SECURED TRANSACTIONS & COLLATERAL REGISTRY REFORMS

RECENT DEVELOPMENTS IN AFRICA, MIDDLE EAST, EASTERN EUROPE, CENTRAL & SOUTH ASIA

WORLD BANK GROUP
Finance & Markets

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Secured Transactions Programs: WBG Business and Delivery Model
BUSINESS AND DELIVERY MODEL – HOLISTIC APPROACH

1. Legal and Regulatory Framework
   - Create Committee
   - Draft new STCR Law
   - Raise awareness
   - Submit Law to Parliament
   - Draft regulations
   - Revise Central Bank regulations

2. Creation of Electronic Registry
   - Support drafting of technical specifications
   - Support procurement process
   - Support operation of the registry
   - Training/awareness

3. Building the Capacity of Stakeholders
   - Training and awareness raising stakeholders (public & private stakeholders), including law and registry
   - Technical training to industry players

4. Monitoring Impact & Communications
   - Develop M&E plan including baseline information
   - Conduct periodic monitoring of impact through registry indicators & surveys
   - Independent evaluations
   - Communications
OUR MODEL BASED ON INTERNATIONAL STANDARDS

- UNCITRAL Legislative Guide on Secured Transactions/Model Law and the Registry Guide.

- World Bank Principles on Insolvency and Creditors Rights

- IFC Guide on Secured Transactions and Collateral Registries
KNOWLEDGE MANAGEMENT TOOLS

- Toolkits
- Surveys
- Impact evaluation
- Network Building
- Factsheets
- Knowledge Sharing
- Publications
- Events – Peer learning
DOING BUSINESS GETTING CREDIT INDICATOR

<table>
<thead>
<tr>
<th>Borrowers and Creditors Right Index (0-12)</th>
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<tbody>
<tr>
<td>OECD high income</td>
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<tr>
<td>Europe &amp; Central Asia</td>
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<tr>
<td>East Asia &amp; Pacific</td>
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<tr>
<td>Latin America &amp; Caribbean</td>
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<tr>
<td>South Asia</td>
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<tr>
<td>Sub-Saharan Africa</td>
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<td>Middle East &amp; North Africa</td>
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</tbody>
</table>
G20 ACTION PLAN ON SME FINANCING

The G20 should encourage G20 countries and non G20 countries to fully develop credit infrastructure for SMEs, improve SME financial capability through targeted learning and support interventions and enable competition through an enabling regulatory environment.

Lack of a sound financial infrastructure is one of the major problems in the credit market for SMEs. Having a solid financial infrastructure will help countries to reduce the information asymmetries and legal uncertainties that increase risk to lenders and constrain the supply of finance to SMEs.

The priority reform measures are:
1. Improvements of the credit reporting framework for SMEs
2. Reforms that allow banks and non-banks to lend to SMEs against movable collateral
3. Insolvency reforms
Impact of Reforms Globally and Latest Developments
CURRENT GLOBAL PORTFOLIO STCR

AFRICA
- Burundi
- Cameroon
- Cote d’Ivoire
- Ethiopia
- Ghana
- Kenya
- Lesotho
- Liberia
- Madagascar
- Malawi
- Malawi
- Nigeria
- Sierra Leone
- South Africa
- Sudan
- Zambia
- Zimbabwe

MENA
- Afghanistan
- Jordan
- Lebanon
- Palestine
- Morocco
- Egypt
- UAE
- Pakistan

EAST ASIA & PACIFIC
- China
- Lao PDR
- Mongolia
- Philippines
- Vietnam
- Indonesia

SOUTH ASIA
- India
- Sri Lanka
- Bangladesh
- Nepal
- Bhutan

ECA
- Azerbaijan
- Belarus
- Tajikistan
- Uzbekistan
- Kyrgyzstan
- Armenia
- Georgia

LAC
- Belize
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Haiti
- Trinidad and Tobago
- Mexico, Paraguay
- Peru
- St Lucia

Pipeline
Kosovo, South Sudan, Uganda, Cape Verde, Cambodia
BHUTAN: The draft amendments to Movable and Immovable Property Act that was adopted by the Council of Ministers last year and is currently being discussed and reviewed within the Attorney General Office and will be submitted to the Parliament for enactment.

INDIA: Comprehensive amendments were enacted into SARFAESI Act to expand the scope of the movable properties included under the Act as well as to enhance the priorities and enforcement provisions to promote the use of movable property as a security for loans.

BANGLADESH: Central Bank and MoF have signed the Cooperation Agreement with IFC to start the implementation of a comprehensive secured transactions reform. The project team completed the legal diagnostic and presented the findings to BB and MoF.

SRI LANKA: The new Secured Transactions Act has been going through review process by various government counterparts. After the approval of the new law, CRIB (PCB) will launch collateral registry.
JORDAN: Ministry of Industry and Trade completed the development of the leasing registry application. It is to be launched soon. Once the new Parliament approves the Secured Transactions Law, the registry will be opened to other creditors under the broad scope of this Law.

MOROCCO: The Ministry of Finance conducts the review of proposed draft amendments into the Code of Obligations and Contracts aimed at reforming secured lending legal framework in Morocco. In parallel, a work has commenced on drafting the Implementing Regulations.

PAKISTAN: In July 2016, Pakistan enacted the new Law on Secured Transactions. The MoF was appointed to host the Collateral Registry. The work is currently ongoing on assessing various registry operational models and on drafting and enacting necessary by-laws.

AFGHANISTAN: With the enactment of the secured lending law and the launch of collateral registry several years ago, the focus has been on building capacity of local stakeholders in secured transactions. Currently, all financial institutions are using the registry system and there are currently 5000 notices registered.
EGYPT: The new secured transactions law was enacted in Egypt in 2015. Egyptian Financial Supervisory Authority adopted executive regulations (enacted in December 2016) and started the work on establishing online collateral registry.

WEST BANK & GAZA: Palestine witnessed the enactment of the ST law and the launch of the modern collateral registry this year - a first country in the Middle East to achieve such a millstone. The focus now is on supporting the Ministry if National Economy to ensure usage of the new registry system by local stakeholders.

UAE: Secured Transactions Law was adopted in December 2016 and the work on enacting Regulations is ongoing. In parallel, the Ministry of Finance started the procurement for the collateral registry software.

TUNISIA: a new Secured Transactions Law has been drafted and is going through review in the government. MOJ is leading the reform. Institutional assessment is planned.
UZBEKISTAN: The Law on Collateral Registry was enacted in 2014 and the Registry launched in 2015. Currently, the focus is on drafting amendments into the Civil Code to further reform secured lending legal regime in Uzbekistan.

AZERBAIJAN: The new draft law on secured transactions was developed in Azerbaijan in partnership with the Ministry of Economy which currently undergoes review in the President’s Administration. It is expected that the new law will be enacted towards the end of this year and the work on building collateral registry can commence after that.

BELARUS: The Decree on Pledge Registry was enacted in 2016 and the Registry launched in September 2016 under a newly adopted Regulations of the Council of Ministers. A second legislative reform phase is underway.

TAJIKISTAN: Central Bank has been spearheading the efforts to reform secured lending legal regime in Tajikistan based on the number of changes to several acts. Currently reviewed by the MPs.
KYRGYZSTAN: Changes to the Law on Pledges were enacted this year paving the way for the creation of the on-line collateral registry. New registry system is completed and will be launched next month.

KOSOVO: The Law on Pledge of Movables was enacted in 2012 and the registry launched in 2014. WBG conducted a comprehensive review of the legal and institutional framework for secured transactions in Kosovo in August 2016. Reform is needed to fix the gaps.

BULGARIA: The Law on Pledge of Movables has been amended in December 2016. The new changes have weakened the existing framework especially with respect to the registration system.

GEORGIA: The government of Georgia is considering a new reform of ST regime in Georgia with the view to bring the legal and institutional aspects in line with best practice.
BURUNDI: The project stalled in 2015 due to political instability, however recent engagement indicates a fresh start to the project may be likely in the near term.

GHANA: Established under the Borrowers and Lenders Act with go-live in 2012, over US$12 billion in financing has been extended to in excess of 35,000 SMEs supported by registrations on the Collateral Registry. Phase 2 began June 2016 advancing amendments to the law, registry enhancements and further capacity building activities.

LIBERIA: Liberia’s Collateral Registry went live in 2014, just days before the Ebola crisis was declared. The WBG has extended the project till the end of 2017 in order to reinvigorate awareness and capacity building activities to increase uptake.

MALAWI: The registry has been launched publicly in November 2015, and initial usage and feedback from the users has been excellent, including strong buy-in from the agricultural sector.
AFRICA (Continued)

**NIGERIA:** The National Collateral Registry System went live on 25 May 2016 with a further phase of reforms to the Secured Transactions in Movable Assets Bill undergoing public hearing in November 2016.

**SIERRA LEONE:** The collateral registry went live on 21 December 2016 based on the law adopted earlier.

**ZAMBIA:** The Movable Property (Security Interest) Act was enacted in April 2016 with the prototype register going live in October 2016. The WBG continues to support in awareness raising and capacity building activities with all key stakeholder groups.
UGANDA: To date the WBG has undertaken a feasibility study, supported the engagement of a legal consultant to draft a new Bill and assisted with informational visits. Donor funding to advance this project is expected in the near term.

ETHIOPIA: The objective of the project is to increase access to credit for businesses (mostly SMEs) in Ethiopia by developing a sound legal, regulatory and institutional framework for movable assets based lending founded on international good practices. After conducting in-depth diagnostics, the government is working on the draft law.

KENYA: Kenya is actively working towards enactment of their legislation before the election in August 2017 with a registry go-live in close proximity.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Bank Users</td>
<td>All</td>
</tr>
<tr>
<td>Government Account (FSD/DAB)</td>
<td>15</td>
</tr>
<tr>
<td>Micro Finance Institutions (MFIs)</td>
<td>1</td>
</tr>
<tr>
<td>Total Number of Registered Notices</td>
<td>5023</td>
</tr>
<tr>
<td>Total Number of Search</td>
<td>9318</td>
</tr>
<tr>
<td><strong>Total Value of Registered Credit</strong></td>
<td>$ 800 million</td>
</tr>
<tr>
<td>Chargor Size (Less than 15 Employees)</td>
<td>2116</td>
</tr>
<tr>
<td>Chargor Size (Less than 30 Employees)</td>
<td>299</td>
</tr>
<tr>
<td>Chargor Size (Less than 50 Employees)</td>
<td>88</td>
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<td>Chargor Size (Less than 100 Employees)</td>
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<td>Chargor Size (More than 100 Employees)</td>
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<tr>
<td>Ownership Composition (Male)</td>
<td>2552</td>
</tr>
<tr>
<td>Ownership Composition (Female)</td>
<td>10</td>
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<tr>
<td>Ownership Composition (Male &amp; Female)</td>
<td>23</td>
</tr>
</tbody>
</table>
• Reform is ongoing since 2010;
• Law was enacted in 2012 falling short of every standard;
• New draft Law was passed by the Council in 2014 but has not been enacted by the Parliament;
• A registry for lessor’s interests to be launched soon.
THANK YOU
ANNEXES
COLLATERAL REGISTRY IN LIBERIA

- Chapter 5 of Commercial Code (2010)
- Central Bank Registry Regulations (2013)
- Launch in June 2014, more than 500 registrations were made with almost 455 MSMEs benefiting (50% women entrepreneurs)
- Total value of new registrations is USD 237 million
• Law on Collateral Registry adopted in 2013
• Registry launched in 2014
• Currently more than 270,000 registrations
• New package of legislative amendments to be adopted
PALESTINE REGISTRY FOR INTERESTS IN MOVABLE ASSETS (RIMA)

• Launched in June 2016 (first in MENA)

• Operated by the Ministry of National Economy;

• Covers Interest of all types of secured parties and lienholders

• Functions under a modern Law on Secured Transactions and related by-laws (all enacted)
MALAWI PERSONAL PROPERTY SECURITY REGISTRY

- Personal Property and Security Act adopted in 2013;
- Registry launched in November 2015;
- Operated by the Department of Registrar General (DRG).

<table>
<thead>
<tr>
<th>Country</th>
<th>Results to date (as of March 24, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td></td>
</tr>
<tr>
<td>Launch of collateral registry:</td>
<td>November 27, 2015</td>
</tr>
<tr>
<td>Special characteristics:</td>
<td>None</td>
</tr>
<tr>
<td>Number of registrations:</td>
<td>328</td>
</tr>
<tr>
<td>Number of SMEs:</td>
<td>8</td>
</tr>
<tr>
<td>Number of Micro:</td>
<td>0</td>
</tr>
<tr>
<td>Number of women-borrowers:</td>
<td>19</td>
</tr>
<tr>
<td>Total value of financing facilitated:</td>
<td>$2,120,632</td>
</tr>
<tr>
<td>Value of financing to SMEs:</td>
<td>$32,111</td>
</tr>
<tr>
<td>Value of financing to women-owned SMEs</td>
<td>$0</td>
</tr>
</tbody>
</table>
INDIA IMPLEMENTED REFORM


Ministry of Finance issued a notification to expand the scope of the security interests that can be registered in the CERSAI (Collateral Registry).
More than 100 local SMEs have received more than US$ 10 million. Created hundreds of new jobs.

SMEs use movable assets (contracts, receivables, equipment) as collateral

No defaults in the 30 months that program has been operating

OVERALL – 77,500 loans registered for a value of US$12 billion. More than 8,000 SMEs and 30,000 Micro received loans. Collateral by type: Inventory & receivables (25%), Household goods (20%), vehicles (19%)
Reform Challenges and Lessons Learned
LESSONS LEARNED

1. Partner with a strong institution with strong political clout. Public and private commitment is critical.

2. Reform based on international accepted standards can be done in any legal system but more difficult to accept in civil law countries.

3. Local ownership is key: client monetary or in-kind contributions; local lawyers, local software solutions and IT support strengthen client ownership and sustainability.

4. Solid legal regime is important but so is a modern well designed registry and extensive training.

5. Financial institutions need to be willing to lend. If they don’t you can have the best system in the world but the impact will be insignificant.