FIDN Secured Transaction Reform

Chris Wohlert
Business Leader, Commercial Distribution Finance Asia

1 August 2016

© 2016 Wells Fargo Bank, N.A. All rights reserved. For public use, Wells Fargo CDF Commercial Factoring (China) Company Limited, a company duly established in the People’s Republic of China, is a subsidiary of Wells Fargo & Company. Wells Fargo CDF Commercial Factoring (China) Company Limited is not licensed or regulated by the China Banking Regulatory Commission (CBRC) as a commercial bank in the People’s Republic of China.

Benefits of Secured Transaction Reform

- Development of functioning laws and collateral registries governing secured transactions provides greater access to credit for enterprises, including MSMEs.
- Recent reforms in certain economies have led to both greater access to and lower cost of finance for SMEs.
- Diversification of financial services sector as non-bank financial institutions expanded into secured lending to SMEs.
- In China, following reforms, more than $570B in financing secured by accounts receivable (40% of which supported SMEs) extended by lenders.
- Led to development of both commercial leasing and factoring industries.

In the chart above, this study compared firms’ average access to finance before and after registry reform as compared to economies that did not implement such reforms.

Within the APEC economies, a wide variance exists in the access to secured credit.

Footnotes:
Development of FIDN

- Secured credit is a bridge between "reputational" collateral and access to capital markets for MSME/SMEs – critical for growth

- **Financial Infrastructure Development Network** launched in November 2015 under the Cebu Action Plan to assist interested member economies reform and improve their secured transactions ecosystem

- FIDN has developed a network of leading secured transactions global experts and consultants developed to provide member economies “one-stop shop” to support secured transaction reform efforts, from:
  - Legislation / Model Laws
  - Collateral Registry Development
  - Training / Capacity Building

- Currently, supporting Philippines, Brunei, Thailand, China