King: We are referring to a company using another company to produce new products for it, new services, new software, new anything. What you just said I am trying to relate back to it. Let us say that—repeat what you just said, that we must have an instrument—I have found my point now— We have legislation already which allows a company which is renovating or getting into new industry—and we just passed the Tourism (Amdt.) Bill the other day—companies investing in new hotels and so on. They invest and they are allowed to have tax rebates. Are you telling me that they must have an instrument? They have their investment records and that is what they produce to Inland Revenue. So what is your problem?

Mrs. Seepersad-Bachan: That is debt financing.

Mrs. King: We are talking about the capital they spend; it does not matter how they get the money, you could have lent them, what they spend is what they are allowed their tax rebate on.

Mrs. Seepersad-Bachan: In the case of the Tourism (Amdt.) Bill, that dealt with debt financing, because you are claiming it back on interest charges; the tax exemption was on interest.

Mrs. King: We have Acts which allow new innovation to have tax incentives; new companies investing in things that the Government is trying to make sure we go into; they are allowed to have tax rebates. What is their instrument? Not their receipts, their records? That is their instrument, so there is absolutely no difference here. It would be for the Board of Inland Revenue.

Mr. Williams: If I may just interject with respect to this whole business of corporate venturing. Part and parcel of the thing, in terms of venture capital and the venture capital industry, is that the investor is sharing in part of the

risk with the investee company or the entrepreneur, in getting whatever it is moving forward. As a corollary, in corporate venturing we seek to get some of that, but also the innovative aspect of it. We still want to keep that thread in terms of where the investor is sharing in that risk or participation with the investee company, entrepreneur or the person doing the innovative event. If, as you say, open skies, whether it be debt, bond, whatever the case may be—somebody who is making an investment whether by bond or direct injection, giving the money or paying for a service, they are not sharing any risk.

Mrs. Seepersad-Bachan: But they can set their interest rates in such a way to compensate.

Mr. Williams: Whereas with the equity injection there is that sharing of that risk, because you are part owner/part participant in the whole process.

Mr. Dumas: Except it is a loan that you can get written off.

Mr. Dumas: A loan is a debt instrument; we are staying away from that.

Mr. Dumas: If you are putting up the funding, whatever form—

Mr. Williams: Not necessarily; you have some people if they give a loan or debt instrument, they take collateral for it; with equity there is no collateral taken. I am taking the risk just as you are, if we lose, we lose together; if we win, we win together.

Mrs. Seepersad-Bachan: You are double counting there.

Mr. Chairman: I am trying to understand. Your policy position is that you are prepared to give the benefit only to persons who are prepared to take a commercial risk in the nature of participation, not a commercial risk which is sort of buttressed by an obligation to repay, contract.

Mr. Williams: That is correct.

Ms. Mark: I think we are straying from the purpose of this whole venture capital initiative.

Mr. Dumas: [*Inaudible*]

Ms. Mark: Two things we are trying to address here: you can say facilitate the process by encouraging some equity investments or you could deal with this corporate venturing—you do not even need the words “corporate venturing”, you could say that you want to address this issue of innovation outside of anything to do, but we have to determine what we want. If, for example, we say that anybody who puts capital in an innovative system would get a tax credit or tax incentive, then we do so, but we do not have to do within the context of anything to do with equity financing. If, however, we recognize that we need to expose people to nontraditional forms of financing and the need to place more emphasis on equity and that is why we brought it into the Venture Capital Act, we have to recognize that we brought it into the venture capital legislation, people would have to treat it that way, but we cannot bring it in the legislation and then, at the same time, allow it to be anything.

Mrs. Seepersad-Bachan: More than that, the concern I have is that the whole objective of venture capital was to help us diversify financing, because as a country we are debt financing and it was a way to move away from debt and go into equity. The venture capital initiative was one of those to help diversify and move us away from loans and the banking sector having a control. That was my understanding. If you open it back now and you allow it across the board and you say a loan, the point is they are getting a special, even a better tax incentive for doing equity, compared to doing debt. If you allow them to do debt, they will get it on one side under the

venture capital and then they will have raised their interest rate so high, they would have put the interest rate to match the risk profile of the project. Both does not work; it is one or the other.

Mr. Dumas: We have no argument with the equity. The point I was making, and I think we missed the word I used, “except loans”. I am sure that is what I said. In every other form of financing, except loans, it becomes—

Mrs. Seepersad-Bachan: Give us an example.

Mr. Dumas: Somebody said grants, injection into the business that does not necessarily have a pay back connection. I am saying that there are ways of doing it. I was just following on what the person was saying. If you go through the gamut of it, incentives given to enterprises in the country, you have ways of dealing with that under taxes, so if that is what we want it to do only then this is relevant. I am agreeing with that. Once you are saying that you want these companies to move in a direction which they can find real corporate support for the innovations they are doing and you want that insulated from the direct proceedings of the company, with the likelihood that they, in fact, will receive a benefit or can reap a benefit if the innovation worked, then you have to [*Inaudible*]

The venture capital format, as we have tried it in this country, has no activity; that is a reality. I can say that, because some people would know my experience and where I was sitting before I came into this arena. No activity meant exactly that; two companies, three companies, whatever. In Tobago you had the radio station as being one of the success stories in this matter; we did not have many others. What are the barriers to it? If the barriers includes the forms in which we will put equity in or the forms in

which we fund the activity, then we have to ask ourselves: Is it correct to say that if we try to manipulate those things, we will have a difference? If we do not believe that by bring those things, it will make no difference and we are keeping the same pattern we failed, then we should all go home.

Mr. Williams: So what you are saying, basically, is that you are looking at a fundamental change in the business model that we are using right now, to include debt instruments. There are countries that use both equity and debt for their venture capital industries, but that has to be whether we as a country, Trinidad and Tobago, want to take that decision.

Ms. Mark: I want to comment on the point raised. First of all, the fact that we have not had activity, has nothing to do with equity versus debt and so on, because one of the things people do not realize is that venture capital does not operate in a vacuum. Venture capital is tied to capital market developments, the Stock Exchange, a risk-averse culture, et cetera, and that has been the constant. People see venture capital as you put up a fund and it will happen. You could have a fund and if you do not have the right fund managers and people who come from a culture of debt financing, running credit in a bank, they will sit on the money and not invest. So there are a host of issues and those who have done the research, they would know that there are so many thing that we must address as we attempt.

The other issue is the support for the SMEs and in terms of moving them from an idea to a bankable project. Likewise, if we simply say to put in the Venture Capital Act, fund anyhow, including debt financing, no support, it does not do anything. The venture capital legislation, through this corporate venturing process, is just saying to those persons willing to finance an innovative system or process, in the context of the legislation, they would

receive a tax credit. That does not mean you cannot continue to do that with your debt instruments outside the legislation.

Mr. Dumas: I am saying to you that the reason we are sitting here is that when we sat in the Senate there was a discussion; it was quite clear that we were facing failure with the venture capital programme. The question we have to ask ourselves is: Does it help us to do any of these things toward making sure the programme works. Putting the barriers and saying limit here, limit here, does not carry it anywhere. We had all sorts of discussions. We had Government putting money up and Government helping to create the venturing companies; all those things were discussed in the last 10 years. What we are doing here is asking: How do we make this work and does this matter of how you manage equity and how you classify it, assist us at all? That is the point I am trying to get through my head. Does that assist us at all?

Mr. Chairman: If I can just summarize some of the views of my colleagues. These are the concerns which were expressed in the Senate and this is why we were here. The difficulty is that we felt that when the Bill came to us that we were not really making the sort of fundamental changes that would do anything. We felt we were wasting time. The committee was set up so that we could do this sort of surgery to the Bill which would, at least, lay the infrastructure for what we perceive to be growth. We do not know if there will be, but we hope that the infrastructure which we create would be more conducive to growth than the one which existed before. We know what existed before has not produced anything. I think the committee is ready to change the definition which is before us—I think that is the consensus—and to change the definition both of corporate venture company

and—we would have to also amend section 2C, which only sought to expand the definition of equity share, beyond its traditional meaning, a return on investment, to ordinary preference, not convertible preference.

Mrs. Seepersad-Bachan: That is the definition for equity. What you are saying now is that you want to add financing to it.

Mrs. Blake: This definition of equity share in C relates to the entire Venture Capital Act; it is not just corporate venturing. So if we change this at all, we will be altering the whole concept. I do not know whether this is the mandate of the committee or whether we are sticking to the business of corporate venturing.

Mrs. King: That is all we are looking at.

Mrs. Williams: In which case we may be advised to leave the definition of equity share as it is, because it relates to venture capital.

Mr. Chairman: Can we have a definition or form of words, CPC, which enlarges the definition to include funding along the lines of Mrs. King's definition?

Mrs. Seepersad-Bachan: I want to return to this point one more time. I hear what Sen. Dumas is saying, but I still want to go back to what the technocrats are saying. If you allow the funding for the corporate venture only in this particular circumstance, for corporate venturing that is, then it will be unfair to any other person or entity who wants to invest in innovation, because from the definition here of corporate venturing it means that I must reap benefits for myself. It is for something that I need. If you want to include other forms of financing—it has to be debt financing you are talking about—if you are including that, then it must go right through the

Bill, there are venture capitals programmes that include debt instruments as well.

Mr. Williams: For instance in the US, you have the venture capital industry; they use a mixture of debt and equity.

Mrs. Seepersad-Bachan: What are some of the debt instruments they would use?

Mr. Williams: They would use bonds, debentures.

Mrs. King: That is separate and distinct from the part of this venture capital. A company can have bonds; it can have ordinary people investing and have part venture capital. We are looking at only the venture capital aspects of the company.

Mr. Williams: Can you repeat that.

Mrs. King: Companies can have different kinds of finance. I could be running for 20 years, which is now happening with companies involved in nano technology—they have been running for years, they are now venturing into this particular aspect; they have all sorts of other equity, but for this particular venture, they are going venture capital. So you have mixtures of funding and financing, so we are looking here at how to encouraging people from not running overseas to buy everything, when they need new products, new services, new innovation, but to encourage it locally.

Mrs. Seepersad-Bachan: I am a little lost now. You just said that you wanted the definition for the funding to be broad; you did not want to restrict it to equity, when it came to corporate venturing.

Mrs. King: It is not equity at all. They are not taking equity in any company.

Mrs. Seepersad-Bachan: If it is not equity, it is some other form.

Mrs. King: It is financing new and innovative products.

Mrs. Seepersad-Bachan: Financing in what form?

Mrs. King: It could be money they have in the bank and they are going to put it into the company to provide a service.

Mrs. Seepersad-Bachan: What relationship would they have with the company?

Mrs. King: They are getting back a product; they are buying.

Mrs. Seepersad-Bachan: Is it going to be a loan to the company?

Mrs. King: No, they are buying a service from that innovative company, so they are developing the company's development.

Mr. Williams: Why would you want incentives from that?

Mrs. King: Because we are not having local innovation; it is to build new platforms of development, new technology. [*Crosstalk*]

Mr. Punnette: If I am simply buying a service—

Mrs. King: They could buy it overseas, but we do not want them to do that; we want them to innovate in Trinidad and Tobago; we are trying to build companies here.

Mr. Punnette: I understand that and accept that; I am saying that if you building a company, if Neal and Massy is buying a service from an associate company, buying it from you or me—[*Crosstalk*]

Mrs. Mark: On one hand I am hearing that in order to make the venture capital industry develop, we simply want to bring things in the legislation; that cannot work. If we say to encourage an innovative system or process, put it in the Venture Capital Bill in whatever form, to make it happen, that is a no no, because one has to understand it is a venture capital legislation and, therefore, you cannot widen the definition so that it does not belong here. If,

however, we want to say that within the venture capital legislation and given the focus on innovation and technology, we are going to provide an incentive to those companies that invest in other companies through instruments as defined or as wide as we want it to be, then that is fine, so you will have the innovative system or process within the context of the venture capital industry and you will have it outside as well. But you cannot simply bring everything that you think will result in significant activity within the venture capital legislation, because you have not had the level of success you want to see.

There is no way within the venture capital legislation that you are going to have all these instruments that we referred to. While we mention that in some jurisdictions you would have funds very often structured in such a way providing debt, equity, venture capital, as the case may be, generally, they would be referred to as investment funds providing a range of investment instruments, but in this context we cannot stray. This legislation deals with equity financing, so we cannot just bring anything here in order to make it work. We have to remain focussed and decide what we really want to achieve.

Mrs. Seepersad-Bachan: I am not sure what we may be getting at. I think I had this discussion with somebody from venture capital. What I think we are confusing here is incentives for the QIC, the investee companies, because venture capital by itself will not provide the incentives you need to get innovation going; you need other kinds of incentives, other tax incentives, from the investee standpoint. I am not sure if we are confusing that a bit, because you need other legislation that will address that, that will also promote innovation. Venture capital will just do one part of it. Even

when you are referring to the different funds, even for those innovative companies, the various forms of financing have their own legislation. One would be venture capital, one might be another tax incentive programme given out by the State and they have the legislation to back it.

We have to be careful; we are getting into the QIC itself, the one doing the business and they have different forms of funding, but they will be backed by different forms of legislation; that is my view. I take the point that you can expand the venture capital to include some other instruments and you need to be very specific about what are the other instruments we want.

Ms. Mark: Let me just make one other point as well.

Mr. Chairman: Yes, Mr. Dumas.

Mr. Dumas: I agree that we cannot bring every instrument into it, but is there any instrument we can bring?

Ms. Mark: As defined currently, it has been widened and I think this is appropriate at this point in time. We are talking about innovative businesses, equity—

Mr. Dumas: I am getting confused. You are saying that the definition has been widened. To include what?

Mrs. Seepersad-Bachan: You mean the equity definition has been widened. What I think Mr. Dumas is getting at is that you mentioned that we can have other instruments used in a venture capital, for example, bonds. Is that what you are getting at?

Mr. Dumas: I am following your argument. I am totally submitting here. We cannot bring in all, but what can we bring in that will not violate the

spirit and intent of the law and give us the likelihood that we will have a greater level of activity?

Ms. Mark: I will not venture likelihood in that regard at all, since I do not have responsibility for all the parts of Mrs. King's diamond, as she refers to it. At this stage, it is only quasi equity, which is included in the definition as put forward that is it. I will not venture to say bring bonds and so on, at this stage in the venture capital legislation.

Mrs. King: We never discussed any bonds.

Ms. Mark: Up to now I have not heard, in terms of the proposal put forward, what would be the investment vehicle. If I can get that I would be happy.

Mr. Chairman: Mrs. King had a definition for corporate venture company.

Mrs. King: There was a very good one here as well.

Mrs. Blake: Having listened to the arguments on both sides, I am wondering whether we need to include the broader concept of corporate venturing in this piece of legislation or whether it should not be dealt with under the Corporation Taxes Act. If you are widening—this piece of legislation really sticks to equity capital, but we want to widen it to include all forms of capital injections, I really think that this Bill may not be the place for it. The purpose may be properly served under the Corporation Taxes Act, because there are all kinds of incentives under that Act for various forms of corporate activities. It may be that we need to look at it. Yes, we are anxious to include corporate venturing in our legislation, but, at the same time, we have to look at it properly and determine whether, in fact, it should be here or whether we should amend the Corporation Taxes Act and put the whole machinery under that Act.

Mr. Chairman: That is what we are doing here. So if the committee comes to this conclusion—

Mrs. Seepersad-Bachan: Did we do enough research to see where this concept of corporate venturing—

Mrs. King: [*Inaudible*]

Mrs. Seepersad-Bachan: In terms of how it works—but like the US legislation, I am sure the people from VCIP would have looked at other legislation from other countries. Am I am correct? Did you ever see anything for corporate venturing?

Ms. Mark: We have several definitions for corporate venturing.

Mrs. Seepersad-Bachan: You have seen it in the legislation under venture capital?

Ms. Mark: One thing as well, you have very few jurisdictions that will have full venture capital legislation. You will have some incentives here or there. For example, in the Indian model you will see that they provide incentives similar for this corporate venturing activity.

Mrs. Seepersad-Bachan: They will provide the incentives similar to corporate venturing?

Ms. Mark: Yes, but it may not be in venture capital legislation.

Mrs. Seepersad-Bachan: Where did they have it? In their corporation tax, their normal taxes or in a separate legislation called corporate venturing?

Ms. Mark: It might just provide—

Mrs. Seepersad-Bachan: The Aid of Industry Act may be the place to put it; I think that is where we need to put it.

Mrs. King: This came up when we realized that venture capital had failed and there were other ways people would invest. We tried to amend it

through that Act, but if your definition are so tight and you are going to end up dying and no venture capital, that is another matter, but we can do what has been suggested by the CPC.

Mr. Chairman: CPC, if we were to adopt your approach, then what surgery would have to be done to the draft Bill which is before us, the last version? It does not have a date on it, but that was the one circulated in the package, the one which has the definition in bold.

Mrs. Blake: Very little surgery, in terms simply of the matters that are in bold.

Mr. Chairman: Would you make a change to corporate venture company?

Mrs. Blake: We would delete that definition of corporate venture company; delete the definition of innovation as well—everything. We would revert, in other words—

Mrs. Seepersad-Bachan: Back to the old amendment we had.

Mr. Chairman: What you are suggesting is that we revert to the old Act and recommend that the income—

Mrs. Blake: The corporate venturing concept can be accommodated either in the Income Tax in Aid of Industry Act or the Corporation Taxes Act, but what I want to suggest though, Mr. Chair, is that we be given a few days to look at both pieces of legislation to come up with a firm recommendation as to which one of the items of legislation will properly accommodate this concept.

Mr. Chairman: When you say a few days, you mean very few days.

Mrs. Blake: Three or four days.

Mr. Chairman: We go to the Senate on Tuesday, by then this exercise has to be completed. So if it means a weekend of work, well, so be it. As I

understand it, what we are doing is deleting from this Act the concept of corporate venturing, because we have been advised by the technocrats that it is violating the principles of equity investment. We are going to put into which Act?

Mrs. Blake: It may either be the Corporation Taxes Act or the Income Tax in Aid of Industry Act.

Mr. Chairman: You will do a report for us, so that when we report the Bill back to the Senate, that report will have the specific recommendation as to which Act we need to amend. Perhaps, you can begin work on it as a directive from this committee.

Mrs. King: We can still minute what will be going on.

Mr. Chairman: I am stepping on the jurisdiction of the Cabinet. What I will ask you to do is a note for Cabinet, which will set out the policy that will guide the amendments to the Corporation Tax Act. Is it? You will determine it. [*Crosstalk*]

3.10 p.m.

Mr. Dumas: I do not want to get confused again. My answer to this thing is narrow, so we are closing this down. I am suggesting that yes, this is a good idea that we retreat it somewhere else.

Mr. Chairman: Yes, that is the report, so we go to the Senate.

Mr. Dumas: And therefore we refer to the original proposals we had on the table before the Committee was—

Mr. Chairman: In terms of the Venture Capital Act. But the CPC is to come up with an appropriate vehicle for us to introduce the concept of corporate venturing and for us to get the advantages and the benefits to be derived from that activity.

Mr. Dumas: I would not want to be so specific, I really just want to end it by saying, that we recommend that, that be examined.

Mr. Chairman: The Senate has the power to recommend that an Act be amended. It is up to the Government to take a decision as to how, when, and where it goes on the agenda. But we certainly have the power to recommend that as a Committee.

Mrs. Seepersad-Bachan: We can put that into our report that we would like to recommend, given the current status of the Venture Capital itself. We feel that we could get more progress if we had other incentives, but we need other legislation, it is a recommendation.

Mr. Chairman: It is well within the competence of the Committee.

Mrs. Seepersad-Bachan: After viewing much of the research, we recognize that this cannot fit in to the existing Act. The intention and objective of corporate venturing probably does not fit into the venture capital. I am listening to the technocrats; I think they want to say something, Mr. Chairman.

Mr. Chairman: The technocrats are fine with, insofar as the Venture Capital Act is concerned, but the Government really has to direct the legislative agenda.

Mrs. Seepersad-Bachan: Are you suggesting we have an amendment here too?

Mr. Williams: What I just want to state is that the concept of corporate venturing belongs in the domain of venture capital.

Mr. Dumas: [*Inaudible*]

Mr. Williams: Now, Mr. Dumas, I understand your point and I share your concern. The question, I had really and truly is, how flexible can we be in

terms of accommodating that spectrum of instruments as identified by your good self and Mrs. King?

Mr. Chairman: But this is a question we have been asking you and you have been telling us—

Ms. Mark: Nobody has put forward what are the other instruments

Mr. Chairman: We started with debt.

Mr. Dumas: We were saying, can anything else be included and I was told no. From that minute as far as I was concerned, the job of this Committee was finished. We could then go on to say, we consider this thing a good idea, but we can do it different ways. But the thing is when we asked the question about how it would be financed, what I heard is you simply fund the business. In the language we would talk about what specific vehicle and that was not put forward. Now corporate venturing is within the domain of Venture Capital activity.

Mr. Chairman: Can we use a debenture?

Ms. Mark: I do not think that a debenture is far removed from the preference

Mr. Chairman: A debenture is far removed from a preference. It could be secured, it could be unsecured.

Mrs. King: So what do you want to call it, a promissory order or something?

Ms. Mark: Everybody is asking me to give a definition, I have my definition. If they come forward in terms of what they are thinking, then we can strike a balance.

Mrs. King: What is your definition?

Ms. Mark: On one end you have the definition that is in the legislation that is too narrow. My question would be what else is being proposed?

Mrs. King: But you said you have your definition. What is it?

Ms. Mark: No, what I am saying is that, is the definition in the legislation, which came in our discussion and the discussion based on the others. But I am saying, what will you all propose?

Mrs. King: We waited 9, 10, 12 weeks for this meeting? I thought all of that discussion had gone on.

Mrs. Seepersad-Bachan: If you are saying that corporate venturing exists under venture capital, please, you all are the experts, you did the research, tell me how did it fit in to the venture capital?

Ms. Mark: In most cases corporate venturing takes place by an equity investment in another company.

Mrs. Seepersad-Bachan: No other form of financing?

Ms. Mark: Only equity. Ninety per cent of the times the research that I have done in terms of corporate venturing throughout the world, it would be via an equity investment in another company.

Mrs. Seepersad-Bachan: Let me ask another question. Do you ever include debt instruments in there at all, in the Venture Capital Bill?

Ms. Mark: I do not want to say it is not done, but I have not come across it so far in terms of companies making investments.

Mr. Chairman: We want to thank the experts for their contributions, but really I think the Senate is clear on what it needs to do. We would report the Bill back to the Senate and the Committee will ask that the relevant legislation be amended so as to provide for this benefit in that piece of legislation, which is the CPC's idea, I think is a laudable. So that is it, we

would have done matters arising out the Minutes and the consideration of the list of amendments. That really takes us to the end of our business. Are there any other business?

Mrs. Seepersad-Bachan: Mr. Chairman, Just some thoughts, because I think this maybe our last meeting.

Mr. Chairman: Yes, it will be our last meeting, because we will be reporting to the Senate on Tuesday.

Mrs. Seepersad-Bachan: In terms of the report that you would be presenting to the Senate, of course we will be stating that this has been researched and the objective of the corporate venturing that was proposed in the Senate cannot fit into this Bill. However we are proposing that it be done in other legislation.

Mr. Chairman: Because of the constraint with respect to equity identified by the technocrats and we are proposing that an examination be conducted with respect to legislation to be identified by the CPC, so as to provide for the benefit of corporate venturing in that legislation

Mrs. Seepersad-Bachan: To determine the appropriate legislation in which we could achieve corporate venture.

Mr. Chairman: Because as I understand it, the Minister was receptive of the idea. We need to find a vehicle—I mean, I am not speaking for him—but I think that he will run with the idea. I am conscious of the fact that this is a Committee of the Senate.

Mrs. Seepersad-Bachan: But nothing is wrong with us making recommendations as a Committee of the Senate.

Mr. Chairman: Precisely.

Mr. Dumas: Mr. Chairman, what I think I want to suggest is that the Senate has come to the conclusion that this is a good idea. So, therefore, there is no harm in leaving it at the position that the Committee recommends. That the concepts and the possibility of execution in other legislation be examined for the soon as possible implementation.

Mrs. Seepersad-Bachan: I want to add to that. Even if it means the CPC looks at it, it may mean not only existing legislation, it may mean a new legislation. You may just need a whole Bill for corporate venturing. You see the existing legislation under the corporate taxes or the aid to industry, if it does not fit in—based on what you were asking Mrs. King—I am just trying to widen it so that they can explore—do not limit it.

Mr. Chairman: The report would be on the Bill which is before the Senate. Now, this Bill does not mention corporate venturing, so the committee is going to propose that the concept be introduced at the earliest possible opportunity; that the Government look at the concept in relation to legislation to be identified by the Chief Parliamentary Council. With that aside I had asked the CPC to circulate to all members of the Committee with a draft report, no later than Monday at 12.00 noon.

Member: We will be out of time.

Mr. Chairman: On Tuesday we will be out of time and I am not going back to the Senate.

Mrs. Seepersad-Bachan: So it has to go on Wednesday.

Mr. Chairman: Well, I want it circulated to all members of the Committee by midday on Monday.

Mrs. Seepersad-Bachan: But if we need to make amendments, Mr. Chairman, we can do so, because we have until Wednesday?

Mr. Chairman: Of course, we will have time that is why I said Monday, lunch time.

Mrs. Blake: Mr. Chairman, are you suggesting we would prepare the Committee's report?

Mr. Chairman: It is usually done by the Chairman, but you would have to liaise with the Chairman in terms of the legislation, and I would like you to be heavily involved, CPC, no later than Monday at noon. With that colleagues, thank you for coming. I know that your time is valuable and meetings have been difficult for us as scheduled. I will be relieved to report to the Senate that we have completed our business on the next occasion. Thank you.

3.20 p.m.: *Meeting adjourned.*