B20 Financing Growth Taskforce Policy Paper

September 2015

Table of contents

Executive summary ... 3

Taskforce constitution and process ... 5

Introduction ... 6

Part A: SME Financing ... 7

RECOMMENDATION 1: Make Information On SME Creditworthiness More Available And Reduce Risk In SME Financing ... 9

RECOMMENDATION 2: Broaden And Deepen SME Access To Alternative Financing ... 15

Part B: Regulation ... 22

RECOMMENDATION 3: Finalize And Improve Implementation Of Global Financial Regulatory Reform Agenda ... 23

RECOMMENDATION 4: Reiterate Need For Regulatory Consistency And Improve Process For Consultation ... 27

Conclusion ... 30

Value calculation methodology ... 31

APPENDIX: Taskforce schedule and composition ... 32

List of acronyms and glossary of terms ... 38

For other B20 taskforce policy papers and the B20 Policy Summary please see http://b20turkey.org/policy-papers/

EXECUTIVE SUMMARY

This year the B20 Financing Growth Taskforce (FGTF) focused on two overarching themes: 1) facilitating financial inclusion with a focus on small and medium-sized enterprises (SMEs) and 2) improving global financial regulation.

SMEs are among major drivers of economic growth and employment. Access to financing remains as a major constraint for SME growth. One major reason is the poor information environment. Transparent and reliable information on the financial performance of SMEs is hard to collect. Several factors contribute to this lack of availability of data, including informality, absence of filing requirements, non-adherence to financial accounting standards, and lack of credit bureaus and collateral registries.

Even if information on SME performance and creditworthiness is improved, financing SMEs will remain inherently riskier than lending to or investing in larger companies. New lending by banks to SMEs has fallen substantially in many G20 countries since the start of the global financial crisis, adversely affected by weaknesses in borrowing demand and more cautious attitudes toward risk. Alternatives to bank financing have been slow to compensate, constrained in many countries by capital market infrastructure and weak ecosystems that support market-based financing.

The global financial crisis required an overhaul of the financial regulatory framework and the establishment of stricter global standards. With the initially proposed G20 agenda almost fully adopted by some jurisdictions, the priority is now to implement those measures that remain. The challenge is to do so without curtailing banks' ability to lend, worsening SMEs' access to funding and, as a result, their ability to continue to support economic growth. New financial regulations have been implemented mainly at a national or regional level, but not necessarily in a consistent manner. A key challenge now is to finalize implementation in a way that builds momentum towards achieving greater consistency across markets, jurisdictions, sectors, and asset classes.

The B20 Financing Growth Taskforce recommends the following four actions to facilitate SME financing and improve regulation of markets.

1. **Make information on SME creditworthiness more available and reduce risk in SME financing:** Improve availability of SME creditworthiness by putting in place standard business reporting rules, strengthening collection, storage and distribution of SME financial performance data, and fostering establishment of SME scoring and rating agencies. Furthermore, reduce risk in SME financing by establishing and strengthening officially supported credit guarantees for SMEs, promoting secured transaction laws, and providing tax incentives for balance sheet equity.
2. **Broaden and deepen SME access to alternative financing:** Offer sources of financing, alternative to bank lending, including supply-chain financing, crowdfunding, hybrid financing instruments, leasing, capital market, and private equity funding.
3. **Finalize and improve implementation of global financial regulatory reform agenda:** Finalize the implementation of the current agenda and implement the planned additional regulatory requirements based on careful and proportionate calibration, continued commitment to the use of comprehensive regulatory impact assessment and revision, where needed, of the global regulatory framework in line with impact assessment.
4. **Reiterate need for regulatory consistency and improve process for consultation:** Improve regulatory consistency and establish institutional mechanisms to strengthen regulatory cooperation by, among other things, evaluating implementation based on

principles and outcomes and giving greater consideration to specifics of emerging economies.

Financing Growth Taskforce emphasizes that effectively addressing the many diverse but interrelated impediments to SME financing will require ongoing and coordinated efforts across multiple disciplines. Accordingly, the taskforce recommends G20 to task an international platform, such as the new World SME Forum (WSF) initiative of Turkish G20 and B20 leaderships, to better meet the need for coordinated advocacy and advice on the policy actions needed to ease impediments to SME financing.

TASKFORCE CONSTITUTION AND PROCESS

B20 Turkey Leadership

The Deputy Prime Minister of Turkey Ali Babacan appointed an executive committee that included the representatives of Turkey's six leading business organizations to guide the work of the B20 Turkey in 2015 under the leadership of Rifat Hisarciklioglu, B20 Turkey Chair and President of the Union of Chambers and Commodity Exchanges of Turkey: Mehmet Buyukeksi, Haluk Dincer, Nail Olpak, Erol Kiresepi, Erdal Bahcivan, and Tuncay Ozilhan. The executive committee appointed Sarp Kalkan as B20 Sherpa.

B20 Taskforce Policy Development

The B20 Turkey has brought together six taskforces on Trade, Infrastructure and Investment, Financing Growth, Employment, Anti-Corruption, and SMEs and Entrepreneurship, which developed recommendations based on the contributions of their members. Built on the work of the previous cycles' taskforces, and given the G20's priority of implementation, the taskforces focused on advocacy and refinement of the existing set of B20 recommendations.

The policy development process began with a scoping exercise to develop themes for investigation. Each theme was then deeply researched and debated within the taskforce to generate draft recommendations. The draft recommendations were then refined in an iterative process and a series of actions developed to test the practicality of each recommendation. The draft recommendations were also discussed in the regional consultation meetings held in eight countries. The contributions of the taskforce members were coordinated and turned into policy papers by taskforce working groups that include chairmen's deputies, and representatives of the knowledge and international business network partners. Please see Appendix for the list of the members of the working group of the Financing Growth Taskforce.

The Economic Policy Research Foundation of Turkey (TEPAV) provided content for taskforce recommendation development, with a team led by Ussal Sahbaz, B20 Content Lead. Directly reporting to B20 Turkey Chair, the B20 Steering Committee supervised the B20 content. The members of the Steering Committee were Tunc Uyanik (chairman), Janamitra Devan, Robert Milliner, and Guven Sak.

Financing Growth Taskforce

The Financing Growth Taskforce (FGTF) was established under the leadership of Coordinating Chairs Hüsnü Özyeğin – Chairman of Fiba Holding, and Francisco González – Chairman and CEO of BBVA. Co-Chairs were: Timothy Adams – President and CEO of the Institute of International Finance (IIF), Hans-Paul Bürkner – Chairman of The Boston Consulting Group (BCG), Wang Hongzhang – Chairman of China Construction Bank, Jean Lemièrre – Chairman of BNP Paribas, and Adnan Yousif – Chairman of Al Baraka. The deputies to Mr Özyeğin were: Alsev Utku Özbey – Assistant General Manager and CFO of Fibabanka, and Korkmaz İlkorur – Vice Chair of the Finance Taskforce at BIAC-OECD. The deputy to Mr González was José Manuel González-Páramo – Executive Board Member of BBVA. The taskforce received in- depth content and process support from the Boston Consulting Group (BCG) as its knowledge partner and International Institute of Finance as its international network partner, and was ably assisted with editorial support from the SME Finance Forum, managed by the International Finance Cooperation.

The FGTF had 103 members, most of whom were senior executives in business, business associations, and professional services firms. The membership broadly represented the countries of the G20. The taskforce met three times before the B20 Conference and exchanged ideas and material between meetings. See Appendix "Taskforce schedule and composition" for details.

INTRODUCTION

This year the B20 Financing Growth Taskforce focused on two overarching themes: 1) facilitating financial inclusion with a focus on small and medium-sized enterprises (SMEs) and 2) improving global financial regulation. With implementation as its main focus, FGTF members prioritized the B20 Australia recommendations at their kickoff meeting, giving highest priority to the abovementioned two themes. Accordingly, the B20 Turkey Financing Growth Taskforce agreed to formulate four implementable recommendations focused on both priority themes, the critical nature of which has been recognized by the G20 finance ministers and central bank governors in communiqués published this year.

Actionable recommendations for this year's G20 presidency were then developed by refining deep-dive analysis into leading practices and proposed actions via an iterative process. Thorough review was made of reports by global standard setters, financial institutions, and research entities; relevant experts were interviewed and FGTF members consulted. Members were asked to engage in advocacy with home-country policy makers to discuss proposed policy actions. The FGTF met five times before the B20 Summit to exchange ideas, refine content, and review advocacy efforts

The FGTF discussed a number of other topics related to financial inclusion and growth. These include, importantly, the need for transparency in financial and commodity markets, which is essential for assuring the better pricing of risk. Moreover, the significance of the insurance and pension fund industries for SME financing merits the creation of a separate work stream under future FGTFs. Issues to be addressed include global insurance capital standards, the need to increase awareness of risk mitigation and risk pooling solutions, and how to implement global agreements on disaster risk, sustainable development, and climate change.

PART A: SME FINANCING

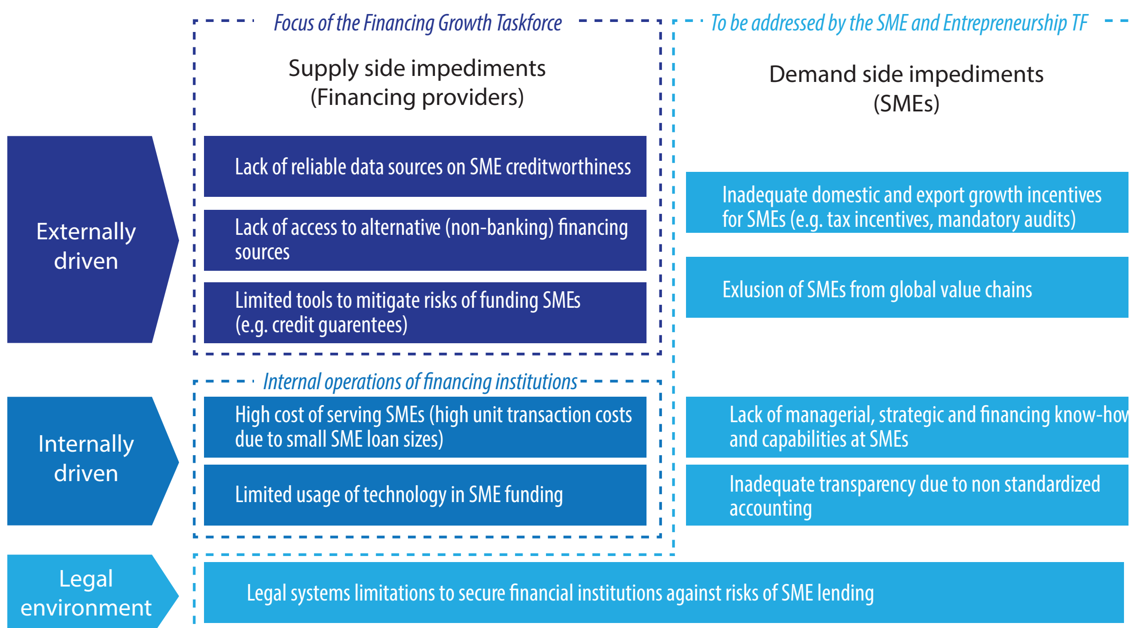
Recommendations on financial inclusion focused on SMEs

SMEs are among major drivers of economic growth and employment. However, their access to finance remains a major constraint. In response, the FGTF followed a three-step process: 1) identifying impediments to SMEs financing; 2) collecting leading-practice solutions; and 3) refining those solutions into recommended actions. Two recommendations to the G20 governments are to make data on SME creditworthiness more available and reduce risk in SME financing, and to broaden and deepen access to alternative financing.

The two recommendations on improving access to finance for SMEs were developed via a three-step process that included research and consultations with taskforce members and key experts.

1. **Identify impediments to SME finance:** Ten groups of impediments were identified and mapped across two dimensions (Figure 1). The first distinguished whether the impediment reflects supply-side issues faced by providers or demand-side ones diminishing SMEs' appetite for funding. The second sought to determine whether causal factors are external or internal to finance providers and SMEs. Grouped outside the two-dimensional framework were impediments attributable to the legal environment, which operate on both supply and demand side, for providers as well as SMEs. Demand-side impediments were identified as being more related to operational environments and the managerial abilities and sophistication of SMEs, issues it was judged best to leave for the newly established SME and Entrepreneurship Taskforce. The FGTF then decided to focus on the externally driven, supply-side impediments mapped in the upper left-hand corner of Figure 1[1].

Figure 1: SME financing impediments



1 Please see B20 SMEs and Entrepreneurship Taskforce Policy Paper for a detailed discussion on the issues on the other three quadrants of Figure 1. Link

2. **Identify and classify leading-practice solutions:** The FGTF identified "leading-practice solutions" that effectively address the SME financing impediments identified in step 1 (above).
3. **Iterate and refine leading-practice solutions:** Leading-practice solutions were identified and discussed with FGTF members in meetings and teleconferences and offline comments collected and incorporated to outline a comprehensive solution set.

RECOMMENDATION 1: Make Information On SME Creditworthiness More Available And Reduce Risk In SME Financing

Reference	FG 1
Recommendation	Improve availability of reliable data on SME performance to support risk assessment and foster development and expansion of tools that reduce risk in SME financing.
Owner	Individual G20 governments.
Timing	Provide a status update by the G20 2016 Summit.

Context

Transparent and reliable information on the financial performance of SMEs is hard to collect. Several factors contribute to this lack of availability of data, including informality, absence of filing requirements, non-adherence to financial accounting standards, and lack of credit bureaus and collateral registries. However, financial institutions and other lenders need accurate financial data to make lending decisions for credits that cannot be readily backed by guarantees or collateral. Reliable data on SME financial performance and creditworthiness is also needed to generate ratings on which capital market financing depends and the credit scores required by vendors and supply chain creditors. Improvements in the availability of reliable data on SME creditworthiness can have a major positive effect on SME financing across a broad range of providers by lowering credit-assessment costs and qualifying a wider range of borrowers for more credit on easier terms.

Even with improved information on SME performance and creditworthiness, financing SMEs will remain inherently riskier than lending to or investing in larger companies. SMEs typically face greater difficulties accessing promising markets, especially abroad, and securing skills, technology, and managerial expertise. They also face disincentives to scale and balance sheet strength embedded in the tax system, labor market and other regulations, and access to subsidies.

Actions

FG 1.1: Standardize business reporting for SMEs.

Useable credit assessments by lenders and third parties require reliable data on all major balance sheet items, especially debt obligations, along with cash flows, revenues and payments performance, including for taxes and utilities. Leading practice 1 illustrates a successful application in the Netherlands to improve the availability of reliable company data.

Leading practice 1: Standard business reporting in the Netherlands

In 2007, the Dutch government introduced the Standard Business Reporting (SBR) program, which allows the submission of simplified, harmonized and digitized financial statements online for tax filing and other government reporting requirements. The program provides significant benefits, including:

- Reduction of reporting and administrative costs
- Acceleration of submission and analysis of reports
- Synergy gains from reusing submitted data for multiple purposes
- Improvements in the quality of financial reporting and financial education among filers, and
- Ease of access to financial statements for banks, which have begun to incorporate SBR filings into credit-application procedures, qualifying more borrowers at improved terms

The program provides significant cost-saving benefits as well. An earlier estimation by the OECD indicates that SBR may have helped reduce the cost for businesses of required government reporting by 8%, corresponding to 0.2% of GDP or $1.7 billion in 2014.

Sources: SBR website, OECD, IMF. Link

In a different vein, to help better delineate the nature and scale of the challenges faced by SMEs in accessing finance, governments should offer stronger support to the efforts of global organizations by providing more complete, harmonized, and timely data on SME financing and SME finances. Furthermore, G20 governments should standardize, simplify, harmonize, and digitize financial data required by the tax authorities and other government agencies and make it available for credit-risk assessment subject to appropriate privacy protections.

FG 1.2: Strengthen collection, storage, and dissemination of SME financial performance data.

The FGTF acknowledges the efforts of those G20 governments that already have operational credit bureaus and collateral registries and the World Bank's support to other governments trying to establish such institutions. It highlights as well the importance of strong rules to ensure the protection of and proper usage of confidential information. Other public and private institutions should be permitted and encouraged to collect and disseminate more comprehensive data on SMEs, including alternative data on e-commerce payments and revenues. Better information is also needed on business environments, including the performance of individual sectors in which SMEs operate. A well-functioning credit bureau in Turkey is summarized in Leading practice 2.

Leading practice 2: Credit registry bureau in Turkey

Kredi Kayıt Bürosu (KKB – Credit Registry Bureau) of Turkey was founded in 1995 with the participation of ten banks. The bureau acts as the national credit registry and also provides credit-scoring services. Operated as an interbank entity until 2012, KKB now provides services to the real sector as well. In 2013, credit reference inquires for individuals reached 320 million. Corporate inquiries, including for SMEs, reached six million, tripling from the previous year. Nearly 150 financial institutions provide data to KKB, including banks, factoring companies, leasing firms, consumer finance providers, and insurance companies.

Two factors have contributed to KKB's expansion:

- Banking legislation allowed banks to cooperate in establishing private entities for private data sharing, through which KKB accesses raw banking data
- Legal status as Turkey's single credit registry helps assure data comprehensiveness

Sources: KKB website. Link

Data on SME finances and financial performance should be allowed to flow to credit bureaus and collateral registries, supported by appropriate protections for privacy that still allow the exchange of needed information.

FG 1.3: Foster establishment and operation of SME scoring and rating agencies.

Scoring and rating agencies mine SME performance data and use them with other information sources to create standardized credit assessments. The services they offer are aimed at different stages of the SME lifecycle. Scoring relies more on quantitative indicators than qualitative assessments by analysts and is suitable for smaller firms, mainly for credit and loan applications. Ratings, on the other hand, require in-depth analysis of a company, with results commonly used to support debt security issuance or equity market listing. Ratings costs are significantly higher than those for credit scores and must generally be covered by issuers. As a result, ratings can rarely be afforded by smaller firms and are suitable more for larger companies, including medium-sized ones graduating from the ranks of SMEs. Leading practice 3 discusses two such agencies.

Leading Practice 3: Private scoring and rating agencies to assess SME creditworthiness

FICO: The Fair Isaac Corporation spearheaded credit scoring by building the first individual commercial credit-scoring model in 1958, which was extended to SMEs in 1993. FICO scores are used by US banks as well as the Small Business Administration (SBA) in order to qualify for loan guarantees. The SBA requires FICO scores for all loan applications of less than $350,000.

CRISIL: Established in India in 1987 and acquired by Standard & Poor's in 2005, CRISIL rates mainly medium-sized and larger firms. Rated SMEs gain several funding benefits, including:

- Up to 30% increases in bank lending, and
- Up to 1 percentage point reduction in lending rates

CRISIL ratings are accepted by the majority of large banks in India and the Indian Government subsidizes up to 75% of rating fees, which are paid by issuers.

Sources: FICO, CRISIL.

G20 governments should facilitate the establishment and operation of SME scoring and rating agencies. Required legislation should be adopted and firms with the necessary know-how to score and rate SMEs encouraged where appropriate by tax and other incentives, including the required use of credit scores and ratings by officially supported credit-guarantee agencies. Adjustments should also be considered to regulations that adversely affect the business environments faced by providers of credit scores and ratings.

FG 1.4: Establish and strengthen officially supported credit guarantees for SME loans.

Officially supported credit-guarantee programs are reported by the OECD to be the most widely used instrument among member governments to improve financing for SMEs.[2] This reflects the strong near-term potential of appropriately designed guarantee schemes to lower borrowing costs, make credit available where collateral is lacking and provide capital relief to originating banks, where allowed by regulatory treatment. Official guarantees can lower borrowing costs by sharing default risks, reducing the "cost of risk" originating lenders must price into lending margins to account for expected future losses. Guarantees can also help ensure credit for younger, innovating firms with less-established financial track records and

2 *Financing SMEs and Entrepreneurs 2015: An OECD Scoreboard*, OECD, April 2015. Link

for service firms with less access to collateral than counterparts in traditional sectors such as industry and construction, but stronger potential to grow and hire. They can also provide capital relief to originating banks where supervisors recognize zero risk weights for official credit guarantees.

Adequate risk retention by loan originators is key, along with well-established risk-management processes, including third-party credit-scoring requirements, assessments of the performance of originating lenders and quick initiation of credit-recovery procedures in event of default. Appropriately priced fees are needed, along with limits on guarantees where collateral is available, to forestall moral hazard and see that market failure is effectively addressed, generating additional credit beyond what would have occurred in the absence of the guarantees. Fees need to be set low enough to encourage adequate borrower take-up, but high enough to ensure cost recovery and financial sustainability over the cycle, minimizing costs for taxpayers. Counter-guarantees can reduce concentration risk across guarantors' larger, more diversified credit portfolios, reducing the need for higher fees to recover costs. Guarantees can also qualify SMEs to bid for certain types of projects or procurement opportunities, including public sector ones, with onerous financial requirements that would otherwise be difficult for SMEs to meet.

Leading practice 4 discusses Italy's successful SME loan-guarantee program. Successful credit guarantee programs should have clear mandates, objectives, and governance. Guarantee coverage ratios should be set with care to ensure proper incentives for risk selection by lenders, as well as adequate capital relief and reductions in borrowing costs. Mostly provided by public agencies, credit guarantees can also originate in the private sector, especially among mutual guarantee societies, sharing risks with taxpayers when they are backed by public counter-guarantees. Properly designed schemes able to generate additional credit can provide an important incentive for SMEs to move out of the informal economy, especially in emerging economies.

The FGTF recognizes the World Bank's recent efforts[3] to develop principles for the design, implementation, and evaluation of officially supported partial credit guarantee schemes for SMEs. The G20 could reinforce the positive effects of official credit guarantees by: 1) endorsing those principles; 2) tasking an appropriate international body with regular review of national schemes to ensure they align with the principles and achieve financial inclusion, additionality, and sustainability; and 3) encouraging multilateral development banks at the global and regional level to develop and expand systems of interlocking counter-guarantees to further reduce concentration risk, risk costs, and break-even fees in national guarantee schemes.

3 Consultative document of the World Bank's Taskforce for Principles on Design, Implementation and Evaluation of Public Guarantee Schemes for Small and Medium Enterprises, 2015. Link

Leading practice 4: Italian SME loan guarantee fund

Italy's SME loan-guarantee fund covers up to 80% of default risk for individual loans, within a ceiling of €2.5 million of guarantees for individual SMEs. Available for loans for investments and acquisitions as well as short-term working capital, the scheme benefits both SMEs and financial intermediaries by:

- Substituting for personal guarantees and collateral normally required by lenders, helping SMEs access credit while freeing up assets for other purposes, and
- Lowering the cost of credit, with the guarantee fee set at a low level and risk and associated capital requirements reduced for the lender, raising its return on capital

From an aggregate standpoint, the scheme leverages the guarantees offered by the government, with almost €19 billion of guarantees provided by the fund in 2012–14 resulting in about €32 billion in loans to SMEs, including unguaranteed amounts. The number of deals exceeded 220,000.

Source: Intesa Sanpaolo, Italian Central Guarantee Fund website

FG 1.5: Promote secured transaction laws.

Secured transaction laws support SME financing by clarifying permissible collateral and ownership rights for collateral in case of default. Broader definitions of collateral can allow SMEs to utilize dormant assets in loan applications. Clear ownership rights resolve competing claims for the same collateral. Accompanied by well-crafted collateral registries, clear ownership rights reduce SME lending risk by providing transparency for SME assets. Leading practice 5 summarizes the secured transaction reform of 2007 in China, which has had significant positive effect on SME financing.

Leading practice 5: Secured transactions reform in China

Building on the success of a previous secured transactions initiative, which unlocked more than $3.5 trillion in financing, China continues to deepen its market for movables lending. Supported by the IFC, the People's Bank of China launched an Accounts Receivable Financing Platform, providing an innovative channel for lenders to reach SME borrowers. In its first year, the platform attracted more than 25,000 registered lenders, buyers, and suppliers, facilitating $6.7 billion of receivables loans. Secured transactions reforms has achieved the following in recent years:

- Large amounts of movables disbursements have resulted in 30-40% of outstanding credit being based on movables collateral.
- Annual registrations of loans secured with accounts receivable and financial leasing in the Credit Reference Center registry have reached 440,000 and have consistently seen double-digit growth. Cumulative registrations since the start of Credit Reference Center exceed 1.5 million.
- More than 1,000 collateral management companies have been established in China.
- China is now the world's largest market for factoring and second largest for financial leasing.

Further work is also underway to formalize the collateral management industry in China with national standards on warehouse receipts and collateral management approved and in force.

Source: IFC.

G20 governments should establish platforms for movables lending with strong legislation on permissible collateral and ownership rights, based on collaboration with global institutions on secured transaction laws and enforcement where needed.

FG 1.6: Strengthen SME creditworthiness by providing tax incentives for balance sheet equity.

Tax laws in most countries allow for deductibility of interest payments, giving borrowing and debt a tax advantage over equity. This bias has contributed to excessive leveraging in corporate balance sheets, especially those of SMEs, increasing credit risks and limiting scope for new borrowing. Borrowers with less balance sheet equity that are still able to secure credit face higher interest charges and tougher borrowing conditions, given their higher credit risk. Several countries have introduced tax incentives favoring equity, including Italy and Belgium. Other countries have prepared similar legislation. Leading practice 6 discusses several "allowance for corporate equity" tax incentive schemes.

Leading practice 6: Allowance for corporate equity (ACE)

Belgium introduced an ACE program in 2006. The program allows corporations to deduct a set small percentage of their entire stock of equity each year from pretax expenses. SMEs receive favorable treatment in the form of deductions 0.5 percentage points higher than for larger companies. Direct revenue losses have been offset at least in part by reduced tax deductions for interest expenses, thanks to a shift away from debt, and by increases in tax revenues generated by larger levels of domestic and foreign direct investment attributable to the incentive.

Introduced in late 2011, Italy's ACE applies to incorporated and unincorporated businesses, including entrepreneurs. The basis is incremental, applying to newly invested equity and retained earnings since the end of 2011 at a rate set to rise to the average estimated for interest on corporate debt.

Turkey is among several other countries considering or implementing ACE-like programs. Legislation recently enacted applies from mid-2015, enabling corporations to deduct from taxes amounts equal to 50% of notional interest on paid-in capital increases. Notional interest rates will be set at the annual weighted average interest rate on local currency bank loans as calculated by the central bank.

Sources: European Commission, Turkish Official Gazette.

The FGTF calls upon G20 governments to review tax laws and ensure a more symmetric treatment of equity and debt, including by launching allowance for corporate equity programs.

Reference	Action
FG 1.1	The G20 should call for the updating of the World Bank's General Principles of Credit Reporting in line with advances in data analytics and their adoption by individual countries.
FG 1.2	G20 governments should enact legislation to facilitate collection and storage of data on SME financial performance, including credit registries, with suitable protections for data privacy and confidentiality that allow for needed information exchange.
FG 1.3	G20 governments should act as needed to facilitate the establishment and operation of SME scoring and rating agencies, including their use for public credit guarantees.
FG 1.4	Officially supported partial credit guarantees for SME loans should be offered, aligned with best-practice principles being developed by the World Bank and subject to regular review to ensure financial inclusion, additionality, and sustainability.
FG 1.5	Secured transaction laws should be enacted or strengthened to allow for broader definitions of assets as collateral and stronger ownership rights.
FG 1.6	SME credit risk should be reduced by tax incentives favouring balance sheet equity.

RECOMMENDATION 2: Broaden And Deepen SME Access To Alternative Financing

Reference	FG 2
Recommendation	Support expanded access to non-bank financing for SMEs.
Owner	Individual G20 governments.
Timing	Provide a status update by the G20 2016 Summit.

Context

New lending by banks to SMEs has fallen substantially in many G20 countries since the start of the global financial crisis and been significantly constrained in others, adversely affected by weaknesses in borrowing demand and more cautious attitudes toward risk. Greater caution on risk reflects greater emphasis on preserving bank capital, which is now often viewed as a scarce resource to be managed with care despite sizable increases in recent years. Tighter credit standards and wider lending margins have often been the result, limiting access to finance for SMEs as bank lending has slowed.

Alternatives to bank financing have been slow to compensate, constrained in many countries by capital market infrastructure and ecosystems lacking the accountants, brokers, and other professionals required to support market-based financing. Regulatory restrictions have been tightened on investments that insurance companies and pension funds can make. A broad retreat has only recently begun to reverse for venture capital and private equity, much of which came indirectly from banks before the crisis, especially in Europe.

Newer forms of alternative financing have begun to emerge in recent years, however, some with considerable promise to improve access to financing for different segments of the SME universe, from microenterprises with fewer than ten employees to medium-sized companies with more realistic prospects to secure market financing. The FGTF discussed a "long list" of alternative financing solutions that G20 governments might promote, prioritizing eight. Three of the solutions involve alternative providers of financing, another three more specialized lenders and investors, and the final two different vehicles for accessing capital markets.

All require supportive government regulation and business environments, emphasizing market-based approaches where market failures are minimal and competing private actors can deliver needed financing. Some solutions such as crowdfunding may benefit from appropriate focus on consumer protection where it is needed to underpin confidence and facilitate growth and the achievement of meaningful scale. Other solutions could benefit from public resources to address needs market approaches cannot meet.

Public money may be useful in supporting equity capital in specialized institutions directed at priority sectors and to facilitate on-lending of funding raised at longer maturities and lower interest margins than private institutions can obtain on their own. In general, however, tax incentives may be more effective than actual or contingent public expenditure and the role for governments better realized by creating sound business environments for market-based solutions by private sector players. Properly supported by effective policy measures, alternative financing can expand across multiple fronts, complementing bank financing and providing significant support for SMEs to grow and create jobs.

Actions

FG 2.1: Support supply-chain financing.

Successfully applied in many global businesses, supply-chain financing (SCF) provides working capital to SMEs delivering goods and services within large value chains. Funding is typically extended by buyers "up the chain", which are usually large multinationals or larger suppliers able to secure funding on competitive terms from capital markets or global banks. SCF providers within these chains limit the credit risk they carry by establishing long-term business relationships with suppliers "down the chain" and by utilizing third-party scoring to qualify candidates brought into the chain. Credit risk is also limited by buying cover from established credit insurance providers. SME suppliers within these chains also secure financing against their receivables owed by buyers. Leading practice 7 illustrates an innovative supply-chain financing example from Mexico.

Leading practice 7: Mexico's supply-chain financing program

NAFIN, a development bank in Mexico, has established a reverse factoring program that has been highly effective in expanding finance to small suppliers. This arrangement allows the outsourcing of screening to buyers (effectively reducing credit risk and associated costs for lenders), improving information availability and reducing fraud, lowering transaction costs through the use of an electronic platform, increasing the speed of transactions, and enhancing competition among financial intermediaries bidding to factor supply-chain receivables.

NAFIN's online system Cadenas Productivas has provided factoring services to SMEs since 2001. Large creditworthy firms participating in the program invite suppliers to join their chain. Transactions are carried out on an electronic platform, where each buyer has a webpage. Once a supplier pledges or delivers its goods and issues an invoice to the buyer, the invoice is posted online and participating financial institutions post interest quotes for bids to factor the receivable. The supplier chooses the best quote and receives payment from the factor directly into its bank account. The factor is paid by the buyer when the invoice is due. The intermediary on-lends funds it borrows from NAFIN at a margin of no more than seven percentage points.

Source: IFC.

The FGTF suggests that G20 governments help lay the foundations of more comprehensive SCF systems by enacting the necessary legislative and regulatory environment and consider investing in online transaction infrastructures. Additionally, governments can also establish or direct public institutions to offer SCF directly to SMEs or financial intermediaries supporting SCF, drawing on international institutions with SCF know-how to support efficient and effective implementation.

A significant obstacle to the uptake of SCF programs relates to the regulatory and accounting treatment of SCF, as well as the tax implications of setting up and utilizing such programs. There is opportunity for G20 governments to address both dimensions and to work toward uniformity across markets, to reduce further concerns of large multinationals with cross-border operations. Regulations governing SCF should be supportive of its development but also aim at limiting financial risk that could include overdependence on financing from individual buyers and suppliers and limited information on credit risk taken on by SMEs and larger firms extending SCF credit.

FG 2.2: Assure legislative and regulatory support for crowdfunding.

Crowdfunding platforms have been fast-developing conduits for peer-to-peer funding, especially in the United States and United Kingdom, with global crowdfunding volumes

growing from $1 billion in 2011 to $16 billion in 2014.[4] World Bank estimates envision a further increase to $96 billion by 2025.[5]

In the United Kingdom, one of the largest crowdfunding markets, about half of crowdfunded financing flows to SMEs. Leading practice 8 overviews the UK crowdfunding market.

Leading practice 8: Crowdfunding in the United Kingdom

The withdrawal of conventional UK banks from much of the SME market in the wake of the global financial crisis opened opportunities for a large number of new entrants to the credit market. Prominent among these new firms are crowdfunders, which compete with one another in increasing numbers on the basis of their ability to deliver the best risk-adjusted returns to investors, to whom all risk is passed. Crowdfunding business models are premised on several convictions:

- Sizable numbers of smaller but still creditworthy SMEs are no longer able to secure credit on reasonable terms or adequate amounts from banks.
- Returns on conventional financial instruments will be low enough for a long-enough period to ensure sizable numbers of investors willing to carry credit risk passed on by crowdfunders in exchange for higher risk-adjusted returns.
- Newly developed credit assessment processes can consistently deliver those higher risk-adjusted returns, often by using nontraditional indicators and data gathered informally.

Rapid growth from nearly nil in 2010 to the equivalent of $2.5 billion in 2014 has resulted from crowdfunders being able to deploy their investment know-how, openness to new technologies, the absence of legacy issues, and the availability of sufficient credit-related information thanks to accommodating laws on privacy and data protection. Crowdfunders have not been without their critics, however, given the generally high and sometimes very high interest charges on loans extended and the losses passed on to investors when credit risk assessments prove overly optimistic. The Financial Conduct Authority (FCA) enacted crowdfunding regulations in 2014 oriented toward containing platform risks and protecting consumers, including:

- Capital requirements for crowdfunding platforms based on the total lending amount
- Requirements to share fair, clear, and not misleading borrower information with lenders, and
- Investment caps for inexperienced investors to reduce risks

FCA regulations have helped to establish the industry's legitimacy and led to government programs supporting SME financing through crowdfunding and collaboration, partnerships, and even co-financing arrangements between crowdfunders and commercial banks.

Source: BCG, NESTA, FCA.

G20 governments can support the emergence and growth of crowdfunding by revising laws on privacy and data protection to ensure access to needed credit-related information. Regulations applied to crowdfunders should help assure transparency and consumer protection, but be supportive of healthy competition among firms and the growth of the industry by requiring business models that efficiently transfer SME credit risk to well-informed final investors. Use of alternative data could be reinforced with a greater availability of financial statements under centralized reporting, as under Standard Business Reporting, subject to appropriate privacy safeguards.

4 Crowdfunding Industry report, Massolution, 2014.
5 Crowdfunding's Potential for the Developing World, infoDev, World Bank, 2013. Link

FG 2.3: Make greater use of Islamic and other hybrid finance instruments.

Islamic finance provides a range of instruments that can be used to limit risk and uncertainty faced by SMEs in need of financing. Islamic finance assets in banking, securities and equity markets, investment funds, insurance, and microfinance were worth $1.8 trillion in 2013.[6] Based on profit and loss sharing schemes rather than interest-bearing senior debt, Islamic financing instruments carry benefits for SMEs and their traditional lenders similar to those of equity and hybrid finance instruments such as convertible and subordinated debt.

The General Council for Islamic Banks and Financial Institutions (CIBAFI) promotes several Islamic financing tools as especially suitable for SMEs, including waqf funds (voluntary charitable contributions similar to a trust fund), microtakaful (small-scale mutual insurance, suitable for funding micro enterprises) and compliant guarantee schemes (credit guarantees that comply with Islamic finance rules). G20 governments should investigate the applicability of hybrid finance tools in their jurisdictions and evaluate where appropriate the establishment of Islamic financial institutions as alternative funding sources for SMEs. They should also consider legislation and tax treatment where feasible to facilitate use of Islamic and other hybrid financial instruments.

FG 2.4: Facilitate SME leasing.

Measures supporting leasing can be an effective means of expanding finance to SMEs for capital equipment, real estate, and other fixed assets. Collateral needs can be negated with asset title held by the leasing firm and after-tax financing costs cut with lease payments wholly deductible from income taxes in most jurisdictions rather than interest alone. The larger deduction compared with debt financing is represented by the portion of the lease payment analogous to principal repayment. Leasing firms can only operate effectively, however, where ownership rights are strong and judicial processes efficient enough to allow for timely bankruptcy procedures, leased asset repossession, and effective collateral recovery. G20 governments can support SME leasing by strengthening legal protections and processes protecting ownership rights for leased assets and tax provisions that help give SMEs appropriate incentives to lease fixed assets. These provisions in place, governments can support education programs to raise awareness among SMEs of leasing and its benefits.

FG 2.5: Strengthen use of special institutions.

A range of special institutions with public, private or mixed ownership can be tasked to channel funds to SMEs, directly or indirectly. These include state-owned development banks operating at the national and international levels as well as national, regional and municipal funds, foundations, and mutual societies with a mix of private and public ownership. Publicly owned commercial banks can also be given specific charters to serve priority sectors. Some of these institutions help meet SME needs by on-lending funds borrowed by themselves or others (including multilateral or foreign development banks) at better terms than the banks that originate the loans, which retain credit risk in full.

Other special institutions lend directly to sectors or regions characterized by high risk and limited profitability that are underserved by private lenders. Often privately owned, mutual lenders and guarantee societies sometimes benefit from public money, including grants, but can also use their better knowledge of individual sectors, local markets and local firms to ensure lower credit risk than other lenders.

6 IMF Staff Discussion Note on Islamic Finance: Opportunities, Challenges, and Policy Options, 2015.

The FGTF calls on G20 governments to actively consider where special institutions can play a stronger role in SME financing and to review those currently operating, especially with public ownership or funding, to ensure they are focused on activities that give SME financing the strongest support. Special attention should also be paid to facilitating microfinance given the large share of microenterprises in employment and the key role they can play growing into larger firms with greater potential to positively impact job creation, technology absorption, and productivity gains.

FG 2.6: Encourage venture capital (VC) and private equity (PE) investments in SMEs.

VC and PE investments provide longer-termed equity funding to SMEs, especially in high potential sectors, complementing needed financing and balance sheet strengthening with essential managerial know-how. VC investments are especially relevant to SMEs since they generally focus on startups and early-stage companies. However, the global VC market was severely affected by the global financial crisis. This has left volumes of new investments below 2007 levels despite noteworthy improvement in 2014. VC and PEs investments in SMEs may be difficult to encourage in many markets without prospects of stronger recoveries that would moderate risks and attract larger global and regional players.

Together with co-investment from larger private fund managers, increased volumes of active investments in VC and PE funds by official development institutions such as the IFC, the European Investment Fund (EIF), and the Inter-American Investment Corporation (IIC) can help to build capacity to successfully manage SME investments, expanding the numbers of VC and PE players able to build profitable track records. More can also be done to develop SME equity markets and to facilitate trade sales to provide suitable exit options for VC and PE funds that could be recycled into investments in other SMEs. Standardization of deal documentation would help streamline the initial investment process for VC and PE funds operating across different markets, especially in emerging economies. Governments should also consider tax incentives to attract VC, PE, and funds of funds and invest alongside them to provide additional investment capital.

FG 2.7: Foster SME capital market development.

Capital markets offer better financing options (and borrowing terms) for companies able to afford the significant information and transaction costs associated with issuing tradable debt and equity. Those costs can rarely be afforded by smaller firms, making capital market issuance more viable for medium-sized firms on their way to graduating from SME status. These costs are exacerbated by shallow corporate capital markets and disclosure requirements drawn up with larger, more complex companies in mind. Capital markets financing is much more prominent in developed economies than emerging ones and in larger economies than smaller ones. According to the Bank of International Settlements (BIS), 90% of debt securities outstanding have been issued in the United States, Japan, the euro area, and the United Kingdom.[7]

Capital market access would be more readily available for medium-sized companies if more G20 governments would craft regulations that facilitate trading and issuance on custom markets geared to accommodate SMEs with simplified disclosure requirements, more manageable fees and tax incentives. Balance should be struck on disclosure, at the same time, to develop and sustain the confidence needed to support steady growth in small company security issuance.

G20 governments can help by supporting investor outreach and education that makes clear the greater risk in SME investments for retail investors as part of efforts to ensure their protection.

7 BIS Quarterly Review, March 2015, data on total debt securities, all issuers. Link

Exchanges should support SMEs where possible with access to ancillary services and know-how gained from liaising with more developed exchanges serving larger firms. Finally, the FGTF suggests further exploring the establishment of regional capital markets for SMEs to facilitate better listing conditions than may be possible within smaller national SME capital markets.

FG 2.8: Facilitate more securitization of SME loans.

Securitization retains the potential to provide significant benefits for financial institutions lending to SMEs, securing funding and freeing capital if credit risk can be effectively transferred in securities of bundled SME loans sold to institutional investors. This potential will be difficult to realize, however, until more progress is made remedying unfavorable treatment on regulatory capital requirements for banks, insurance companies, and pension funds and restrictive rules limiting the ability of banks and others to hold such instruments against liquidity requirements.

Other factors have combined to constrain SME securitization, especially reduced liquidity needs as banks have de-levered and inexpensive long-term funding has become available from developed economy central banks. Deal economics have been unfavorable, with the bespoke nature of most SME bank credit making them more difficult and costly to securitize than mortgages, car loans, and consumer credit. Those higher costs have been difficult to accommodate with loan portfolios characterized by relatively few loans to less creditworthy SMEs paying higher margins over funding costs and many more to better-quality borrowers with margins compressed by intense competition to lend to these more creditworthy SMEs. Yields that could be achieved in potential SME securitization have been too low, as a result, for many investors, relative to risks, despite very low returns on other instruments and a generalized search for yield.

The FGTF agrees that efforts to adjust capital requirements on securitizations should continue to bring them more in line with underlying risks. Criteria for higher-quality securitizations should also be finalized to improve eligibility to meet liquidity requirements. Progress on facilitating more SME scoring and rating could give investors greater comfort about credit risk and pricing on SME loan pools. Increasing standardization of SME loans would streamline loan pooling and help reduce securitization costs. Officially supported credit guarantees can help improve SME securitization deal economics as well, both with respect to perceptions of credit risk on individual loans that get pooled later into SME securitizations and as regards portfolio risk embedded in SME securitizations. Concentration risks could also be contained and costs to cover them lowered via interlocking cross-border counter-guarantees from multilateral development banks at the global and regional levels.

Reference	Action
FG 2.1	Enact legislation and regulation to support online SCF transaction infrastructures, in which governments should consider investing, and direct development finance institutions to offer SCF to SMEs or SCF-related on-lending to banks.
FG 2.2	Support crowdfunding platforms by revising laws on privacy and data protection to strengthen access to needed credit information, including financial statements, and drawing regulations where needed to assure consumer protection and confidence.
FG 2.3	Consider legislation and tax treatment where feasible to facilitate use hybrid financial instruments.
FG 2.4	Foster SME leasing by assuring the necessary legal protections for leased asset ownership and considering supportive tax provisions.
FG 2.5	Actively investigate where special institutions can play a stronger role in SME financing and review those now operating to ensure strongest support for SME finance.
FG 2.6	Encourage investments from development finance institutions to develop greater capacity among VC and PE funds in national markets.
FG 2.7	Realign disclosure and other requirements to facilitate greater issuance and trading of SME debt and equity.
FG 2.8	Better align regulatory capital requirements on SME securitizations with risks and finalize criteria for high-quality securitizations eligible to meet liquidity requirements faced by financial institutions.

PART B: REGULATION

Recommendations on financial regulation, focused on implementation

The FGTF prioritized four key issues in international financial regulation, for which potential solutions discussed via a deep-dive analysis:

- Revisions of models and risk weights require careful and appropriate calibration.
- TLAC implementation needs to be neutral for business models and set flexibly for emerging economies with less-developed financial markets.
- Regulatory treatment for trade finance is still in need of revision to recognize its lesser risk.
- Regulatory consistency requires consistent and coordinated implementation across jurisdictions.

Consultations about the importance of regulatory consistency led to two main findings:

- Greater commitment is needed to use comprehensive regulatory impact assessments and to be flexible in order to take into account the specificities of emerging economies.
- Consistent implementation is key to financial stability and requires stronger coordination and consultation mechanisms among key stakeholders and across borders.

RECOMMENDATION 3: Finalize And Improve Implementation Of Global Financial Regulatory Reform Agenda

Reference	FG 3
Recommendation	Finalize and improve implementation of global financial regulatory reform, including through greater use of cumulative impact studies.
Owner	G20
Timing	2016

Context

The global financial crisis required an overhaul of the financial regulatory framework and the establishment of stricter global standards. With the initially proposed G20 agenda almost fully adopted by some jurisdictions, the priority is now to implement those measures that remain. The challenge is to do so without curtailing banks' ability to lend, worsening SMEs' access to funding and, as a result, their ability to continue to support economic growth.

FGTF members concur in the view that expanded financial regulation has had some unintended negative impact on growth in recent years. The additional regulatory requirements proposed in late 2014, discussed below, dampen growth still further, with more negative effects than intended for SME lending and for emerging economies lacking deep and developed financial markets. These consequences would be contrary to the proposed reforms' stated objectives. The FGTF agrees that these regulations merit a closer look, along with the treatment of trade finance, given their likely effect on banks' ability to lend more on easier terms, especially to SMEs.

Revision of the standardized approach and introduction of a capital floor

The proposed revision of the standardized approach for credit risk will increase the risk weights applied to many bank assets, reducing incentives for banks to lend, an outcome that was not by itself the goal of the original proposal. Avoiding this unintended consequence will require that risk weights be calibrated bearing in mind the tightening of capital requirements already implemented under Basel III by increasing the quantity and quality of capital required. One example where risk weights might be unnecessarily tight is for assets in emerging economies, many of which have performed better than developed counterparts. Higher risk weights would penalize lending in emerging economies that have yet to implement Basel III, even though domestic regulation is sometimes tougher, or because data the revision requires for lower risk weights are not available.

Adjusted risk weights could imply higher capital costs both for developed and emerging economies that would need to be passed on to borrowers through higher loan interest rates. Other things being equal, this would result in reduced bank borrowing and lending, with more severe effects on SME loans and in emerging economies.

A complementary measure being discussed by the Basel Committee on Banking Supervision (BCBS) is the introduction of a capital floor based on the standardized model for banks applying the internal ratings-based (IRB) model to establish risk weights. This regulation would ensure that banks using IRB models do not face lower capital requirements than if they were using the standardized model. This will discourage banks from developing their own credit-risk models and lessen incentives for greater risk sensitivity in lending decisions.

A related issue is connected with lower risk weights assigned currently to SME loans in some jurisdictions. The EU, for example, has set a 75% risk weight for SME loans of less than €1M held in the retail book. In Turkey, macroprudential regulations on consumer credits have been tightened to help preserve financial stability while risk weights for SME loans have been kept at 75% and provisioning rates for SME loans reduced to promote growth. Upward revisions to risk weights will have larger effects on banks using the standardized approach to set regulatory capital than on banks using internal ratings, which generally set aside more capital in line with the higher risks associated with SME lending. Higher risk weights under the standardized approach would generally increase breakeven interest rates offered by many banks on SME loans. Leading practice 9 discusses the effects of lower risk weights and provisioning requirements on SME in Turkey.

Leading practice 9: Lower capital requirements and provisions for SME loans in Turkey

The Turkish Banking Regulatory and Supervisory Authority (BRSA) has eased requirements for SME lending:

In 2012, under Basel II, risk weights for SME loans were decreased from 100% to 75% and kept unchanged thereafter.

General loan loss provision rates on SME exposures were reduced from 1% to 0.5% and to 0% for loans supporting exports.

These measures contributed to a 23% increase in SME credit in 2014, as SMEs became the most targeted sector in the banking market. Consumer credit, in contrast, rose only 7%, reducing its share in the total from 32 to 29%.

Source: BRSA.

Introduction of total loss-absorbing capacity (TLAC)

A central premise of the new regulation framework is that future bank recovery and resolution be supported by shareholders and private creditors through the bail-in tool. In order to be effective, banks must at all times have a minimum of TLAC-eligible liabilities able to absorb losses in case of resolution. Global Systemically Important Banks (GSIBs) must maintain such liabilities in amounts at least double capital and leverage requirements (16-20% of risk-weighted assets and 6% of total assets). TLAC should consist of instruments that can be written down or converted into equity. These include only common equity tier 1, debt capital instruments, and subordinated debt.

Negative consequences need to be considered, however, when finalizing how TLAC requirements are defined. Meeting TLAC requirements will cause banks to tap markets at the same time, leading potentially to oversupply, especially of senior bank debt, raising market interest rates and crowding other issuers out of debt markets. These effects will be more significant in emerging economies because of their typically less-developed capital markets. In addition, if banks in advanced and emerging economies are obliged to issue in foreign markets because of underdeveloped local capital markets, exposure to foreign exchange risk will rise, increasing systemic risk.

Requirements that boost dependence on wholesale debt funding and deduct TLAC issued by subsidiaries within the same group from TLAC at the parent level will also call into question the business models of highly capitalized deposit-funded banks. Neutrality as regards resolution strategies will be in doubt as well. This would be critically important for banks with subsidiaries in emerging economies. Such banks may be incentivized to artificially leverage their balance sheets in debt capital markets and adopt riskier yield-hunting strategies to compensate for

higher TLAC funding costs. More generally, however, banks will be incentivized to deleverage balance sheets by reducing lending to meet TLAC requirements.

Treatment of trade finance

Recently implemented BCBS capital and liquidity standards continue to treat trade finance too harshly, given its low risk due to diversification, small values, short tenors, self-liquidating character, and frequent backing by collateral, insurance, and guarantees from public and private sector sources. Robust data collection by the ICC continues to underscore that trade finance entails lower risk than many other assets.[8] Differences in treatment between the BCBS, European, and US regulators are also problematic, promoting regulatory arbitrage, inefficiencies, and reducing regulatory impact.

Overly severe regulatory treatment raises banks' cost of capital and increases liquidity requirements beyond what is proportional to risk. This reduces banks' incentive to provide trade finance and raises borrowing costs faced by firms, especially SMEs, sometimes significantly. In the long term, the effect will be to constrain world trade growth and leave companies with fewer options among fewer lenders. Adverse effects have also been evident in the reduced availability and increased cost of trade finance in emerging economies.

FGTF members note their complete support for Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF) and Know Your Customer (KYC) policies, which they agree are essential cornerstones of the fight against financial crime, international tax evasion, and international crime organizations. At the same time, members draw attention to the high cost of efforts to reduce uncertainties about regulatory compliance. These costs have led significant numbers of global financial institutions to restrict and otherwise de-risk balance sheet exposures to specific businesses, correspondent banks, products, and countries. Trade finance and lending to SMEs have been among the activities that have been most affected, with negative consequences for growth, employment, and financial inclusion, even among borrowers whose activities are legitimate and above board.

Comprehensive regulatory impact assessments should take into account these costs and their effects, which have accumulated over time. Adequate mechanisms should be established to help give greater certainty on compliance for those institutions opting to continue to provide services affected by regulations directed at financial crime. This would enable institutions to better differentiate among clients and limit the exclusion of broad categories of business.

Actions

FG 3.1: Implement additional regulatory requirements based on careful, proportionate calibration.

Expanded regulation has obliged banks to raise additional capital and maintain higher levels of liquid assets. Careful and proportionate calibration should now be done for the revision of the standardized approach, the introduction of capital floors and TLAC, taking into account previously implemented regulations. Cumulative effects on banks' ability to lend and support economic growth may otherwise be more negative than intended, especially where the banking sector plays a larger role in funding business activity. Of key importance for access

8 The ICC Banking Commission collects data from participating banks responsible for over 60% of global trade financing as part of its annual Trade Register Report. Quantitative studies using this data have led directly to some recalibration of BCBS treatment of trade finance and contributed to improved dialogue between trade financiers and regulators, which should be extended to other forms of trade financing, including fast-growing supply-chain finance.

to financing for SMEs are decisions to use the revenues and leverage of individual firms to set risk weights under the revised standardized approach. Appropriate adjustment will need to be made where high-quality financial statements are not available to minimize adverse effects on SME financing.

FG 3.2: Give continued commitment to the use of comprehensive regulatory impact assessments.

Careful and proportionate calibration requires the use of comprehensive regulatory impact assessments. This was one of B20 Australia's final recommendations to the G20 and has since been enthusiastically adopted by the Financial Stability Board (FSB). Periodic review is important, given that global economic and financial conditions are subject to change. Calibrations for new regulatory initiatives should be done only after taking into account the cumulative effects of previous reforms. This will help governments better evaluate if the proper balance has been achieved between enhancing financial system resilience and strengthening economic growth.

FG 3.3: Revise the global regulatory framework in line with impact assessments.

Getting that balance right requires that the G20 leaders commit in their November communiqué to revising the global regulatory framework as needed, considering the results of comprehensive regulatory impact assessments. Recalibrations of the standard approach revision, capital floors, and TLAC should be considered if warranted based on the results of cumulative impact studies.

Reference	Action
FG 3.1	Implement the careful and proportional calibration of additional regulatory requirements, considered not in isolation, but jointly with previously implemented regulation.
FG 3.2	Assure continued commitment from authorities and standard-setting bodies to use comprehensive regulatory impact assessments that take into account cumulative, comprehensive effects.
FG 3.3	Revise the global regulatory framework as necessary based on input from cumulative impact studies.

RECOMMENDATION 4: Reiterate Need For Regulatory Consistency And Improve Process For Consultation

Reference	FG4
Recommendation	Improve regulatory consistency and establish institutional mechanisms to strengthen regulatory cooperation.
Owner	G20
Timing	2016

Context

The interaction and cumulative impact of financial regulation from different jurisdictions and markets is not always taken into consideration. This has run counter to the priority the G20 has given to regulatory consistency since the Pittsburgh summit in 2009 where members pledged to implement "…global standards consistently in a way that ensures a level playing field and avoids fragmentation of markets, protectionism and regulatory arbitrage." More recently, the Turkish G20 presidency stated that enhancing resilience is one of its three pillars to promote inclusive and robust growth. In the view of the FGTF, consistent and coherent financial regulation remains a fundamental requirement for assuring the resilience needed to support inclusive, robust growth.

New financial regulations have been implemented mainly at a national or regional level, but not necessarily in a consistent manner. A key challenge now is to finalize implementation in a way that builds momentum towards achieving greater consistency across markets, jurisdictions, sectors, and asset classes.

Practical proposals remain necessary to improve the process of regulation development and limit fragmentation. The latter has become a main concern, partly as a result of the recent trend towards regulatory ring-fencing and also because of protectionist measures that reflect domestic bias by many national authorities. There is an urgent need to establish clear protocols for the development and implementation of global regulation across different jurisdictions and markets. The extraterritorial reach of recently adopted domestic measures has also worked against regulatory consistency.

Regulatory inconsistencies raise significant concerns for lenders that have to contend with different regulations across jurisdictions and heighten financial and reputation risk from unintended non-compliance. These inconsistencies complicate cross-border activities and alter competitive equilibria. They give rise to regulatory arbitrage and to business models that are more difficult to supervise and resolve.

Achieving regulatory consistency would allow financial institutions to operate more efficiently, without unnecessary impediments and with incentives for regulatory arbitrage to be well contained. A more level playing field, moreover, would enhance competition among banks and other financial institutions, with entry and operational costs standardized across jurisdictions, sectors, and asset classes. Well aware of the importance of regulatory consistency, the BCBS and the FSB have enhanced collaboration with member and nonmember supervisors, establishing vehicles to meet periodically such as the FSB's Regional Consultative Groups.

Actions

FG 4.1: Strengthen institutional mechanisms of regulatory cooperation.

With the global regulatory agenda moving towards finalization, priority should now be accorded to implementing remaining reforms in a consistent and coordinated manner, with necessary review of gold-plating and ring-fencing practices at the national and regional level.

In order to advance the fulfillment of B20 Australia's recommendation for G20 leaders to embrace consistent and effective regulation that ensures markets work as efficiently as possible, the FGTF proposes establishment of an institutional mechanism for continuous and systematic dialogue. Coordination is critical in a world with increasing global links, especially given the important role that can be played by insurance companies and pension funds in expanding financing available to SMEs, including through indirect and fully risk-mitigated investment mechanisms.

Several bodies have tried to address cross-border regulatory conflicts, including the International Organization of Securities Commissions (IOSCO). Efforts to date have been ad-hoc, however, and have not yet provided the continuous and institutionalized dialogue needed. Key among the instruments such a mechanism would need, the FGTF advocates memoranda of understanding (MoUs) between regulators and stakeholders in different jurisdictions. MoUs would allow for consultations before implementing new global regulatory measures, impact analyses on real sector funding, and economic growth and implementation considerations that need to be taken into account for emerging and advanced economies. The underlying objective should be to maximize mutual recognition of regulators and reduce conflicts with adverse effects on financing for SMEs and larger firms.

A case in point on the need for adequate institutional consultation is the discussion being carried out by the BCBS on the regulatory treatment of sovereign exposures, which requires consultation with national regulators and with private stakeholders among both lenders and borrowers. Fundamental change in the current prudential treatment could have major and lasting negative effects on growth and on SME financing if substantial increases in whole-economy funding costs are the result.

A change of paradigm in which public debt issued domestically is no longer treated as a risk-free asset for domestic lenders will have significant consequences beyond debt markets, some not intended, including for economic growth and global capital flows. Reduced investor demand and liquidity in public debt secondary markets will be a likely result. Emerging economies will be affected even if they do not transpose the eventual new regulatory treatment for sovereign exposures to domestic frameworks. Banks headquartered in advanced economies that have an important presence in emerging economies would likely be affected by the extraterritoriality implied by consolidated home-country supervision. Prospective changes in regulatory treatment of sovereign exposures also need to take into account any reduction in capital relief that currently derives from public guarantees of SME credits.

FG 4.2: Evaluate implementation based on principles and outcomes rather than rule adoption.

The establishment of mutual-recognition mechanisms is also key. An important step forward would be to evaluate the consistency of principle-based regulatory outcomes rather than rule-based compliance. This would allow for truly cross-border regulation and increase the credibility, efficiency, and effectiveness of global regulatory reform. More specifically, the recently implemented Regulatory Consistency Assessment Program (RCAP) of the BCBS should focus more on the fulfillment of regulatory outcomes instead of specific rule adoption.

At the European level, the European Commission is granting third-country supervisory equivalence for prudential purposes in a sequential rollout. According to that decision, any European exposure to an institution or sovereign domiciled in a third country not included in the supervisory equivalence list has to be treated with higher risk weights. This introduces disproportionately high capital requirements with respect to the degree of risk involved, but also an undesired volatility regarding capital requirements, as certain exposures that were considered equivalent before this decision have been penalized as from 1 January 2015.

FG 4.3: Give greater consideration to specificities in emerging economies.

Appropriate timelines for emerging economies to adopt international standards might differ considerably from those proposed globally, given their different stages of development. Financial markets and institutions in emerging economies are generally less complex and, therefore, can be more easily supervised. The representation of emerging economies at global standard-setting bodies has improved after recent changes at the FSB. The FGTF calls for further progress to ensure that the adoption of international standards recognizes that the development of markets differs from country to country and that implementation should proceed accordingly. This is an important dimension of financial inclusion. Toward that end, the Emerging Market Forum held before the FSB plenary meeting in Frankfurt in March 2015 should be formalized as a valuable vehicle to gather the concerns of emerging economies.

Reference	Action
FG 4.1	Strengthen institutional mechanisms of regulatory cooperation with memoranda of understanding between regulators and stakeholders.
FG 4.2	Apply principle-based regulation focused on outcomes.
FG 4.3	Give greater consideration to specificities in emerging economies.

CONCLUSION

This year the B20 Financing Growth Taskforce (FGTF) focused on financing of SMEs and improving global financial regulation. With regards to the financing of SMEs, the taskforce developed two recommendations: 1) make data on SME creditworthiness more available and reduce risk in SME financing, and 2) to broaden and deepen access to alternative financing.

These recommendations by the FGTF for action by G20 countries, mostly at the national level. Effectively addressing the many diverse but interrelated impediments to SME financing will require ongoing and coordinated efforts across multiple disciplines. Accordingly, the FGTF calls upon the G20 leadership to task an international platform, such as the new WSF initiative of Turkish G20 and B20 leaderships, established by TOBB and ICC as founding partners and the World Bank Group as a supporting member, to better meet the need for coordinated advocacy and advice on the policy actions needed to ease impediments to SME financing. Appropriately resourced by business communities, such a platform would reinforce global convergence toward best practices in SME financing and related policies through regular monitoring of country and policy performances and peer reviews.

The FGTF identified the most relevant regulatory impediments in consultation with members sharing concerns regarding regulations already implemented and recently proposed. Regulatory consistency was among the most highlighted issues, together with new prudential capital measures announced in late 2014. Adverse effects on trade finance were also widely noted, highlighting the extent to which cumulative regulatory requirements have constrained banks' ability to lend on favorable conditions. The FGTF underlines the importance of making adverse effects on the real economy clearer to regulators, supervisors, standard-setting bodies, and G20 leaders in order to enable them to assess whether these were intended when deciding financial regulatory reforms.

The FGTF recommends finalizing implementation of global financial reform and strengthening institutional mechanisms of regulatory cooperation among different stakeholders to increase awareness of the effects of reform on the real economy. To do so, the FGTF urges that the calibration of new additional regulatory measures be done not in isolation, but by taking into account previously implemented regulations through comprehensive impact studies that include cumulative effects.

The FGTF reiterates as well the need for regulatory consistency through the establishment of institutional mechanisms in the form of memoranda of understanding (MoUs) between regulators and stakeholders, which would facilitate continuous and systematic dialogue across different jurisdictions. MoUs should facilitate consultation before implementing new regulations as to the effect of such measures on real-sector funding and economic growth. MoUs would also help ensure adequate consideration for the specificities of emerging economies.

Finally, the FGTF emphasizes that members give complete support to the efforts of the G20 to improve the resilience of the financial system through more robust regulation. Doing so would help support economic activity and job creation, but only if adequate balance can be achieved between financial stability and strengthening growth.

VALUE CALCULATION METHODOLOGY

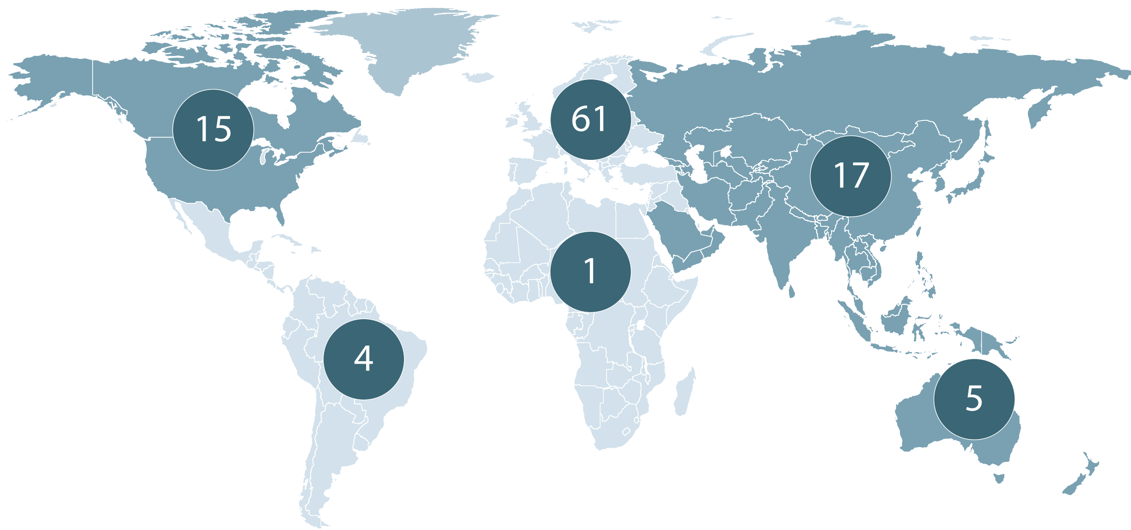
The FGTF provides impact value calculations for case studies where unbiased estimates can be calculated. The taskforce notes that the impact of a leading-practice solution would be different for each implementation case and would depend heavily on the scope and depth of the implementation, pre-implementation status of the local SME financing market, adoption rate, and national incentive policies among other factors.

- Leading practice 1: Impact ratios have been reported in the Guidance Note to Standard Business Reporting by the OECD. The impact rations have been applied to the Netherlands' 2014 GDP reported by the IMF.
- Leading practice 2: Impact values were reported on KKB's corporate website.
- Leading practice 3: Impact values were reported on CRISIL's corporate website.
- Leading practice 4: Impact values and the leading-practice content were contributed by Intesa Sanpaolo.
- Leading practice 5: Impact values and the leading practice content were contributed by the IFC.
- Leading practice 6: Impact values for Belgium were reported in the European Commission taxation paper #14 in 2014, by Ernesto Zangari. Impact for Italy was also reported in the same document, but it was argued to be based on incomplete data, therefore not mentioned in this report. The Turkish system had just been implemented at the time this report was published.
- Leading practice 7: Impact values and the leading-practice content were contributed by the IFC.
- Leading practice 8: The size of the UK crowdfunding market was estimated using the data in NESTA's 2014 Understanding Alternative Finance – The UK Alternative Finance Industry Report 2014. P2P business lending, equity crowdfunding, and invoice-trading services of crowdfunding are considered as those relevant to SMEs and their market sizes were totaled to estimate the size of the UK SME crowdfunding market.
- Leading practice 9: These measures helped to facilitate a 23% increase in SME loans in Turkey in 2014. Consumer credit, in contrast, rose only 7%, reducing its share in the total from 32 to 29% during the same year.

APPENDIX: Taskforce Schedule And Composition

Distribution of members

Country	No.	Country	No.	Country	No.
Argentina	2	India	3	Saudi Arabia	1
Australia	5	Indonesia	1	South Africa	1
Brazil	0	Italy	2	Turkey	44
Canada	2	Japan	3	United Kingdom	9
China	3	Korea	1	United States	15
France	9	Mexico	2	European Union	11
Germany	2	Russia	3	Other	7



Schedule of meetings

No.	Date	Location	Theme
1	9 February	İstanbul, Turkey	Kick-off meeting
2	27 February	Teleconference	Taskforce teleconference
3	17 April	Washington DC, United States	First joint taskforce meeting
4	2 June	Paris, France	Second joint taskforce meeting

Draft recommendations of the taskforce were discussed in ten regional consultation meetings held in Saudi Arabia, India, Singapore, Azerbaijan, Brazil, Russia, Mozambique, Italy, and Ethiopia.

The taskforce will launch the policy paper at the B20 Conference to be held in Ankara, Turkey on September 3-5, 2015. The recommendations will be presented to the G20 leaders during the G20 Summit in Antalya in November 2015.

Taskforce members

Last Name	First Name	Position	Organization	Country
Coordinating Chairs				
González	Francisco	Chairman & CEO	BBVA	Spain
Özyeğin	Hüsnü	Chairman	Fiba Holding	Turkey
Co-chairs				
Adams	Timothy	President & CEO	IIF	USA
Buerkner	Hans Paul	Chairman	Boston Consulting Group	USA
Hongzhang	Wang	Chairman	China Construction Bank	China
Lemierre	Jean	President	BNP Paribas	France
Yousif	Adnan	Chairman	Albaraka Banking Group	Bahrain
Working group				
İlkorur	Korkmaz	Independent member of the Supervisory Board	Credit Europe Bank	Turkey
Utku	Alsev	Deputy General Manager	Fiba Banka	Turkey
Gonzalez-Paramo	Jose Manuel	Executive Board Director	BBVA	Spain
Urhan	Cihan	Policy Content Manager	B20 Turkey	Turkey
Kurguzova	Anna	Policy Content Manager	B20 Turkey	Turkey
Morgül Burduroğlu	Dilek	Project Coordinator	B20 Turkey	Turkey
Şimer İlseven	Gizem	Project Coordinator	B20 Turkey	Turkey
Tansan	Burak	Partner & Managing Director - Head of İstanbul Office	BCG	Turkey
Ogan	Çağrı	Partner - Managing Director	BCG	Turkey
Kurbay	Aslı	Principal	BCG	Turkey
Bilsel	Ufuk	Consultant	BCG	Turkey
Piera	Eva	Global Head of Public Affairs	BBVA	Spain
Abascal Rojo	Maria	Chief Economist	BBVA	Spain
Sicilia Serrano	Jorge C.	Chief Economist	BBVA	Spain

Last Name	First Name	Position	Organization	Country
Members				
Açıkalın	Faik	CEO	Yapıkredi	TURKEY
Akbaş	Hakan	Senior Advisor	Albright Stone Bridge Group	TURKEY
Akçakayalıoğlu	Hasan	Chairman&CEO	BankPozitif Kredi ve Kalkınma Bankası A.S.	TURKEY
Alpergün	Belkıs	Country CEO	Coface Turkey	TURKEY
Al-Suwailem	Sami	Manager, Financial Product Development Center	Islamic Development Bank	SAUDI ARABIA
Anderson	Jeffrey	Principal	Jeffrey Anderson LLC	USA
Aras	Ömer	Chairman of the Board	Finansbank	TURKEY
Arsalain	El Kessir	CEO	BoursedesCrédits	FRANCE
Ashaboğlu	Ahmed Fadıl	CFO	Koç Holding	TURKEY
Awdeh	Ali	Director of Research Department	Union of Arab Banks	LEBANON
Aydın	Hüseyin	General Manager	Ziraat Bankası	TURKEY
Aydoğan	Halil	General Manager	Vakıf Bank	TURKEY
Bahar	Bilge	Managing Partner	Caria Financial Advisory	TURKEY
Bancel	Jean Louis	Chairman	Credit Cooperatif	FRANCE
Başaran Symes	Cansen	Chair of the Board of Directors	Allianz Sigorta A.Ş. Allianz Hayat ve Emeklilik A.Ş.	TURKEY
Bird	Gregory	Deputy Secretary General	GCEL	SWITZERLAND
Bishop	Timothy	Head of Financial Affairs Division	OECD	FRANCE
Blejer	Mario	Deputy Chairman	Banco Hipotecario	ARGENTINA
Burrows	Mark	Managing Director and Vice Chairman, Global Investment Banking	Credit Suisse	SWITZERLAND
Canevi	Yavuz	Chairman of the Board	Türk Ekonomi Bankası	TURKEY
Carter	Laurence	Director of IFC Advisory Services	IFC	USA
Choucair	Mohamed	Chairman	Chamber of Commerce,Industry & Agriculture of Beirut & Mount Lebanon	LEBANON
Cobb	Carolyn	Chief Counsel, Int'l Policy	American Council of Life Insurers	USA
Collado	Christian Morales	Corporate Vice President and General Manager Europe Middle East and Africa	Intel Corporation	GERMANY
Cummings	Chris	CEO	TheCityUK	UK
de Wit	Johan	Vice President and Board Member	Bank of Beijing	CHINA
del Valle	Juan José Fermín	Partner	Deloitte & Co. SA	ARGENTINA
Demarigny	Fabrice	Global Head of Capital Markets Activities	MAZARS	FRANCE
Deripaska	Oleg	President	UC Rusal	RUSSIA
Dimitrijevic	Alexandra	Managing Director	Standard and Poor's	UK
Ding	Zuohong		Yuexing Group	CHINA
Dişçigil	Mehmet	Vice Chairman	Dişçigil Enerji	TURKEY
Doğan Boyner	Hanzade	Chairwoman	Doğan Online	TURKEY

Last Name	First Name	Position	Organization	Country
Druckman	Paul	CEO	IIRC	UK
Eredenk Kurdaş	Meral	CEO	Avivasa Emeklilik Hayat A.Ş	TURKEY
Frenkel	Jacob	Chairman, JPMorgan Chase International	JPMorgan Chase & Co.	USA
Galatas	Manuel	Board Member	Garanti Bankası	TURKEY
Ghosn	Carlos	CEO	RENAULT	FRANCE
Guharoy	Debnath	President	Australia Indonesia Business Council	AUSTRALIA
Guider	Hervé	général manager	EACB	BELGIUM
Gürerk	Veysel Derya	General Manager	Türkiye Finans Katılım Bankası	TURKEY
Hannagan	John	Chairman RUSAL Australia	UC RUSAL	AUSTRALIA
Hardy	Jeffrey	Director, ICC G20 CEO Advisory Group	ICC	FRANCE
Höppner	Dörte	CEO	EVCA	BELGIUM
Hwang	Jinwoo	Senior Vice President	Hanwha Group	KOREA
İşmen Özgür	Seha	Partner		TURKEY
Jelassi	Saleh	Director Resident Representative	Islamic Development Bank	TURKEY
Jester	Theresa	CEO	Silicor Materials	USA
Johnston	Charles	Managing Director, Global Government Affairs	Citi	USA
Jones	Olav	Deputy Director General	Insurance Europe	BELGIUM
Kalkan	Sarp			SHERPA
Kaplan	Hayrettin	General Manager	Türk Eximbank	TURKEY
Kaya	Koray	Asst. General Manager	Kredi Kayıt Bürosu	TURKEY
Keskin	Dr. Ekrem	Secretary General	The Banks Association of Turkey	TURKEY
Khanjenkova	Natalia	Managing Director, Turkey and Central Asia	EBRD	UK
Knight	Malcolm D.	Distinguished Fellow	Centre for International Governance Innovation	USA
Kochhar	Chanda	CEO	ICICI Bank	INDIA
Koç	İlhami	Chairman	İş Yatırım / Türkisye Sermaye Piyasaları Birliği	TURKEY
Kostin	Andrey	CEO and Chairman	VTB Bank	RUSSIA
Kronberger	Ralf	Head of Department	Austrian Federal Economic Chamber	AUSTRIA
Lakin	Edmund	Global Markets Policy Manager	HSBC Holdings Plc	UK
Lascols	Laurent	HEAD OF GROUP PUBLIC AFFAIRS	SOCIETE GENERALE	FRANCE
Leroux	Monique	Chair of the Board, President and CEO	Desjardins Group	CANADA
Levi	Micol	Head of Regulatory Affairs	UniCredit	ITALY
Litman	Gary	Vice President, International Strategic Initiatives	U.S. Chamber of Commerce	USA

Last Name	First Name	Position	Organization	Country
Lojevsky	IGOR	Partner	PARK INVESTORS LLC	UK
Malaket	Alexander R.	President	OPUS Advisory Services International Inc.	CANADA
Milliner	Robert	Sherpa	Australia B20	AUSTRALIA
Minard	Catherine	Director of International Affairs	MEDEF	FRANCE
Movsumov	Shahmar	Executive Director	State Oil Fund of the Republic of Azerbaijan	AZERBAIJAN
Nart	Levent	Executive Board Chairman	NART Sigorta ve Reasürans Brokerliği AŞ	TURKEY
Nere	Beatrice	Senior Government Relations Officer; France, G7 & G20	Bill & Melinda Gates Foundation	USA
Ntoba	Futhi	Deputy Chairman	NEPAD Business Foundation	SOUTH AFRICA
Oku	Masayuki	Chairman of the Board	Sumitomo Mitsui Financial Group	JAPAN
Ortiz	Guillermo	Chairman of the Advisory Board	Grupo Fianciero Banorte	MEXICO
Otto	Jill	Vice President	JP Morgan	USA
Oyama	Takashi	Counsellor to President	The Norinchukin Bank	JAPAN
Piera	Eva	Global Head of Institutional Affairs	BBVA	SPAIN
Preksin	Oleg	Deputy Chairman of Committee for International cooperation	Russian Union of Industrilists & Entrepreneurs	RUSSIA
Rasmussen	Teresa	SVP General Counsel & Secretary	Thrivent Financial	USA
Reitz	Martin	CEO	Rothschild GmbH	GERMANY
Riccio	Gianluca	Head of Strategy CB Risk & BIAC Vice-Chair Finance Task Force	Lloyds Banking Group	UK
Rodrigo	Echenique	Executive Vice Chairman	Banco Santander	SPAIN
Romo	Guillermo	President & General Director	Grupo Mega	MEXICO
Sala	Marcello	Executive Vice Chairman	Intesa Sanpaolo	ITALY
Shah	Anish	President, Group Strategy	Mahindra Group	INDIA
Shastry	Vasuki	Group Head of Public Affairs	Standard Chartered	UK
Smith	Mike	CEO	ANZ	AUSTRALIA
Smith	Warwick	Chairman, New South Wales & Australian Capital Territory, ANZ China Board Member and Senior Managing Director	ANZ Banking Group Limited	AUSTRALIA
Emrah	Şener	Director	Özyeğin University Risk Management Department	TURKEY
Tarbuck	Shaun	CEO	ICMIF	UK
Tari	Seymur	CEO	TURKVEN	TURKEY

Last Name	First Name	Position	Organization	Country
Taskaev	Andrey	General Manager	Trakya Elektrik Uretim ve Ticaret	TURKEY
Taşkesenlioğlu	Ali Fuat	General Manager	Halk Bankası	TURKEY
Tengiz	Hasan	General Manager -Board Member	Girisim Varlik Yonetimi A.S	TURKEY
Timurkan	Emre	Partner	Timurkan Capital	TURKEY
Tsitsiragos	Dimitris	Vice President	International Finance Corporation	USA
Mandeng	Ousmene	Senior Fellow	Reinventing Bretton Woods Committee	USA
Türkakın	Özcan	General Manager	Türkiye Sınai Kalkınma Bankası	TURKEY
Ülger	Ramazan	President	Insurance Association of Turkey	TURKEY
Universe	Graciella	Chairwoman	GMU Group	INDONESIA
Wadhawan	Kapil	Chairman and Managing Director	DHFL	INDIA
Watanabe	Yoshihiro	Advisor	The Bank of Tokyo-Mitsubishi UFJ	JAPAN
Wellauer	Thomas	Group Chief Operating Officer	Swiss Re	SWITZERLAND
Yıldırım	Ahmet Kağan	Deputy General Manager	EVP Responsible from Corporate Banking	TURKEY

LIST OF ACRONYMS AND GLOSSARY OF TERMS

ACE	allowance for corporate equity
AML	anti-money laundering
BCBS	Basel Committee on Banking Supervision
BCG	Boston Consulting Group
BIS	Bank for International Settlements
BRSA	Turkish Banking Regulatory and Supervisory Authority
CIBAFI	General Council for Islamic Banks and Financial Institutions
CTF	counter-terrorism financing
EU	European Union
EIF	European Investment Fund
FICO	Fair Isaac Corporation
FCA	Financial Conduct Authority
FGTF	Financing Growth Taskforce
FSB	Financial Stability Board
GSIB	Global Systemically Important Bank
FCA	Financial Conduct Authority
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IFC	International Finance Corporation
IIF	Institute of International Finance
IOSCO	International Organization of Securities Commissions
IRB model	internal ratings-based model designed to establish risk weights
KKB	Kredi Kayıt Bürosu, Credit Registry Bureau, Turkey
KYC	Know Your Customer
MoU	memorandum of understanding
P2P	peer to peer
PE	private equity
RCAP	Regulatory Consistency Assessment Program
SBA	Small Business Administration
SBR	Standard Business Reporting program
SME	small and medium-sized enterprise
SCF	supply-chain financing
TLAC	total loss-absorbing capacity
TOBB	Union of Chambers and Commodity Exchanges of Turkey
VC	venture capital
WSF	World SME Forum