

The Treasury

Cabinet Minute: Venture Capital Fund Bill: Policy Approval and Approval Information Release

August 2019

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Cabinet Document Details

Title: **Cabinet Minute DEV-19-MIN-0221: Venture Capital Fund Bill: Policy Approval and Approval for Introduction**

Date: **21 August 2019**

Creator: Cabinet Office

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Cabinet Economic Development Committee

Minute of Decision

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Venture Capital Fund Bill: Policy Approval and Approval for Introduction

Portfolios **Finance / Economic Development**

On 21 August 2019, the Cabinet Economic Development Committee, having been authorised by Cabinet to have Power to Act [CAB-19-MIN-0417]:

Proposed legislation

- 1 **approved** the inclusion of the Venture Capital Fund Bill (the Bill) on the 2019 Legislation Programme with a category 3 priority (to be passed in 2019 if possible);
- 2 **agreed** that the Bill establish a Crown-owned Venture Capital Fund, managed and administered by the Guardians of New Zealand Superannuation (the Guardians);
- 3 **noted** that the Venture Capital Fund will be established by bringing into force a new Venture Capital Fund Act and by amending a range of other relevant legislation;

Policy for inclusion in the Bill

- 4 **agreed** that the purpose of the Venture Capital Fund be to increase the venture capital available to New Zealand entities, and to develop New Zealand's venture capital markets to function more effectively, so that over time:
 - 4.1 more venture capital is available to New Zealand entities from sources other than the Venture Capital Fund;
 - 4.2 New Zealand entities that receive venture capital are more likely to grow into successful and sustainable businesses;
- 5 **agreed** that the Minister of Finance can issue a policy statement (following consultation with the Guardians) that establishes certain key policy settings and definitions of key terms;
- 6 **agreed** that the Guardians have an obligation to invest the Venture Capital Fund in accordance with best practice investment management that is appropriate for institutional investment in New Zealand's venture capital markets, but that this obligation be subject to the directions that the Guardians must give effect to in the policy statement;

- 7 **agreed** that the Guardians and New Zealand Venture Investment Finance Limited be required to make reasonable efforts to enter into an initial arrangement for the management of the Venture Capital Fund, and that if they are unable to reach agreement, the Minister of Finance can specify a contract or other arrangement that will be binding on both of them;
- 8 **noted** that any contract above must be consistent with the obligations of the Guardians, including in respect of the policy statement;
- 9 **noted** that the Bill does not prevent the parties from terminating the contract even if the Minister of Finance imposes it on them;
- 10 **agreed** that the Minister of Finance can direct the Guardians to wind up the Venture Capital Fund if the Minister is satisfied that adequate venture capital is available to New Zealand entities to enable them to grow into successful and sustainable businesses;
- 11 **agreed** that the Venture Capital Fund will have the same tax treatment as the New Zealand Superannuation Fund;
- 12 **agreed** to remove the exemption that the New Zealand Venture Investment Fund currently has from section 165 of the Crown Entities Act 2004;

Introduction of the Bill

- 13 **approved** the Venture Capital Fund Bill [PCO 22128/8.0] for introduction, subject to the final approval of the government caucuses and sufficient support in the House of Representatives, and to paragraph 14 below;
- 14 **authorised** the Minister of Finance and the Minister for Economic Development to:
- 14.1 update the Bill to reflect the economic policy priorities that relate to the Venture Capital Fund;
- 14.2 make decisions on any minor or technical changes required to the Bill prior to its introduction;
- 15 **agreed** that the Bill be introduced as soon as possible;
- 16 **agreed** that the government propose that the Bill be:
- 16.1 referred to the Finance and Expenditure Committee for consideration;

[33]

Janine Harvey
Committee Secretary

Hard-copy distribution: (see over)

Present:

Hon Kelvin Davis
Hon Grant Robertson (Chair)
Hon Phil Twyford
Hon Dr Megan Woods
Hon Chris Hipkins
Hon David Parker
Hon Stuart Nash
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Damien O'Connor
Hon Kris Faafoi
Hon Willie Jackson
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

Hard-copy distribution:

Minister of Finance
Minister for Economic Development