

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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27 January 2015

10:00am – 11:45am

Meeting Room S426-427, Hong Kong Convention and Exhibition Centre
Hong Kong Special Administrative Region, People's Republic of China

Meeting Paper 5-A Draft Agenda of the 2015 Asia-Pacific Forum on Financial Inclusion

Foundation for Development Cooperation

PURPOSE For information.

ISSUE Draft agenda of the 2015 Financial Inclusion Forum

BACKGROUND The lending infrastructure plays a very important role in promoting inclusive financial systems. Where this is not well-developed, access to finance is constrained. Most affected are those who need finance but have neither the physical nor reputational collateral typically required to access loans. The experience of microfinance in many emerging markets clearly demonstrates a strong business case for lending to the poor and small enterprises.

Operational costs involved in making large numbers of small transactions have also been significantly reduced through new technologies, such as digital finance. However, the lack of tools for financial institutions to properly serve broad segments of the population, especially the urban and rural poor, minorities, women and young people, has resulted in high levels of financial exclusion.

A major contributor to the lack of financial access for low-income and vulnerable households and MSMEs has been the inadequacy of legal, policy

and regulatory frameworks in enabling the use of a wider range of physical and reputational collateral that they can use to obtain financial services. While governments will still need to play a major role, especially in caring for those in the lowest-income segments of the population, the private sector can contribute much more, given an enabling environment that can facilitate the effective use of risk management tools for financial institutions to expand services to these households and enterprises.

PROPOSAL

The Forum will conclude with reports on the outcomes of the various sessions and agreement among participants to progress initiatives and proposals to the APEC Finance Ministers. A report of the Forum will be drafted, reviewed by participants, published and made available both online and in hard copy to a wide variety of relevant audiences, including APEC Leaders, finance and other ministers, senior finance and other officials, regulators, experts in international and academic organizations, and industry and opinion leaders.

***DECISION
POINT***

Endorse the agenda.

2015 ASIA-PACIFIC FORUM ON FINANCIAL INCLUSION

Developing the Lending Infrastructure for Financial Inclusion

3-4 March 2015

Taal Vista Lodge, Tagaytay City, Philippines

Jointly organized by:

APEC Business Advisory Council (ABAC)
The Foundation for Development Cooperation (FDC)

In partnership with:

The Citi Foundation

Hosted by:

Government of the Republic of the Philippines

Forum collaborators:

GE Capital
International Finance Corporation (IFC)
Consultative Group to Assist the Poor (CGAP)
Japan International Cooperation Agency (JICA)
Policy and Economic Research Council (PERC)

The lending infrastructure plays a very important role in promoting inclusive financial systems. Where this is not well-developed, access to finance is constrained. Most affected are those who need finance but have neither the physical nor reputational collateral typically required to access loans. The experience of microfinance in many emerging markets clearly demonstrates a strong business case for lending to the poor and small enterprises. Operational costs involved in making large numbers of small transactions have also been significantly reduced through new technologies, such as digital finance. However, the lack of tools for financial institutions to properly serve broad segments of the population, especially the urban and rural poor, minorities, women and young people, has resulted in high levels of financial exclusion.

A major contributor to the lack of financial access for low-income and vulnerable households and MSMEs has been the inadequacy of legal, policy and regulatory frameworks in enabling the use of a wider range of physical and reputational collateral that they can use to obtain financial services. While governments will still need to play a major role, especially in caring for those in the lowest-income segments of the population, the private sector can contribute much more, given an enabling environment that can facilitate the effective use of risk management tools for financial institutions to expand services to these households and enterprises.

This year's Forum will seek to bring to the next level work that has been done on a number of issues in previous years' Forums and discussions under the APEC Finance Ministers' Process (FMP).

The first day will begin with a review of what has been learned and proposed from past discussions in the Forum and the FMP. Participants will also complete the review by discussing the situation in three emerging APEC economies (Mexico, Vietnam and PNG) that were not assessed in last year's Forum. Plenary sessions will conclude with a discussion of digital finance, the opportunities it presents and its implications for the provision of financial services and regulations.

The sessions in the afternoon of the first day and morning of the second day will focus on advancing discussions in two important priority issues that have been identified by the Finance Ministers and where the foundations for action have been laid through various discussions in past Forums and FMP workshops and seminars. In these sessions, participants will seek to develop pathfinder initiatives that will be submitted to APEC Finance Ministers for their endorsement at their 2015 meeting in Cebu. These are:

- the development of *credit information systems* to facilitate the use of consumers' transaction data (including both positive and negative data and both financial and non-financial data, e.g., utilities payments) for risk-based lending through a pathfinder initiative among interested economies; and
- the development of the *legal and institutional frameworks for secured transactions* (including the introduction of reforms to enable the wider use of movable assets as security, improvement of perfection laws to clarify seniority of claims to collateral and development of user-friendly collateral registries)

The Forum will conclude with reports on the outcomes of the various sessions and agreement among participants to progress initiatives and proposals to the APEC Finance Ministers. A report of the Forum will be drafted, reviewed by participants, published and made available both online and in hard copy to a wide variety of relevant audiences, including APEC Leaders, finance and other ministers, senior finance and other officials, regulators, experts in international and academic organizations, and industry and opinion leaders.

Participants in this Forum will include experts from international organizations, capacity-building agencies, leading representatives from the banking, consumer finance, microfinance, credit bureaus and credit reference centers, and legal experts. Valuable contributions are expected from experts in the APFF Lending Infrastructure and Trade and Supply Chain Finance Work Streams. Most importantly, resources will be mobilized to enable the participation of relevant officials from interested APEC economies who are directly responsible for introducing and adopting legal, policy and regulatory reforms and potential participants in proposed pathfinder initiatives. It is hoped that this Forum will attract broad participation from APEC Deputy Finance Ministers and Deputy Central Bank Governors as well as senior finance and central bank officials, who will be holding their own meeting after the conclusion of the Forum.

FORUM AGENDA

DAY 1		
08:00-08:30		Welcome and Opening Session
08:30-10:00	Session 1	<p>Financial Inclusion: Achievements and Future Challenges</p> <p>Since 2010, the APEC Advisory Group for Financial Systems Capacity Building has been convening the Asia-Pacific Forum on Financial Inclusion. One of the primary objectives of this Forum is to provide priority recommendations for policy makers and regulators in relation to financial inclusion. With the Forum now in its 5th year, the Advisory Group is now conducting a review of these policy recommendations with the aim of assessing the level of which they have been adopted by APEC economies and identify what challenges remain for their implementation. In this session these policy recommendations will be outlined and audience members will be invited to provide feedback and further discuss their implications for financial inclusion in the region.</p> <p>Session Chair:</p> <ul style="list-style-type: none"> ■ Ms. Amy Auster, Principal Consultant, The Foundation for Development Cooperation (FDC) <p>Speakers:</p> <ul style="list-style-type: none"> ■ Mr. Ed Jimenez, Microfinance Expert ■ Mr. Kazuto Tsuji, Visiting Senior Advisor, Japan International Cooperation Agency (JICA)/ Professor, Saitama University, Japan/The Executive Committee Chair, CGAP ■ Dr. JC Parrenas, Senior Advisor, Nomura Securities Co., Ltd.
10:00-10:30		Photo Session and Coffee Break
10:30-12:00	Session 2	<p>Financial Inclusion: Economy Experiences – Mexico, Vietnam and PNG</p> <p>The trends, achievements, challenges and opportunities for financial inclusion within each economy are unique. APEC's member economies represent varying levels of development for financial inclusion providing an important opportunity to examine and share the experiences between each other to improve results and promote best practice. At the previous Asia Pacific Forum on Financial Inclusion in 2014 several APEC economies were examined including China, The Philippines, Peru, India, Thailand and Indonesia. This session will expand on these discussions by further examining the environments and experiences with financial inclusion in Mexico, Vietnam and PNG.</p> <p>Session Chair:</p> <ul style="list-style-type: none"> ■ Ms. Jennifer Isern, Practice Manager, Finance and Markets Global Practice, World Bank Group <p>Speakers:</p> <ul style="list-style-type: none"> ■ Mr. Humberto Daniel ■ Pánuco Laguette, Senior Economist, Financial Sector Analysis

		<p>Directorate, Banco de Mexico</p> <ul style="list-style-type: none"> ■ Deputy Governor Dao Minh Tu, State Bank of Vietnam ■ Deputy Governor Benny Popoitai, Bank of Papua New Guinea
12:00-13:30		Lunch
13:30-15:00	Session 3	<p>Digital Finance: Promoting Customer Centricity and Protecting Customers</p> <p>A large number of institutions that provide financial services at the base of the pyramid - whether banks or MNOs - realize that giving access to previously unbanked populations is way easier than ensuring usage. For example, for mobile banking, in 2013 GSMA estimated that less than 30% of subscribers were active (transacted once in 90 days). The same story goes for many banks that provide simplified savings account in massive scale. It is likely that financial service providers can significantly increase activity by taking a more customer-centric approach to financial services for the poor and create a better value proposition for customers. This panel will explore how digital financial service providers can improve customer centricity, based on their experience. Also the nature of the risk for customers is changing with technology and the widespread use of agents. In addition, the growing expansion of digital financial credit, such as MShwari, is enabling significant new outreach but may also present new kinds of risks. What are those risks that customers run and how can providers mitigate them? What can regulators do to learn about these risks?</p> <p>Session Chair:</p> <ul style="list-style-type: none"> ■ Mr. Eric Duflos, Asia Regional Representative, Consultative Group to Assist the Poor (CGAP) <p>Speakers:</p> <ul style="list-style-type: none"> ■ Ms. Jenny Chang, F-road, China ■ Mr. John Rubio, President, BanKO, Philippines ■ Mr. Shameran Abed, Director of Microfinance, BRAC, Bangladesh ■ Ms. Prudence Angelita Kasala, Head, Financial Consumer Protection Department, Bangko Sentral ng Pilipinas (BSP)
15:00-15:30		Coffee Break
15:30-17:00	Session 4	<p>Credit Information Systems (Part 1): How to Make Public and Private Credit Reporting Services Providers (CRSPs) Work Together?</p> <p>Several economies in the Asia-Pacific support both a private credit bureau (PCB) and a public credit registry (PCR). While in theory each can play a distinct and complementary role, how PCBs work along (and with) the central bank's PCR is a challenge for many economies. How should PCRs engage the market? How should PCBs work with central banks to ensure commercial sustainability, financial inclusion and economic growth?</p>

		<p>Session Chair:</p> <ul style="list-style-type: none"> ■ Dr. Michael Turner, Founder, President and CEO, Policy and Economic Research Council (PERC) <p>Speakers:</p> <ul style="list-style-type: none"> ■ Mr. Khaikeo Luangsivilay, Deputy Director, IT Department, Bank of the Lao PDR and Hung Hoang Ngovandan, Principal Specialist, International Finance Corporation (IFC), World Bank Group - <i>Why We Need a Second Generation Credit Reporting System?</i> ■ Mr. Anthony Hadley, Senior Vice President of Government Affairs, Experian - <i>A Private Bureau Global Perspective</i> ■ Mr. Jaime Garchitorea, President and CEO, Credit Information Corporation (CIC), Philippines - <i>Public Registries and Financial Inclusion</i> ■ Mr. Humberto Daniel Pánuco Laguette, Senior Economist, Financial Sector Analysis Directorate, Banco de Mexico - <i>What Regulators Can do to Make Private Bureaus More Responsive to Financial Inclusion</i> ■ Mr. Lawrence Tsong, TransUnion - <i>The Role of Consumer Credit Reporting in Small Business Financing</i>
17:00-18:30	Session 5	<p>Credit Information Systems (Part 2): How to Develop More Credit Reporting Products Targeted for SME Credit?</p> <p>International experience has shown that SME financing is better promoted when lenders use consumer credit reports in conjunction with commercial ones. Buttressing commercial reports with the consumer reports of owners and principals helps to fill in missing or inadequate financials. Moreover, the addition of consumer reports can enhance the power of commercial credit report based value added services such as small business credit scores. What have been the lessons from more developed markets? What are effective value-added services for SME financing? How can regulatory frameworks promote the use of consumer credit reports for SME financing?</p> <p>Session Chair:</p> <ul style="list-style-type: none"> ■ Dr. Robin Varghese, Senior Fellow and Vice President of International Operations, Policy and Economic Research Council (PERC) <p>Speakers:</p> <ul style="list-style-type: none"> ■ Dr. Huinan Xu, Director Statistical Consulting, Predictive Analytics, D&B - <i>Credit Reporting, SME Credit Scoring & Other Value Added Services</i> ■ Mr. Matt Gamser, CEO, SME Finance Forum, International Finance Corporation (IFC) - <i>Credit Reporting and Informal SMEs—Enabling Financial Inclusion</i> ■ TBC, SME Corp Malaysia - <i>The Use of Credit Reporting Services in SME Lending</i>
19:00-21:00		Dinner

Day 2

08:30-10:00	Session 6	<p>Credit Information Systems (Part 3): Making Public and Non-Bank Data More Accessible for Economic Growth and Financial Inclusion</p> <p>CRSPs, particularly private bureaus, perform better when they have access to public data (business registration, national identification databases, judgments, liens, bankruptcies, etc.) and non-bank credit data (utility payments, telecom payments, trade credit, retail credit, even supply chain data, turnover data). This information helps to complete the credit profiles of their data subjects and, more importantly, extend credit to those outside the financial mainstream for whom there is no other information. Non-bank data offers great promise for establishing financial identities and promoting financial inclusion. Access to these data sources has been a challenge in many economies, including regional emerging economies in the Asia-Pacific. How should CRSPs pursue these data sources, given that understanding, regulations and incentives may be very different than in the case of banks? What can governments do to promote the collection and use of non-financial data?</p> <p>Session Chair: Mr. Anthony Hadley, Senior Vice President of Government Affairs and Public Policy, Experian</p> <p>Speakers:</p> <ul style="list-style-type: none"> ■ Dr. Michael Turner, Founder, President and CEO, Policy and Economic Research Council (PERC) - <i>Non-Financial Data, Big Data, and Financial Inclusion</i> ■ TBD, CIBIL - <i>What Regulators Can Do to Help CRSPs</i> ■ Mr. Tony Lythgoe, Global Head, Financial Infrastructure, Finance and Markets, World Bank Group – <i>Enabling Greater Access to Public Data and Non-Bank Data</i> ■ Mr. Philip Burgess, Founder, Microbilt - <i>Alternative Credit Scores and Other Value Added Services Based on Non-Bank Data: Enabling Financial Inclusion</i>
10:00-10:30		Coffee Break
10:30-12:00	Session 7	<p>Enabling SME Access to Finance through Improved Secured Transactions Systems (Part 1): Reforms of the Legal and Regulatory Regime</p> <p>This forum segment seeks to explore the prospects for regional collaboration toward the adoption of relevant commercial law reforms in the region's economies, through discussions among officials responsible for introducing commercial law reforms and other relevant and related authorities, experts from the private sector, law firms and academic and multilateral institutions as well as representatives from financial (lenders) and enterprise (borrowers) sectors, including MSMEs.</p> <p>Session Chair:</p> <ul style="list-style-type: none"> ■ Ms. Elaine MacEachern, Senior Specialist, International Finance Corporation (IFC)

		<p>Speakers:</p> <ul style="list-style-type: none"> ■ TBD, Department of Finance or Department of Justice, Philippines - <i>Secured Transactions Reforms in the Philippines</i> ■ TBD, Supreme People's Court, China - <i>Strengthening Enforcement Mechanisms for secured Transactions in China</i> ■ TBD, Ministry of Justice, Japan - <i>Building Reforms into a Civil Code revision</i> ■ TBD, Director General, Ministry of Justice, Vietnam – <i>Strengthening Secured Transactions Legal Framework</i> ■ TBD, Commercial Finance Association, USA - <i>International perspective - the role of UNCITRAL</i> ■ TBD, Ministry of Justice, Mongolia – <i>Challenges and Successes of Making a Secured Transactions Law</i>
12:00-13:30		Lunch
13:30-15:00	Session 8	<p>Enabling SME Access to Finance through Improved Secured Transactions Systems (Part 2): Building Supportive Operational Infrastructure for Secured Finance</p> <p>This session will focus on the practical infrastructure needs of the secured lending sector to enable the prudent extension of secured financing to the mid-market, including accurate and accessible collateral registration systems, a developed support sector including collateral management and warehousing, and efficient enforcement regimes to incentivize risk-based credit decisions and pricing.</p> <p>Session Chair:</p> <ul style="list-style-type: none"> ■ Director Joselito Almario, Fiscal Policy and Planning Office, Department of Finance, Philippines <p>Speakers:</p> <ul style="list-style-type: none"> ■ TBD, Gordon Brothers Group - <i>Developing a Collateral Management Industry</i> ■ Mr. Jinchang Lai, Principal Operations Officer and Lead for Financial Infrastructure, Finance and Markets, East Asia and Pacific, World Bank Group - <i>Developing the Warehouse Finance Infrastructure</i> ■ Mr. Chris Wohlert, Leader, Commercial Distribution Finance - Asia, GE Capital, <i>Development of collateral registries – problems and solutions</i> ■ Mr. Mikhail Treyvish, International Factors Group - <i>Factoring and Trade Finance Infrastructure</i> ■ Ms. Emily Chin, Banking Expert – <i>Commodity finance</i> ■ TBD Vietnam Banks Association and China Banking Association - <i>Training bankers on movables finance</i> ■ Mr. Kazumi Nishikawa, Special Advisor to the Minister, Ministry of Economy, Trade and Industry, Government of Japan, Executive Director, JETRO Singapore – <i>TBD</i>
15:00-15:30		Coffee Break
15:30-17:00	Session 9	<p>Enabling SME Access to Finance through Improved Secured Transactions Systems (Part 3): Identifying features of a Pathfinder Initiative</p>

		<p>These discussions will focus on the potential and features of a pathfinder initiative to support the acceleration of reforms in participating APEC economies, building on recent lessons and experiences from economies where reforms have been introduced or discussions are under way, and to promote technical support from private stakeholders and multilateral institutions.</p> <p>Session Chair:</p> <ul style="list-style-type: none"> ■ Mr. Tom Clark, Executive Council, Government Relations, GE Capital <p>Speakers:</p> <ul style="list-style-type: none"> ■ TBD, Commercial Finance Association - <i>Adopting Harmonized Provisions on Collateral Definition, Assignability and Enforcement</i> ■ TBD, APEC Economic Committee or ABAC - <i>Mobilizing the Key Stakeholders: Engaging ministries who "hold the pen"</i> ■ TBD, Japan Ministry of Justice ■ TBD, PBOC-CRC – <i>Developing Accounts Receivable Finance Platform: Initial Experience</i> ■ TBD, HSBC – <i>How Receivables Finance Support SMEs</i>
17:00-18:15	Session 10	<p>Conclusions and Way Forward</p> <p>Session Chair:</p> <ul style="list-style-type: none"> ■ Dr. JC Parrenas, Senior Advisor, Nomura Securities Co., Ltd. <p>Speakers:</p> <ul style="list-style-type: none"> ■ Dr. Michael Turner, Founder, President and CEO, Policy and Economic Research Council (PERC) ■ Mr. Jinchang Lai, Principal Operations Officer and Lead for Financial Infrastructure, Finance and Markets, East Asia and Pacific, World Bank Group ■ Mr. Tom Clark, Vice President, Government Relations, GE Money Asia ■ Mr. Eric Duflos, Asia Regional Representative, Consultative Group to Assist the Poor (CGAP) ■ Undersecretary Gil Beltran, Policy Development & MGT Services Group, Department of Finance, Philippines
18:15-18:30		Closing Remarks
19:00-21:00		Dinner