



**Asia Pacific Financial Forum
Financial Infrastructure Development Network
Secured Transactions Reform Sub-Committee**

I. Introduction to the Financial Infrastructure Development Network (FIDN)

The Financial Infrastructure Development Network (FIDN) is a specialized subgroup within the Asia Pacific Financial Forum (APFF), an APEC Finance Ministers sponsored platform for public-private collaboration to accelerate capital market integration and financial infrastructure development.

The Secured Transaction Reform (STR) subgroup of the FIDN promotes an enabling environment based upon clear and predictable legal frameworks for economic development and inclusive growth, specifically focused on facilitating a diverse set of financing solutions for MSMEs, infrastructure projects and cross-border trade and supply chains. The APEC Business Advisory Council (ABAC), partnering private sector organizations, the World Bank Group and the OECD, will collaborate with and be supported by a broad range of institutions including international organizations, public sector bodies, private sector firms, and academic entities within interested economies.

Through workshops, direct policy maker outreach, dialogues and studies, the FIDN will:

- **Support reform** and development of secured transactions systems and insolvency frameworks among APEC economies;
- **Promote** good practices and **internationally accepted principles** on secured transactions legislation, including comprehensive definitions of eligible collateral, the free assignability of claims for the purposes of financing, and other provisions shown to enhance the ease of credit for MSMEs;
- **Foster** the establishment and **development of effective modern collateral registries** and promoting pathways to single, central and online security interests notice filing systems and comprehensive coverage of security interests on movable assets, receivables and other forms of intangible assets within the economy;
- Partner with local economy stakeholder to **improve the capacity of lenders** in structuring, delivering and managing credits based on movable assets, receivables and other forms of intangible assets as well as the **development of the necessary operational infrastructure** such as third-party collateral management industries, electronic finance platforms and credit enhancement services to support the expansion of such credits for MSMEs, agri-business operators, domestic and cross-border traders and infrastructure companies, among others; and

II. FIDN Objectives.

The STR substream of FIDN will strive to ensure that all APEC member economies have secured transactions infrastructure (including legal frameworks, modern collateral registries, and necessary operational infrastructure) that enables MSME access to secured credit – measured on the basis of core SME credit access principles of transparency, efficiency and enforceability. Additionally, FIDN also operate as a focal point across APEC member economies for secured transaction reform to identify global best practices, collaborate with member economies across relevant stakeholder ministries and the financial sector to promote and implement reforms to enhance the access to credit for MSME enterprises.

III. FIDN Key Activities.

- A. *Identify global best practices and provide transparency and coordination to existing efforts of various multilateral agencies*
- Significant work is being done across the APEC region by various multilateral agencies and member economies, but often with a lack of visibility amongst each other's efforts resulting in diminished outputs and / or duplication of efforts and studies.
 - During 2016, FIDN will establish itself as the primary focal point for both member economies and relevant multilateral agencies to promote collaboration, ensure best practices are shared and available resources are optimized.
 - Evaluate the various model codes [eg. ABAC, UNCITRAL, OAS, EBRD] and, in collaboration with the sponsoring organizations, provide assessment and recommendation on maximizing MSME access to secured credit by measuring the effect of such model codes on the core SME credit access principles of transparency, efficiency and enforceability.
- B. *Collaborate and coordinate efforts across relevant APFF Workstreams and other APEC Fora through incorporation as Observer status **or other means of transparency** for FIDN sub-committee*
- Secured transaction reform impacts a variety of other working groups and Fora within the broad APEC agenda. As with coordination across the multilaterals, coordination / transparency
 - APFF Workstreams: Credit Information Systems, Trade/Supply Chain Finance, Capital Markets, Insolvency, Asia Pacific Forum on Financial Inclusion
 - Other APEC Fora: Economic Committee (EC), MSME & Entrepreneurship Working Group; Strengthening Economic and Legal Infrastructure in APEC (SELI); Asia Pacific Infrastructure Partnership
- C. *Develop outreach process to identify member economies interested in exploring secured transaction reform and partner to establish local FIDN subcommittees*
- Leverage USAID's project to survey secured transaction laws across member economies to promote the need for reform in APEC member economies to provide MSME enterprises access to secured credit
 - **Collaborate with the Economic Committee SELI working group to endorse appropriate legislative reform across the various relevant government agencies required to enact comprehensive secured transaction reform**
- D. *Provide leadership, support and resources through network members for member economies' FIDN local committees*
- Collaborate closely with Philippines local committee to develop key workstreams and stakeholder support around areas of legal infrastructure, related industry development, capacity building for both financial sector participants and regulatory bodies
 - **Seek to ensure a common understanding across relevant stakeholders as to what secured transaction reform entails to build a base of common understanding upon which to accelerate the reform process.**
- E. *Evaluate alternative dispute mechanisms to facilitate faster, more efficient and predictable enforcement for economies where the judicial system is not yet conducive to requirements necessary for secured lending.*

- The average time for contract enforcement in APEC economies is 424 days and costs approximately 33% of the claimed amount. In certain lesser developed APEC economies, these figures can run into 1000s of days and cost a majority of the claimed amount.
 - Judicial reform is a long term process and much broader ranging than secured transactions – and as such, outside of the scope of FIDN.
 - Several Latin American countries have incorporated collateral enforcement via arbitration as a faster, more efficient process to mitigate the lack of acceptable judicial processes.
 - FIDN will undertake a study to evaluate and make recommendations as to usage of ADR as a potential means to accelerate adoption of secured transaction reform, leveraging case studies from Latin America, to increase the access to secured credit by MSMEs.
- F. *Conduct feasibility study of the benefits of creation of a harmonized APEC collateral registry system.*
- Assess benefits and feasibility of incorporating member economy collateral registries into harmonized APEC collateral registry system to promote cross-border trade and support efforts towards regional economic integration
 - Based upon results of feasibility study, develop long-term roadmap to implement same (as applicable)

IV. FIDN Partnering Organizations

FIDN STR activities are conducted under the auspices of the APEC Finance Ministers Process and the APEC Business Advisory Council through the Asia Pacific Financial Forum. For STR, the Regional Steering Committee will comprise the APFF Coordinator, the IFC, the CFA, FCI/IFG and GE Capital (who will perform the role of “Sherpa”) plus other interested parties as may be agreed from time to time with Observer status provided to other interested APFF workstream sherpas and relevant APEC Fora.

Membership in FIDN is open to any relevant public or private entity that can significantly contribute to the fulfillment of FIDN’s mandate and whose membership is consistent with APEC and APFF principles and practices. Membership of qualified institutions and individuals shall be confirmed by the APFF Chair or his duly designated representative in accordance with APFF’s inclusive nature. Membership is voluntary and participation in activities is on availability basis.

Network Members anticipated to include:

- I. Key Multilateral / NGOs
 - a. World Bank
 - b. International Finance Corporation
 - c. Asian Development Bank
 - d. Inter-American Development Bank
 - e. USAID
 - f. Organization for Economic Co-Operation and Development

- II. Key Industry Trade Associations
 - a. Commercial Finance Association
 - b. FCI/IFG
 - c. Local member economy banking associations
 - d. Local financial sector industry associations, including:

- i. Factoring
- ii. Leasing
- iii. Warehousing
- iv. Trade / Supply Chain Finance

III. Relevant Member Economic Agencies

- a. Department of Finance
- b. Central Bank
- c. Department of Justice
- d. Collateral registry offices (and related agencies)

V. FIDN STR Communication Rhythm

Bi-Monthly Committee conference calls
Quarterly FIDN Committee reports
Semi-Annual Reports to Asia Pacific Financial Forum

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