

POLICY & ECONOMIC RESEARCH COUNCIL

APFF Lending Infrastructure Workstream



Asia-Pacific Credit Coalition

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Credit Bureau Development

Our point of departure is research and extensive experience, providing evidence that:

- Full-file and comprehensive credit reporting increases lending to the private sector;
- Private credit bureaus with comprehensive data → greater lending to the private sector; and
- Full-file and comprehensive reporting → better loan performance.



Action Plan & Activities to Date

The Action Plan for this work stream consists of 4 components

- Building regulatory capacity;
- Building public-private capacity to develop private credit bureaus;
- Helping private sector capacity to use bureaus; and
- Recruiting pathfinders that can be example for others, helping to implement reform in interested economies

We have undertaken the following for to address the components:

- Workshops for policy makers (Shanghai workshop in April 2014, Financial Inclusion Forum in the Philippines in 2015)
- Compilation of resource materials for regulators (model regulations, case); and
- Direct engagement with interested member economies where clear opportunities for effective reform exist



2015 Activities

Policymaker Education

We are working to see which economies we can direct experts and academics and practitioners to assist in reform. We will 3 panels in the Philippines at the Financial Inclusion Workshop.

Recruiting and Engaging Pathfinders

- Mexico, as it implements reforms aimed at improving the competitive landscape.
- Philippines as it develops a framework for developing a public credit registry alongside a private bureau.
- PRC as it develops a framework for private bureaus in China



Lending Architecture: Strong ABAC-led foundation for Pathfinder

2013



2014



- April: Sydney Launch of APFF: Lending Workstream Established
- July: ABAC Workshop on Lending at ABAC III in Kyoto
- August: Development of ABAC Model Code
- November: Promoting understanding of Secured Lending through ABAC Report to Finance Ministers
- March: China PBOC-ABAC Workshop in Shanghai on Improving Lending Architecture
- April: APEC-China MOF Seminar in Shenzhen on Improving Financial Services for the Regional Real Economy
- July: APFF Symposium in Seattle
- October: APFF Beijing meeting co-hosted by China MOF
- March 2015: Pathfinder Launch at Financial Inclusion Forum

Key Conclusions and Direction

Market-based and soundly underwritten financing channel is critical to SME growth, and hence growth and innovation in APEC.

- ABL products, including factoring, can be an important part of the SME financing.

Improving predictability and transparency of legal architecture around secured lending will improve access, reduce costs.

Current discussions in APEC economies are moving in the right direction.

- Enlisting support of global expertise: IFC, ADBI, IFG, CFA (US), etc.

Focus on reforms that will facilitate credit supply and reduce risk:

- to more broadly allow the assignment of accounts receivable,
- to make centralized registration systems the exclusive means of perfection,
- to encourage factoring through appropriate licensing authority.

APEC can become catalyst for global initiatives promoting SME finance

- Revitalize UNCITRAL code and other global standards

Work Plan

Identify best practice reforms to launch Pathfinder:

- Japan: Civil Code Reform
- China: Strengthening Enforcement Mechanisms
- Vietnam: Secured Transactions Law Reform
- Global Perspectives: US, UNCITRAL

Support new legislation in direct coordination with relevant officials.

- Identify most advanced agendas
- Enlisting support of global expertise: IFC, ADBI, IFG, CFA (US), etc.

Goal of 1-2 law changes implemented by mid-2016.

Socialized core ABAC Model Code provisions at Financial Inclusion Forum (FIF) in March in Tagaytay.



Recommendations from FIF

1. Promote the adoption where needed of full file, comprehensive credit reporting frameworks (with consumer protection)

- Positive and negative data, from as many of the lending sectors as possible
- Data also from non-financial sectors—utilities, mobile, rent, payment systems
- Need better access to public data, public services such as telecom, utilities
- Using customer digital footprints for data sharing
- International Credit Reporting Committee Guidelines to be used as guidance



Recommendations from FIF (con't)

2. Need for a whole-of-economy approach to credit reporting.

- Public-private cooperation is key, especially public sector commitment to financial inclusion to coordinate.
- Case studies to show business viability of sharing information and help lenders expand into new, underserved markets.

3. Standardization of data and formats.

- Standardized data to especially benefit emerging economies with limited capacity.
- Help value-added info service providers to develop new tools, economies of scale.



Better enable cross-border data flows. Transparency and predictability

Recommendations: Infrastructure for Secured Lending

1. Creating and enabling infrastructure

- Support for innovative registries (Viet Nam case study).
- Need for comprehensive reforms for market to work.

2. Adopting the APEC Model Code

- Should be incorporated into law within APEC economies.
- Will help align economies with global best practice.
- Need 3 or 4 economies to commit to pathfinder initiative.