

CHILE

Law and Practice

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Barreda Legal Tech is an innovative Chilean law firm specialising in the intersection of law and technology. With a strong focus on digital transformation, the firm advises companies on technology regulation, venture capital deals, data protection, cybersecurity, intellectual property, and regulatory compliance. Their team combines legal expertise with advanced knowledge in technology and business, allowing them to provide agile and efficient legal solutions. They

use technological tools in legal services, optimising processes and delivering data-driven strategic advice. The firm's commitment to innovation and excellence positions it as a leading legal tech firm in Chile. Barreda Legal integrates law and technology to offer cutting-edge solutions to the challenges of the digital world. Their clients include Kushki, Fraccional, Soyio, Getxerpa, Minga Ventures, and Alea Ventures.

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1. Trends

1.1 VC Market

In 2024, approximately USD514.7 million was invested across 95 funding rounds, with an average ticket size of USD1.7 million per start-up. This information was provided by the Chilean Venture Capital Association (ACVC) to the media in Chile (as of the date of this writing, the 2025 Impact Report, which covers the funding rounds from 2024, has not been published).

Among the main funding rounds of 2024 were:

- over USD20 million: Botanical Solution, Top-sort, and Wild Foods;
- over USD10 million: PhageLab; and
- over USD5 million: Fintoc, Toku, Colektia, Kilimo, and AgroUrbana.

1.2 Key Trends

Due to the lack of liquidity in the market, investment rounds are taking longer to close, and there is increased competition among start-ups for funding. As a result, valuation caps in investment contracts (typically SAFEs) have decreased, which benefits investors in the event of a future equity conversion. At the same time, investors are seeking more solid and well-justified valuations, leading to more thorough and lengthier financial and legal due diligence processes. Finally, given the heightened competition among start-ups, investors are now able to secure governance clauses – even in early-stage deals – that grant them some influence over the start-up's day-to-day operations.

1.3 Key Industries

The industries that attracted the most capital in funding rounds were greentech and cleantech, accounting for 43% of the total. They were followed by fintech and insurtech companies with

15%, and agtech and foodtech with 11%. These figures were provided by the ACVC (Chilean Venture Capital Association).

2. Venture Capital Funds

2.1 Fund Structure

They are typically structured through private investment funds managed by an administrator registered with the Financial Market Commission (CMF). Currently, there are corporate venture capital funds, family offices, and conventional VC funds. Some of these funds are composed entirely of private equity, while others combine equity with debt obtained through a CORFO credit line (ranging from USD6.7 million to USD89 million). It is also common to form a joint stock company (SpA) to pool capital, which is then invested in start-ups. In parallel, a separate SpA is often created to manage the fund and bring together the general partners and the VC team.

2.2 Fund Economics

In general, fund principals participate in the fund's economics by first charging a management fee, which typically ranges from 1% to 2.5% of the capital managed throughout the duration of the fund. On the other hand, they share in the fund's success by receiving a carried interest, which is generally around 20%. Finally, it is common and preferred for the general partner(s) to also be contributors to the fund (due to tax limitations, they usually hold no more than 20% of the fund's capital as contributors).

2.3 Fund Regulation

There is no specific regulation for venture capital funds. Both private and public funds are generally regulated by the Single Fund Law (No 20,712). However, there are certain specific ben-

efits aimed at financing private funds, such as CORFO's credit lines.

2.4 Particularities

VC funds in Chile are supported by CORFO through financing lines that follow an equity/debt ratio of 2:1, 1:1, and 0.5. In general, the funds allocate a portion of the money for supporting start-ups in future rounds, and the goal is to gradually liquidate investments in the different rounds. Exits are not as common as in other markets.

3. Investments in Venture Capital Portfolio Companies

3.1 Due Diligence

In general, due diligence processes are more or less intensive depending on the stage the respective start-up is in. The main areas of focus are valuation, financial evaluation, market, founding team, technology used, clients, and governance.

As for legal due diligence, it typically includes reviewing the corporate structure, key contracts with clients, employment matters of employees and founders, tax compliance, litigation, and potentially regulatory issues affecting the company (eg, financial service providers regulated by the CMF).

3.2 Process

The round duration generally depends on the number of investors and the stage the company is in. In early-stage investments, multiple investors usually conduct their own due diligence, which, even if simple, takes time and can distract the founders significantly. This process typically lasts between two to five months. In later stages, there is generally a lead investor who

manages the due diligence process along with other VCs. Although more information is available at this stage, it is typically better organised, so the round generally takes between three to four months.

3.3 Investment Structure

In Chile, the most common financing instrument at the early stage is the SAFE (Simple Agreement for Future Equity), whose model from YC is generally adapted to Chilean regulation. This facilitates the set-up of structures abroad (mainly Delaware and the Cayman Islands) in preparation for more advanced rounds, through the FLIP. These agreements allow investors to receive shares in a future funding round (a valuation cap is established, and potentially a discount) and generally do not specify an expiration date or interest associated with them.

Next, we have the convertible loan, which is a debt instrument (a money credit transaction) that can convert into equity in future rounds, containing a valuation cap and potentially a discount. This instrument is subject to the stamp tax, with the amount depending on various factors (amount, term, etc). To a lesser extent, capital increases with the issuance of ordinary or preferred shares are used. These instruments generally set rules for information and governance, preferential rights in liquidation, anti-dilution provisions, MFN (most favoured nation), etc.

3.4 Documentation

In Chile, a start-up financing round in the growth stage typically involves the following key documents:

- Term Sheet: A preliminary document that outlines the basic terms and conditions of the investment. While non-binding in most of its

clauses, it sets the foundation for subsequent negotiations.

- **Capital Increase with Issuance of Paid Shares:** This is an agreement where investors agree to contribute capital in exchange for shares in the company. Additionally, it may be agreed in parallel to purchase a certain number of shares from the founders, providing them with some liquidity.
- **Shareholders' Agreement:** This is a crucial document that regulates the relationships between shareholders, including economic and political rights, drag-along and tag-along clauses, restrictions on share transfers, preemptive rights, and more.
- **Statutory Modifications:** These are legal documents that reflect the formal approval of the transaction by the company and any amendments to the by-laws agreed upon with the investor (typically, a new board of directors and governance structure is established).
- **Supplementary Agreements:** Depending on the case, these may include vesting contracts for founders (typically reverse vesting), stock option plans for employees, non-compete and confidentiality agreements, or specific clauses related to corporate control.

In Chile, there is no set of standardised, mandatory documents; however, it is common for ecosystem participants – particularly VC funds and incubators/accelerators – to refer to certain clauses from international models, especially those from the NVCA (National Venture Capital Association) in the United States, adapting them to Chilean legislation.

3.5 Investor Safeguards

- **Downside Scenario:** In recent years, due to the current market conditions, clauses have been strengthened to protect investors during critical periods of the company,

especially during liquidation. It is common for VC investors to have preferential rights to the proceeds in case of liquidation. Generally, these clauses allow them to recover their investment first (and in some cases, a multiple of it) before distributing the remaining proceeds among the founders and other shareholders. However, it is important to note that not all preference clauses have value. In a formal liquidation process under Law No 20.720 (the Law on Business and Personal Reorganization and Liquidation), the legal priority of credits applies, and creditors have precedence over shareholders in the distribution of the company's assets.

- **Anti-dilution Clauses:** SAFEs, commonly used in the early stages, usually do not include anti-dilution clauses because they are designed to be simple, quick, and favourable to start-ups at early stages. The original model from Y Combinator (widely used in Chile and adapted to our legislation) does not include anti-dilution clauses. "*Weighted average*" or "*full ratchet*" (to a lesser extent) are used in more advanced and growth-stage rounds. The most common mechanism is the "*weighted average*", which adjusts the conversion price of preferred shares in the event of a future round at a lower valuation.
- **Pre-emption Rights:** These are standard clauses in almost all shareholders' agreements. They grant investors the right to participate proportionally in future funding rounds, allowing them to maintain their ownership percentage and avoid dilution. Like anti-dilution clauses, these are more commonly used in later-stage rounds and are rarely included in SAFEs.
- **Additional Common Rights:** In situations of greater uncertainty, clauses such as veto rights over key decisions, greater participation in the board of directors, and "*pay-to-*

play” clauses, which require investors to participate in future rounds if they wish to retain certain privileges (such as preferential rights or anti-dilution), have also been strengthened. However, these clauses are also used in more advanced rounds and are rarely included in SAFE agreements.

3.6 Corporate Governance

Early-stage investors generally are not involved in the management of the company. However, in more advanced stages (Seed-Series A and beyond), while investors typically do not engage in the day-to-day operations of the start-ups, they do seek to ensure a significant level of control and influence over the company’s strategic and structural decisions through contractual clauses and corporate governance structures. Some of the most common rights that are negotiated include:

- **Board Member Appointment:** This allows investors to have direct visibility into management, access relevant information, and participate in key decisions. In some cases, it is agreed that certain decisions can only be approved with the favourable vote of the director appointed by the fund (veto right).
- **Veto Rights on Strategic Matters:** Through the shareholders’ agreement (sometimes incorporated into the company’s by-laws), investors often establish that certain matters require their prior consent, such as capital increases, sale of significant assets (in Chile, a shareholders’ meeting is also required to approve sales representing more than 50% of the company’s assets), debt exceeding certain amounts, changes to the corporate purpose or structure, issuance of new shares or convertible securities, amendments to the by-laws, among others.

- **Access to Information:** Investors usually include clauses granting them the right to receive periodic (monthly, quarterly, annual) updates on the financial, operational, and commercial status of the company. This is commonly included from early stages. It is also common to find clauses that grant the investor the right to audit or review financial statements and accounting records. Once they hold a seat on the board, the investor gains permanent access to such information.

3.7 Contractual Protection Early Stage

Generally, in SAFE agreements (commonly used in early-stage investments), the investor makes general representations such as having the legal capacity, understanding the investment’s purpose, and acknowledging the risks involved.

The start-up typically declares that it is duly incorporated, in good standing, and in compliance with the laws of its jurisdiction, and that it has the necessary legal capacity to enter into and execute the SAFE agreement. It affirms that the instrument has been validly authorised by its competent corporate bodies and does not contravene any relevant laws, contracts, or active authorisations. The start-up also declares that executing the contract does not create conflicts or adversely affect its assets, operations, or essential licences. Finally, the company states that it possesses the necessary intellectual property rights for the development of its business, without infringing third-party rights.

Later Stages (especially Series A and beyond)

Typically, in capital increases, subscription agreements (post-capital increase), and/or shareholders’ agreements, the following conditions are included:

Representations and warranties

The most common include:

- The company is validly incorporated and operates in accordance with the law.
- The financial statements reasonably reflect the company's financial situation.
- There are no hidden liabilities or ongoing material litigation.
- The intellectual property used belongs to the company and does not infringe third-party rights.
- There are no prior agreements that may affect the investment or the investor's rights.
- The founders usually also declare that they have acted in good faith and disclosed all relevant information (the *"full disclosure"* clause).

Covenants and undertakings (future commitments and obligations)

- not to incur debt above a certain threshold without board approval;
- not to amend the bylaws without investor consent;
- not to distribute dividends without prior approval;
- to promptly inform investors of relevant events; and
- the obligation to dedicate full time to the business or not compete with the company for a specified period, etc (in the case of *"founders' covenants"*).

Remedies

In the event of breaches or false representations/warranties, the investor may seek various remedies, which are typically specified in the contracts:

- the right to seek damages, with or without limits (eg, caps on liability or limited warranty periods);
- the right to repurchase shares at face value or with a discount if the breach is serious;
- the right to remove a founder from the board or management (in cases of misuse of funds, fraud, etc);
- clauses accelerating certain obligations or preferential rights; and
- in some cases, escrow agreements or retention of part of the committed capital as a guarantee against potential contingencies.

On the other hand, start-ups typically negotiate liability limitations, minimum thresholds for claims, and limited prescription periods (eg, 12 or 18 months).

Finally, it is very relevant to review the interpretation of such clauses from a judicial perspective in Chile to have an effective understanding of the scope and viability of each one.

4. Government Inducements

4.1 Subsidy Programmes

One of CORFO's financing lines is the FC line, designed for funds that invest in the development and growth of start-ups. This differs from the FE and FET lines, which are granted to funds investing in early-stage companies. A fund that obtains an FC line must focus on investing in start-ups that have a validated product or service with sales.

4.2 Tax Treatment

General Taxation Applicable to All Companies

Start-ups, like any other company in Chile (including those of investors), are subject to the general first category tax (corporate tax) on their

profits. Shareholders/investors (individuals) are taxed with final taxes (global complementary or additional tax) when they receive withdrawals or distributions of profits.

Profits obtained from the sale of start-up shares will be subject to taxes, although in some cases, they may qualify for exemptions or benefits established in the Income Tax Law, depending on the specific case.

Taxation Applicable to Investment Funds

Investors participating through regulated vehicles such as public or private investment funds can benefit from a more efficient tax treatment. The Single Fund Law (LUF) establishes that funds do not pay taxes on their capital gains, but taxes are incurred at the contributor level, which allows for deferral of taxation until the actual withdrawal of profits.

4.3 Government Endorsement

In Chile, recent governments have developed various initiatives to promote financing through capital in early-stage and growth-stage ventures, with a special focus on start-ups and innovative companies. The main public institution responsible for these policies is CORFO (*Corporación de Fomento de la Producción*), which has played a key role in the development of the venture capital ecosystem.

Some of the most relevant initiatives include:

- **Financing Programmes for Investment Funds:** CORFO has launched financing lines where it co-invests with an investment fund, not as a contributor but as a creditor of the fund through a credit line.
- **Contributions to Start-Ups:** Through instruments such as Start-Up Chile and Capital Semilla, among others, CORFO provides

money to support entrepreneurs in the early stages, facilitating their subsequent access to investment rounds.

- **Capital Markets Strengthening Initiatives:** CORFO and Start-Up Chile have also collaborated on the development of platforms such as ScaleX (Santiago Venture Exchange), an alternative market on the Santiago Stock Exchange designed for start-ups and scale-ups to raise capital more efficiently.

These public policies have been crucial in building the venture capital ecosystem in Chile, attracting both national and international investors, and promoting a culture more open to risk investment.

5. Employment Incentives

5.1 General

In Chile, venture capital investors typically secure the commitment of founders and key employees through vesting clauses (reverse vesting for those who are already shareholders), which allow shares or economic rights to be acquired or consolidated gradually over time. These clauses are complemented by transfer restrictions, buyback rights (under certain conditions, the price per share is penalised), and non-compete agreements, all aimed at aligning the incentives of the founding team with the sustainable development of the business.

5.2 Securities

The most commonly used instrument to incentivise founders and key employees is primarily the stock option agreement in its various forms (depending on whether it is vesting for founders or stock options for employees).

A typical vesting period of four years with a one-year cliff is usually established, during which the beneficiary gradually acquires rights over the shares. Reverse vesting is also used, especially for founders, where the company has the right to repurchase shares in the event of early departure.

These instruments are usually tied to the beneficiary staying with the company, and the shares can be fully or partially lost if the employment or business relationship ends. It is important to note that the reason for the departure is relevant in these cases, and it could determine the forfeiture of the shares in the event of early departure.

5.3 Taxation of Instruments

From the worker's perspective, generally, the stock option and vesting do not trigger taxation. In the case of exercising the option, if there is an increase in value (between the market value of the shares at the time of exercise and the price paid by the worker), the worker may or may not be taxed, depending on whether they have an individual or collective employment contract that addresses this right to stock options. If the benefit is established in the employment contract, taxation will only occur when the worker sells their shares (if there is a higher value), and not when they exercise the option. Otherwise, they will be taxed both when they exercise the option and upon the future sale of the shares (if there is a higher value in either case). It is important that these instruments are addressed from both a tax and labour perspective.

5.4 Implementation

Investors in venture capital rounds typically request that the employee incentive plan be defined by the time the investment is closed. This ensures clear visibility of the fully diluted share capital and helps avoid future surprises regard-

ing ownership stakes. The option pool generally ranges between 5-10%. The dilution resulting from the incentive plan can be absorbed by the founders or by both the founders and investors. Typically, it is the founders who propose the option pool, and the discussion usually focuses not on the need for the option pool itself, but on who will bear the dilution resulting from it.

6. Exits

6.1 Investor Exit Rights

In Chile, the provisions that establish investors' rights in the event of an exit or liquidity event are typically included in shareholder agreements. These mainly include preemptive rights, tag-along, drag-along, and liquidation preferences. These rules ensure that investors can exit their investment in events such as a trade sale, an initial public offering (IPO), or any other liquidity event. Tag-along rights allow minority investors to participate in the sale if the majority shareholder sells, while drag-along rights compel minority shareholders to sell if the majority shareholder decides to sell. Liquidation preferences ensure that existing shareholders have the right of first refusal to acquire shares from other shareholders who wish to sell.

Additionally, since exits are uncommon in Chile, investors often create funds with longer durations and set longer conversion conditions (eg, in a SAFE). Future investment rounds typically allow investors to sell all or part of their shares to other funds, even when a sale or IPO does not occur. These practices provide greater flexibility for investors in an environment with few liquidity events.

6.2 IPO Exits

In Chile, IPOs are relatively rare as an exit strategy for start-ups. The path to an IPO is often a longer-term goal rather than an immediate option for early-stage ventures, particularly in the start-up and venture capital sectors.

However, ScaleX (from the Santiago Stock Exchange) allows public offerings that are exempt from the requirement of registration with the Commission for the Financial Market (CMF) of the issuer or securities, in accordance with General Rule No 452. The purpose of this is to facilitate the trading of securities from companies in the expansion stage. This has allowed some start-ups (very few so far) to explore this path, which was previously outright dismissed.

6.3 Pre-IPO Liquidity

In the Chilean ecosystem, it is still in its early stages but is starting to emerge. These are secondary or structured transactions that allow certain shareholders to sell their stakes in a high-growth start-up before it goes public. Some Chilean start-ups that are expanding internationally (for example, through Delaware structures) may gain access to funds offering secondary liquidity windows. These transactions are generally used to reward early-stage investors, founders, and key team members without having to wait for a full exit. They allow for a cap table reorganisation, facilitating the entry of new investors and retention of talent by providing partial liquidity while maintaining long-term incentives. Common forms include:

- private secondary sales to new investors (such as late-stage funds or family offices);
- buybacks by the company itself, funded through large investment rounds (typically Series C and beyond); and

- structured tender offers, where a lead fund allows some existing shareholders to partially liquidate their stake.

7. Regulation

7.1 Securities Offerings

The Securities Market Law (Law No 18.045) distinguishes between public offerings and private offerings of securities. Venture capital investments are typically structured as private offerings, which do not require registration with the CMF's Securities Register, as long as certain conditions are met (eg, being directed to a limited number of investors without mass advertising). In larger transactions, care must be taken not to exceed the thresholds that would trigger a public offering. On the other hand, the Fintech Law opens the possibility for creating alternative transaction systems that could allow a secondary market for shares, subject to certain restrictions.

The Corporate Law (Law No 18.046) addresses closed joint stock companies, a legal structure that is less common for Chilean start-ups (the most widely used is the SpA), allowing partners to freely agree on terms through shareholder agreements. However, the issuance of new shares must meet certain legal and statutory requirements, including extraordinary meetings and respecting the preemptive rights of existing shareholders unless expressly waived. SpAs (created by Law No 20.190), on the other hand, provide greater flexibility for these and other types of transactions. In any case, the supplementary rule for SpAs will be the regulations concerning S.A.

7.2 Restrictions

There are no significant restrictions preventing a foreign VC investor from investing in a local growth-stage company or withdrawing their profits, but there are some regulatory considerations to keep in mind:

- Foreign investors can invest freely in Chile under the foreign investment regime established by Decree Law No 600 (now repealed but still applicable to older investments) or, currently, under the Foreign Investment Statute contained in Law No 20.848.
- Investments do not require prior authorisation, except in strategic or regulated sectors (eg, defence, telecommunications, energy).
- Chile does not impose exchange controls. Foreign currencies can be brought into and withdrawn from the country freely, as long as they comply with Central Bank regulations.

The same applies to the profits or earnings generated by these investments. It is important to review the tax implications this may have. Additionally, foreign investors can trade currencies in the formal foreign exchange market.

- There are some specific restrictions in regulated sectors (such as banking, media, defence, or fishing), but these usually do not affect typical VC investments.
- The foreign investor must meet certain tax and legal identification requirements in Chile (eg, having an ID, appointing a legal representative with an address in the country).
- Finally, if the investor channels their investments through entities subject to the UAF (eg, banks, stockbrokers, AGFs, etc), the Chilean entity must apply KYC procedures and report suspicious transactions if applicable.

Trends and Developments

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The Role of CORFO in Chile's Venture Capital Ecosystem

In recent years, Chile's venture capital (VC) ecosystem has experienced sustained growth, driven by initiatives from both the private sector and the government. One of the key players in this development is the Chilean Economic Development Agency (CORFO), a state agency that has played a central role in supporting entrepreneurship and innovation. This article explores how CORFO has influenced the VC ecosystem and how its policies have been crucial in encouraging investment in startups and early- and growth-stage companies.

CORFO and Its Mission in the Entrepreneurial Ecosystem

As a public entity, CORFO's mission is to promote the country's economic development through innovation, entrepreneurship, and private investment. Within this context, it provides resources to startups to help them validate ideas, scale, and even fund research and development (R&D) activities needed to create and commercially validate prototypes.

In the VC sphere, the agency has been a key driver in creating programs that promote invest-

ment in new businesses, particularly in high-impact and technology-based sectors. CORFO works to reduce Chilean startups' funding gap, especially in their early stages, where private investment is often limited. Through its funding programs for VC funds that invest in startups, CORFO facilitates access to capital for entrepreneurs who would otherwise struggle to attract investors.

CORFO's Investment Funds and Programs

CORFO offers three main programs that provide credit lines to investment funds focused on early- and growth-stage companies, including some of those outlined below

- **FET Program (Early-Stage Technology):** CORFO provides loans of up to 300% of the private capital committed to the fund, with a financing cap of USD13.5 million. Fund investments must target early-stage technology companies with growth and innovation potential and with annual sales of no more than USD350,000.
- **FT Program (Early-Stage):** CORFO provides loans of up to 200% of the private capital committed to the fund, with a financing cap of USD 15.8 million. Investments must be in

early-stage companies with growth and innovation potential and annual sales of no more than USD3.5 million.

FC Program (Development and Growth): CORFO provides loans of up to 100% of the private capital committed to the fund, with a financing cap of USD24.8 million. Investments must be made in growth-stage companies with high potential and no more than USD23 million in annual sales.

These funds have been crucial in stimulating investment flows into Chilean startups and have fostered the creation of new VC funds in the country.

According to CORFO's latest Public Report on Venture Capital (from 1998 to December 2023), the agency's contributions to these financing programs include:

- USD1.069 billion in credit lines granted to investment funds;
- 72 investment funds with approved credit lines;
- 475 portfolio companies receiving investment; and
- USD878 million invested in startups through the funds.

CORFO as a Facilitator of Collaborative Networks

Beyond funding, CORFO has played a key role in building collaborative networks among entrepreneurs, investors, and companies in Chile. In 2010, it launched Start-Up Chile, a public accelerator for both local and foreign startups at various maturity stages. This is a clear example of how CORFO has facilitated an interconnected ecosystem that benefits both startups and VC funds. Through its acceleration programs, CORFO provides funding and connects startups

with mentors, industry experts, and potential investors (eg, through demo days), increasing the long-term success prospects of supported startups.

Start-Up Chile's reported impact includes generating over USD2 billion in sales over a decade. The program has built a community with a portfolio of more than 2,000 startups and entrepreneurs from over 85 countries.

CORFO has collaborated with other initiatives, such as ScaleX (Santiago Stock Exchange). This initiative resulted from a partnership between the Santiago Stock Exchange and CORFO through Start-Up Chile, aiming to create a platform where startups can access funding. ScaleX allows select companies to make public offerings (subject to specific requirements) exempt from registration with the Financial Market Commission (CMF). It facilitates the trading of securities from high-impact, growth-stage companies, broadens local and international funding sources (including qualified investors) and helps position Chile as an investment hub. However, evaluating the initiative's results is still early, as only six startups have participated so far.

Challenges and Opportunities for CORFO Moving Forward

Despite CORFO's success in the VC ecosystem, several challenges remain.

Access to capital at later stages

While CORFO has successfully stimulated early-stage investment, attracting private capital for growth-stage startups remains difficult, limiting long-term scalability. As a result, many startups relocate their parent companies abroad (typically Delaware, the Cayman Islands, or "sandwich" structures) to raise growth capital (Series A and beyond) thus in order to avoid this and

enable Chilean companies to attract foreign capital directly within Chile, specific tax incentives for foreign funds investing in Chilean start-ups should be established. Several international models could serve as references.

This restructuring abroad is often done through “FLIP,” in which the Chilean company becomes a subsidiary of a foreign parent. CORFO, aware of this practice, has allowed funds it finances to invest in such foreign entities, provided the money is later transferred to the Chilean subsidiary. Instead of enforcing such limitations, CORFO should focus on attracting more foreign investors to make advanced-stage investments through Chile. To do this, Chile must offer tax benefits that make such investments more attractive.

Additionally, given the limited size of the domestic market, it is natural for Chilean companies to seek market expansion. Everyone – CORFO included – should aim to facilitate international expansion while ensuring that the parent company remains in Chile. To achieve this, CORFO, as an ecosystem coordinator, could promote a regulatory agenda that includes tax incentives for foreign VC funds investing in Chile.

Secondary market

Exits are still rare in Chile, so investors typically realize returns only in later-stage funding rounds (Series A and beyond), which are also uncommon. To provide liquidity to early investors and founders, CORFO could lead the development of a secondary market platform (unlike ScaleX, which involves public offerings). Such a platform would enable the easy transfer of equity stakes or convertible instruments (eg, SAFEs), creating a more dynamic VC market overall. To complete the virtuous investment cycle, CORFO should not only encourage startup investment (which it has done well so far) but also ensure investors can eventually realize returns through a more liquid secondary market.

Conclusion

CORFO’s role in Chile’s venture capital ecosystem has been instrumental in building a solid foundation of support for startups. From direct funding to startups, credit lines to VC funds, and the creation of extensive collaboration networks, CORFO has positioned itself as a key player in driving sector growth. As the ecosystem matures, CORFO’s policies must evolve to address new challenges and maximize opportunities for Chilean entrepreneurs. CORFO’s continued support will undoubtedly remain a competitive advantage for Chilean startups and investors betting on Chile’s entrepreneurial future.