

BAŞBAKAN YARDIMCISI SN. MEHMET ŞİMŞEK

“WORLD BUSINESS ANGELS INVESTMENT FORUM 2016”

10-20 DAKİKALIK KONUŞMA

Distinguished Ministers,

Government Officials,

Angel Investors and Entrepreneurs;

Members of the Entrepreneurship Ecosystem;

Press Members; and

All other Esteemed Participants;

✚ Let me start by welcoming everyone to the **World Business Angels Investment Forum 2016**.

✚ Today we have more than **40 countries** represented here.

✚ Those of you visiting for the first time, welcome to Turkey.

✚ Also, I would like to grant my thanks to everyone who directly or indirectly involved in this Forum, and particularly to GBAN, EBAN, TBAA and Forbes Para Conferences.

Ladies and Gentlemen;

✚ We believe in the power of angel investors and entrepreneurship in the economy.

- ✚ Today an innovative venture has the power to make difference in people's lives all over the world.
- ✚ They will produce innovative, technology-intensive and value-added goods and services.
- ✚ They will also offer a helping hand to the early stage funding of SMEs, particularly start-ups.
- ✚ In Turkey, we have introduced essential reforms on the institutional framework of this ecosystem through;
 - Regulation on Business Angel investment
 - Regulation on Fund of Funds
 - Secured transaction system, and
 - Regulation on Crowdfunding.

Distinguished participants;

- ✚ Let me walk you through each of these major reforms.

(Business Angel Investment)

- ✚ We have enacted the Law on the regulation and the promotion of Business Angel investments in 2012, and secondary legislation came into force in 2013.
- ✚ The law authorizes Turkish Treasury to implement policies related to angel investments.
- ✚ The legal framework provide a mechanism for **licensing Business Angels**.

- ✚ Licensing mechanism provides a new instrument for those enterprises in early stage development, which have funding difficulties with conventional financing.
- ✚ Furthermore, it makes Business Angel investments an **institutionalized** and **trustworthy** financial market and eligible for **state support**.
- ✚ According to the regulation, licensed Business Angels can **deduct 75% of the capital** that they invested these SMEs from their annual income tax base.
- ✚ The deduction rate is **100%** for those investors investing in SMEs whose **projects are supported by related public institutions**.
- ✚ However, acquired shares must be held by investors for at least **two years** in order to benefit from these tax incentives.
- ✚ The maximum annual amount that can be deducted from the income tax base is **1 million TL** (approximately **\$ 330,000**).
- ✚ Since February 2013, **354 Business Angels** have applied for **license** and **344** of them have been **authorized**.
- ✚ Currently, total volume of angel investments reached to **50 million TL** (approximately **\$16,5 million**).
- ✚ We have accredited **13 Business Angel Networks**, which helps increase the number of Business Angels and total investments.
- ✚ These Networks also contribute to the **institutionalization** of Business Angel ecosystem.

(Fund of Funds)

Ladies and Gentlemen;

- ✚ Another reform that is crucial for entrepreneurship ecosystem is the regulation of Fund of Funds.
- ✚ The law regarding capital contribution of the Turkish Treasury to the **Funds of Venture Capital Funds** (Fund of Funds) was enacted in 2013.
- ✚ Secondary legislation came into force in 2014.
- ✚ Fund of funds is structured to support the venture capital funds providing financing to full-fledged taxpayer companies via sub-funds.
- ✚ Fund of Funds provide a co-investment vehicle for target companies along with angel investors.
- ✚ We will provide funding to the Fund of Funds under several conditions.
- ✚ First, the amount committed to the Fund of Funds shall not exceed **70%** of the total amount committed to the Fund of Funds.
- ✚ Second, the amount committed to a venture capital fund approved by a Fund of Funds shall not exceed **20%** of the total amount committed to the Fund of Funds.
- ✚ A venture capital fund requesting resources from the Fund of Funds is obliged to **find at least same amount committed by Funds of Funds**.
- ✚ The total amount of the resources will be committed to the Fund of Funds by Turkish Treasury until end-2018 shall not exceed **500 million TL**.

- ✚ However, the amount and duration can be extended.
- ✚ We expect the total money injected to the financial ecosystem exceed **2 billion TL**.
- ✚ Up to date, Turkish Treasury committed nearly **250 million TL** to **two** Funds of Funds.
- ✚ **€60 million** is committed to **European Investment Fund** and **50 million TL** is committed to **KOBİ A.Ş.**
- ✚ As a new financial instrument, Fund of Funds program aims to improve the ecosystem via co-investment with angel investors.
- ✚ To be more specific, co-investment funds will invest together with the angel investors into early stage companies.
- ✚ In that case, a substantial increase can be expected in the volume of venture capital and angel investments, which would eventually support early stage companies not only financially but also in terms of institutionalization and corporate governance.
- ✚ These mechanisms will accelerate the establishment of innovative start-ups, increase the dynamism of the economy and contribute to a stronger and more sustainable economic growth.
- ✚ It could also be accepted as a kind of public-private joint action for SMEs.
- ✚ Furthermore, the Fund of Funds mechanism is expected to attract **foreign investors** as well as to ease exit process of angel investments.

(Secured Transaction System)

Ladies and Gentlemen;

- ✚ Now, I would like to provide details on the reform regarding Secured Transaction System, enabling the use of **movable property** as a **collateral** for a loan.
- ✚ The secured transaction system is composed of three main pillars.
- ✚ The first pillar is to establish a uniform legal framework regarding movable assets of SMEs.
- ✚ The second pillar is to establish a centralized registry system related to secured transactions.
- ✚ The registry will play an important role in solving the priority issues of the secured creditor and debtors with respect to third parties.
- ✚ The third pillar is to establish an effective out of court insolvency procedures.
- ✚ Let me clarify the nature and functions of secured transaction systems.
- ✚ Secured transactions systems enable businesses to use their assets as security to generate credit.
- ✚ This system is an important alternative to traditional lending since it serves borrowers who fall outside a bank's typical business lines.

(Crowdfunding)

Distinguished Guests;

- ✚ The last reform area that I would like to highlight is the regulation regarding crowdfunding.
- ✚ The regulation will consist of **accreditation** of crowdfunding platforms, which will be authorized to operate **equity** crowdfunding models together with **reward** and **donation** based crowdfunding models.

Distinguished Participants;

- ✚ These four major reform areas will help a start-up easily access financing in every phases.
- ✚ Our ultimate objective is to eliminate all possible financial gaps that start-ups and SMEs may face during their dynamic growth process.
- ✚ To conclude, I wish to express my gratitude to all guests for their attention, and I wish you all a very fruitful and productive forum.