Expanding SME Access to Credit through Secured Transactions Reform

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Secured Transactions
What are the critical issues for a secured creditor?

**Transparency**: Is the registry readily accessible to interested parties, up to date and accurate?

**Enforceability**: Does the judicial system provide sufficient support to secured creditors? Quick, efficient, reliable?

**Efficiency**: Is the filing process clear, simple, cost-efficient and cover all interests?
Asia Pacific reforms progressing ...

Australia  PPSA 2009; registry effective 2012
Brunei     PPSA 2016; registry effective 2016
China      Property Law 2008; AR collateral registry – PBOC; Movable collateral registry – AIC
New Zealand PPSA 1999
Philippines PPSA 2018; registry and operationalisation pending implementation
Thailand   Business Collateral Act 2015 – reforms still required
Vietnam    Civil Code 2015; Secured Devices Registration Decree 2017

Supported by international mechanism/guidance ...

UNCITRAL Model Law on Secured Transactions + Guides to Enactment, Implementation of Registry, Rights in IP
UNIDROIT Cape Town Convention
UNCITRAL Convention on Assignment of International Receivables
Law reform is necessary, but not sufficient...

**Law reform**: Improve laws in line with global best practice (e.g., UNCITRAL)

**Registry reform**: Establish online, centralized, low cost movable asset collateral registries

**Ecosystem development**: Enabling industries (valuation, collateral management, credit information, credit insurance)

**Capacity building**: Market expertise, awareness of products – creditor, debtor, regulator

**Enforcement**: Reliable, fast efficient collateral recovery/disposition; insolvency
To achieve policy priorities.

- **Domestically** … expand lending market to collaterals previously unavailable – moving beyond real estate to receivables, equipment, inventory – establishing new product availability > factoring, supply chain finance, warehouse finance, asset based lending

- **Internationally** … greater harmonization facilitates efficiency and transparency, reducing complexity as systems converge on best practices promulgated under the Model Law to provide credit support to international trade, primarily benefiting SMEs

- **Future Opportunity** … upon ratification of Convention on Assignment of International Receivables by contracting states creates common framework with clear rules around future receivables, anti-assignment, priority, location of assignment perfection to further expand international trade support

But, how is access to credit leveraging secured transaction reform actually unlocked to benefit SMEs... ?
Case Study: United States

UCC enacted across all 50 US states over ~20 years
1950s – 1970s

Today - largest and most robust market for secured credit, particularly
to SMEs

Although commonplace amongst banks today, early adopters were not
generally banks ....

Inventory Finance: ITT Commercial Finance, Borg Warner
Auto Floorplan: GMAC, Ford Credit, Chrysler Credit
Factoring: Heller Financial, GMAC, +++
ABL: Foothill Capital, Congress, GE Capital
Leasing: CIT, Newcourt, Associates, GE Capital
Case Study: China

Property Law enacted in 2007
Provides for moveable asset financing in China

Leasing Industry¹

Enabled growth in leasing market

11,777 Leasing Firms (2018)

Up from 80 (2006)

RMB 6.65 Trillion (2018)

Commercial Factoring Industry²

NDTL development has been rapid – and expanded access to credit for SMEs

Established 2012

3 trillion RMB financed since 2012

1,200 billion RMB funded in 2018

Impacting 1,200,000 SMEs

Thank You
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