

<https://www.youtube.com/watch?v=Kz66RuMwHA>
[A
https://www.youtube.com/watch?v=bFukYy7
Hzq4](https://www.youtube.com/watch?v=bFukYy7Hzq4)
[https://drive.google.com/open?id=0BwbEJx6J
hl_IYl93eWRHQUNNNjQ](https://drive.google.com/open?id=0BwbEJx6Jhl_IYl93eWRHQUNNNjQ)

SECURED TRANSACTIONS REFORM FOR GREATER FINANCIAL INCLUSION

PERSONAL PROPERTY SECURITY ACT



Creating Markets, Creating Opportunities

Griselda (Gay) Santos
Senior Financial Sector
Specialist

October 2, 2018

Footer

MSME Financing Landscape – Policy Side



MSME Financing Landscape and the Filipino Credit Profile – Financial Sector



- Only less than 1% of Philippines' GDP goes to MSME financing
- Mismatch between collateral requirements vs. what MSMEs own
- Access to Finance for MSMEs remain a challenge

Sources: DTI-IPO Pictures BSP Statistics

Philippines: Credit Profile (% of 15+) – World Bank Findex Data (Total Population is 104 million; 69 million 15+)



- Philippines among the highest - borrowing from friends and family at 35%= 24 million (East Asia = around 30%)
- 11% borrowed formally
- Around 10% from private informal lending
- Credit Gap to MSMEs – around USD2 billion
- 54 million Filipinos need to be in the system

“The Challenge is the source of opportunities for the Fintech Community.”

- The Market - Around 2 billion people don't use formal financial services and more than 50% of adults in the poorest households are unbanked
- National Financial Inclusion Strategy can help increase reach
- Digitizing government to person cash transfers
- **Opening up the market and legal and regulatory framework (credit infrastructure reforms)**

Promoting Greater Financial Inclusion: The Personal Property Security Act – Secured Transactions Reform



Personal Property Security Act – RA 11057 was signed by the President on August 17, 2018



Bank Accounts



Accounts Receivable



Inventory and Raw Goods



Intellectual Property Rights



Industrial and Agricultural Equipment



Durable Consumer Goods



Agricultural Products (crops, livestock, fish)



Vehicles

Personal Property Security Act and the Warehouse Receipts Bill

Personal Property Security Act R.A. 11057

- Defines Personal Properties that can be used as collateral (accounts receivables, warehouse receipts, inventory, intellectual property etc.)
- Provides overall framework for use of personal property which includes warehouse receipts as collateral
 - ✓ Creation and Perfection of Security
 - ✓ Clear priority rules - foreclosure
 - ✓ Enforcement
 - ✓ Registry

Warehouse Receipts Bill

- Provides for a simplified, unified and modern framework for storage of goods in warehouses
- Professionalization of the warehouse industry with the creation of a Council chaired by SEC to implement and oversee accreditation of warehouses and warehousemen
- Transparency in the system - Creation of Uniform Registry System for Electronic Warehouse Receipts and Registration of Accredited Warehousemen
- Credibility with accountability - Requirement of bonds for warehousemen, defines duties and accountabilities of the warehousemen

Game Changer in MSME Financing – What these means for Financial Institutions



- More Opportunities to expand your portfolio based on personal property as collateral
- Enhanced risk management tools through the centralized registry
- More protection through clear priority rules
- Faster due diligence process on loan application using personal property as collateral
- Lower cost - lesser time to do due diligence on personal property as collateral

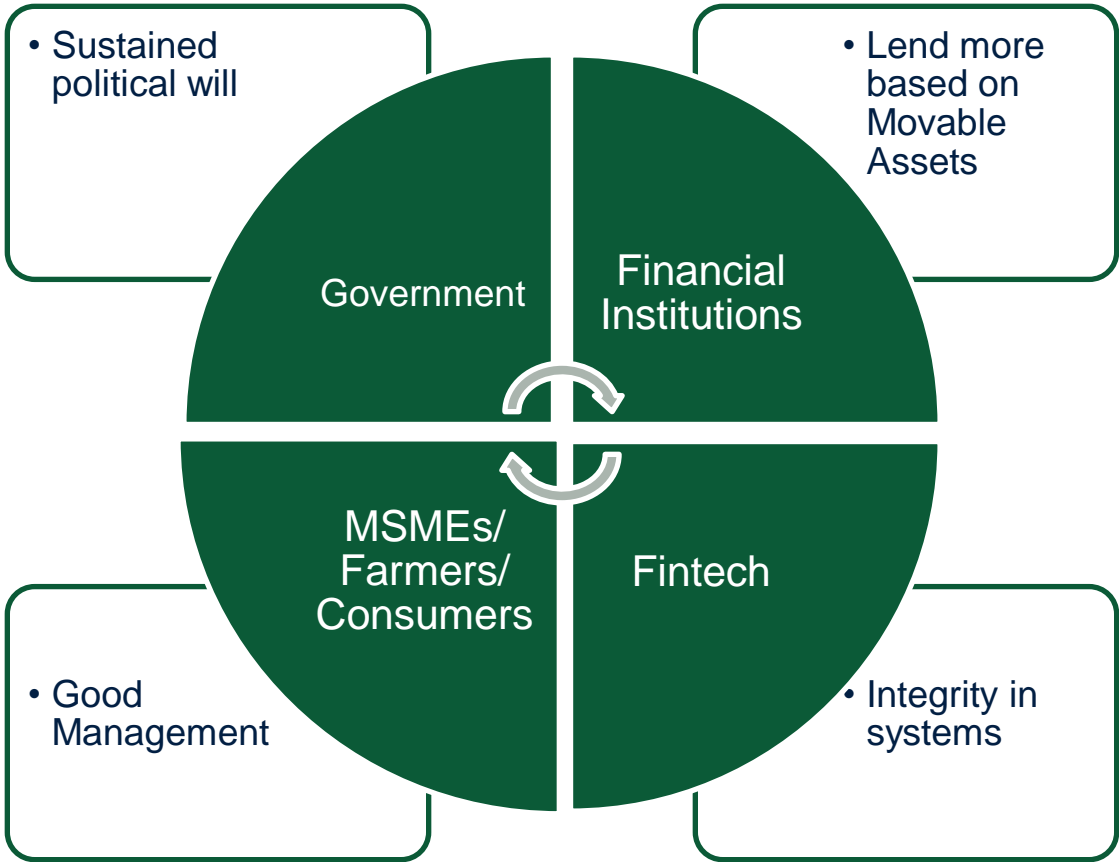
Next Steps



- Drafting of Implementing Rules and Regulations
- Exploring expanding warehouse receipts and trade receipts finance
- Possible pilot with Small Business Corporation for MSMEs in Cold Storage Association
- Warehouse Receipts Law was lodged in Senate in August 2018
- Creation of the Registry - LRA

Sources: Entrepreneur, August 22, 2018

The Way Forward – Creating Trust in the System



Thank You !

The views and judgments of this presentation are those of the author. The conclusions and judgments contained herein should not be attributed to and do not necessarily reflect the views of IFC, or its management and Board of Directors, or the countries they represent. The author, by means of this document, is not rendering any professional advice or service, and shall not be responsible for any loss sustained by any person who relies on this presentation as a substitute for professional advice or service.

SME or Vendors: Inventories or Account Receivables as Collateral

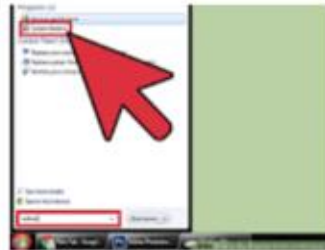


•1. Sari-sari store owner or market vendor wants to expand business

•2. Sari-sari store can present his/her store inventories as collateral

•3. Sari-sari store owner or market vendor goes to Bank to apply for a loan

•Bank reviews application and does due diligence and approved the loan



•4. Sari-sari store owner gets proceeds of the loan

•5. Bank registers collateral

•6. Sari-sari store owner expands business.

Farmers: Warehouse Receipts



•1. Farmer harvest corn or any particular crop

•2. Harvested corn can be stored to a warehouse

•3. Warehouse issues warehouse receipt to be used by farmer as collateral to access loan from Bank



•4. Farmer presents warehouse receipt as collateral to apply for a loan from the Bank

•5. Loan of farmer is reviewed and approved by Bank and farmer walks out with cash borrowed

•6. Bank registers collateral

•7. Farmer can use cash to plant other crops or buy machinery