

# UNLOCKING ACCESS TO CREDIT

*REFORM STRATEGIES TO SUPPORT THE CREDIT ECOSYSTEM FOR INTANGIBLE ASSETS*

**FINANCING SOUTHEAST ASIA'S DEVELOPMENT PRIORITIES**

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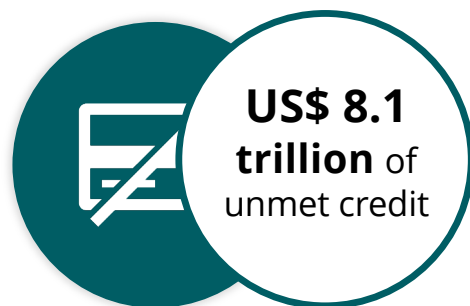
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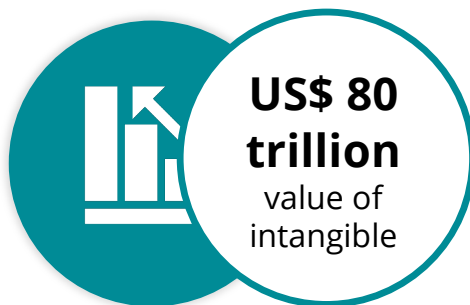
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# The Problem: 'A Gap Within The Gap'



## MSME Credit Gap

- Global: \$5.2tn (formal) + \$2.9tn (informal)
- Asia-Pacific: \$2.4tn
- ASEAN: \$300 bn



## Intangible Assets

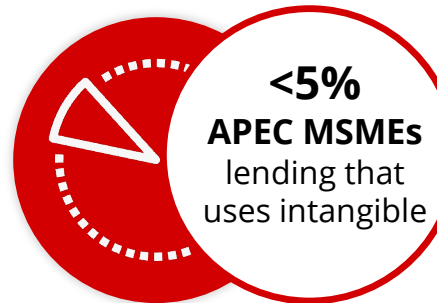
- Global value: 28-33% annual increase.
- APEC: 40-50% of MSME value.

## Secured Transactions Law Reforms



- Rationale: STL reforms aim to **reduce lending risk** by enabling **assets commonly held** by MSMEs to be used as collateral.
- STL Reforms in APEC: represent **65%** of APEC's GDP

## The 'MSME Intangibles Gap'



- APEC banks: **83%** require tangible collateral.
- Potential: IP collateralization (*China*: \$70bn in 2024); **factoring** (critical for supply chain financing); **pilot programs** (*Malaysia, South Korea*).

# What Limits The Use of Intangibles as Collateral?

## Common Issues

### Legal Fragmentation

- Disharmonious adherence to international standards (UNCITRAL, UNIDROIT)
- Limited attention to intangibles

### Limited Regulatory Coordination

- Intangibles are not eligible credit protections
- Licensing uncertainties for NBFIs

### Systems Interoperability Issues

- Collateral registries and credit information systems may not be coordinated

### Low Market Development

- Unfamiliarity with credit products limits the development of secondary markets

## Analysis & Trends

### Negative Feedback Loop

Limited market adoption → reduces the focus on law & regulation → hinders product offering, and market development

### Reform Focus and Impact

Correlation: Economies promoting the use of intangibles show a wider market adoption

### Policymakers Role

Law reforms: Adherence to international standards is complemented by coordinated policy actions supporting intangibles-backed credit

*Addressing common issues requires specific reform strategies*

# Solution: “Product-Focused Reform Strategy” (PRS)

## Focus: Specific Credit Products

Identify **products collateralizing intangibles** (e.g., receivables, IP, data, digital assets, etc.) for specific MSME segments based on current (i) needs, (ii) market practices, and (iii) legal infrastructures.

## Testing: Support Product Adoption

Test identified credit products through **pilots** and **sandboxes** to (i) break the *first mover dilemma* by curbing risk and building capacity, (ii) collect information on markets, collateral, and potential challenges, and (iii) define local best practices and case studies.

## Reforms: Progressive and Coordinated Adjustments

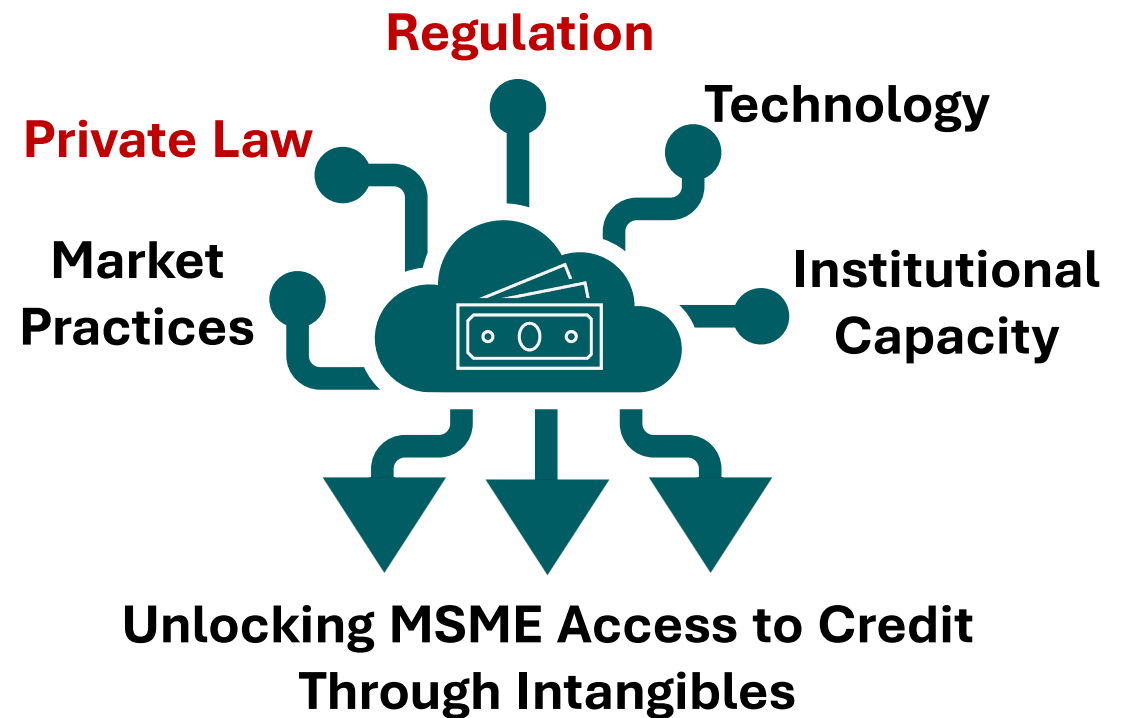
Implement law reforms progressively, adhering to **international standards** and ensuring **regulatory coordination** to (i) resolve immediate impediments affecting selected products, (ii) build viable legal and regulatory frameworks, and (iii) promote wider adoption.

# Conclusion

1. The credit ecosystem tends to remain locked in a **path-dependent pattern**, limiting the deployment of intangibles for MSME lending.
2. To unlock the potential of intangibles, a **change in lending behaviors** is needed.
3. A **PRS** ensures the establishment of a **cohesive framework** allowing lenders to test and develop new credit products.

## Possible Applications:

- Reverse factoring → MSME suppliers
- IP securitization → tech-intensive SMEs





**THANK YOU**

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