ABL Implementation in LAC
THREE PHASE IMPLEMENTATION APPROACH: INTERGOVERNMENTAL + STATES + BANKS

Phase 1: Int’l Orgs, Standards

Phase 2: States, Laws & Registries

Phase 3: Private Sector, Lending
Asset Based Lending Characteristics:
- Finances the company based on its assets (A/R, Inventory) instead of available RE as collateral.
- Provides more financing than cash flow lending, based on value of movable assets.
- Advances based on likelihood of converting assets to cash.
- Requires that all sale proceeds reach the collection account of financing company.
- Needs monitoring of Collateral and Borrowing Levels.
- Low Bank losses, since all borrowing is collateralized by assets, lender can stop additional fundings and collect proceeds, exiting the loan.
Asset Based Lending Revolving Line Operation

Collection ➔ 

Revolving Credit Line ➔ Raw Material Purchase

Raw Material Purchase ➔ 

Manufacturing Process ➔ 

Sale of Product ➔ Draw Down

Draw Down ➔ 

Payment ➔ 

Drawing of Credit Line ➔ Collection
ABL Implementation

More than Movable Assets Reform + Efficient Collateral Registry

Movable Asset Law Implemented

Collateral Registry

Foundations

Other Aspects to Consider

Competing Products

ABL knowledge GAPs

Bad experience in repossessing movables judicially

Loan reserve requirements

Asset Based Lending

End Goal
Stakeholders for ABL in Mexico

Public Sector
Creation of a favorable environment to implement ABL in Mexico

NAFIN (Dev’t Bank)
Registry (Economy Ministry)
Hacienda (Finance Ministry)
CNBV (Bank Regulator)

Banco de México

Private Sector
ABL Pilot Implementation in 1 or 2 Banks

Banks
SMEs

World Bank Group (WBG)
1. Series of Product Awareness Seminars delivered in the Country

2. ABL Product Presentation to Some Banks

3. Interested Bank to execute a Diagnostic Agreement with WBG

4. Prepare Bank’s diagnostic

5. Perform Diagnostic in Bank’s premises (3-5 Days)

6. Prepare Technical Assistance Program based on Identified knowledge GAPs

7. Deliver Technical Assistance for the Bank (9 Months +)
Colombia’s Latest Developments

WBG Approach for the First ABL Diagnostic

Background:
• Colombia has Secured Transactions Reform, New Collateral Registry Implemented and ABL seminars completed
• ABL was presented to the Bank on Nov, 2016.
• Bank requested WBG to give them TA to implement ABL Pilot.

WBG Approach for the First ABL Diagnostic in a LAC Bank:
• Research Bank’s Products for Companies
• Designed a Diagnostic plan to gather information on the relevant topics for ABL to detect skill GAPs
• Partnering with CFA to:
  • Review Diagnostic Plan
  • Support during Diagnostic
  • Review TA Plan for Implementation
  • Support in training for Some ABL specific areas