

ADVISORY GROUP

PAPER 4-D

Document: AGFSCB 38-016D
Draft: **FIRST**
Date: 22 July 2018
Source: IFC/WBG
Meeting: Kuala Lumpur, Malaysia



Financial Infrastructure Reforms in Asia Pacific: FIDN Activities and Recent Progress

Jinchang Lai

Lead Financial Sector Specialist, and Lead for Financial Infrastructure,
East Asia & Pacific, IFC

APEC-ABAC3, Kuala Lumpur, July 23, 2018

Cebu Action Plan and FIDN

- In September 2015, as part of the Cebu Action Plan, **Financial Infrastructure Development Network (FIDN)** was created as a specialized sub-group under APFF
- FIDN aims to promote an enabling financing environment for MSMEs. It is supposed to support *inter alia* member Economies to develop **credit reporting** systems, reform **secured transactions** framework and movable asset finance system, develop **insolvency** regime, and **address regulatory barriers to digital, mobile and innovative financing** and promote alternative finance.
- FIDN is led by a core group of Sherpas

A Diversified Range of Activities

- Since then, FIDN has collaborated with the authorities, financial industries, sister APEC Working Groups and other stakeholders to promote and support reforms and developments in the designated areas
- The main approaches include:
 - ✓ Organize regional or in-Economy discussions and exchanges to advocate for reforms and provide best practice knowledge, leveraging the resources of other international and regional organizations (IFC, FCI, BIIA, UNCITRAL, etc.)
 - ✓ Speak or participate in forums organized by other Groups with relevance to the FIDN topics
 - ✓ Prepare regional stock-taking, issues and standards papers
 - ✓ Provision of materials, knowledge, resource persons and ideas to support Economy-specific reforms, leveraging the existing IFC projects and/or country initiatives
 - ✓ Facilitate cross-border consultations/networking and private-public sector dialogues on priority issues; and help to build up capacities in the developing markets

Examples of Recent Reforms (I)

- **Philippines:** A secured transactions law (*Personal Property Security Act*) has been approved by the legislatures and is pending President signature
- **China:** The 2nd national credit bureau was licensed early this year. And, major on-going efforts to promote the use of insolvency system (“*switch the enforcement of long-unpaid obligations to the exit of distressed debtors*”)
- **Indonesia:** One new credit registry (SLIK) and two private credit bureaus (LPIPs) – licensed not long ago -- are all operational under a public-private partnership model

Examples of Recent Reforms (II)

- **Thailand:** a new Secured Transactions Law is being made
- **Brunei:** A new Secured Transactions Law and a modern and unified registry done -- *relevant scores under the Doing Business (DB) indicators moved from 4 to 10 points; a new Insolvency Law issued -- relevant scores under DB moved from zero to full 2 points*
- **Vietnam:** More than 1000 small and micro finance lenders were included in the credit reporting system in the last two years
- **Overall, financial infrastructure regimes in APEC Economies have, indeed, moved ahead as measured by the DB scores**
- A regional push has had value!

Financial Infrastructure Progress as Measured by DB

Financial Infrastructure Development in APEC Economies

(Doing Business Aggregated Scores for 21 Economies)

	Number of Indicators	Full Score Potential	DB 2015 Score	DB 2018 Score
Secured Transactions Framework	10	210	114	138
Credit Reporting System	8	168	137	150
Insolvency System	2	42	17	19

Sources: Doing Business 2015 and 2018, World Bank Group.

Note: The above scores include those for the most developed APEC Economies.

What More Need to be Done?

- The measurable progress is surely a good thing ... however, reform and development is a continuous process ... e.g., adapting to market changes ... and, increasingly with a digital angle
- Medium-term efforts should touch on the following:
 - ✓ In traditional civil law Economies, hard to internalize and incorporate modern secured transactions elements
 - ✓ In credit reporting, not too far away from the best practice frontier ... but, need deeper work (SME credit reporting, trade credit data, etc.), and to orient more efforts to create financial services new data ecosystems (*to “address regulatory barriers to digital, mobile and innovative financing”*)
 - ✓ Personal insolvency regime is more and more needed, but still largely does not exist in the developing markets
 - ✓ Trade and supply chain finance, particularly technology-enabled ones, is attracting a lot of attention ... but, legal and regulatory foundations are unreliable in the new markets
 - ✓ Again, laws and regulations on paper are one thing ... real market development and significant volume of cross-border business another

Thank You !

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