

Prepared For

B20 2015 Financing Growth Task Force Policy Recommendations

Based upon the voice of the real economy participants on the ground level

9 July 2015



RECOMMENDATIONS FOR 2015 B2O FINANCING GROWTH TASK FORCE

Premise

As a foundation for developing our recommendations for the 2015 B2O Financing Growth Task Force, our comments are based upon the following:

- **Analyzing proposals from previous G20 Summits** - The Russia, Australia and Turkey B2O Financing taskforces are to be applauded, as many of their recommendations are rightly focused on the need to facilitate more financing, especially for SMEs.
- **Understanding Task force interdependencies** - While the B2O Task Forces have developed independent objectives, due to the global economy interdependency, it is evident their proposals overlap thus requiring a highly integrated approach for their implementation.
- **Listening to the voice of the real economy participants at the ground level** - The G20 Nations Case Study results to date covering 38% of the G20 population have yielded that 89% want new digital tools to ease access to financing as well as reduce credit risk and regulatory burdens.

Given the urgency to meet the needs of the financial institutions and their customers, out of the box thinking is required to kick-start the global economy.

A reality check yields that market expansion is required and this demands a focus on the real economy of manufacturing, agriculture and the services industry. In turn with seamless dynamic integration into Global Value Chains, the financial industry will realize greater financial stability, reduce their risks and regulatory compliance burden as well as attain the necessary visibility to finance infrastructure investment.

Whilst current and past thinking leads us to a particular focus we would recommend a more holistic approach which encompasses the needs of participants on the ground and the interdependencies of all task forces. The digital economy is the means to facilitate such an outcome.

Past & Current

TURKEY

- Make information on SME creditworthiness more available
- Reduce risk in SME financing
- Broaden/Deepen SME access to alternative financing
- Transfer the newly developed SME financing improvement process to a global platform
- Reiterate importance of completing and improving global financial regulation
- Enhance regulatory consistency and improve process for consultation among regulators

AUSTRALIA

- Establish a protocol for international rule-making processes commencing in 2015, to engage the private sector. Ensure rules are fit for purpose and fully take account of their impact on the real economy
- Ensure emerging market economies are effectively represented on global standard setters and that regulations reflect the social, economic and financial challenges faced by SMEs
- Review prudential regulations to ensure restrictions on access to finance do not unduly hamper financial inclusion and finance for SMEs

RUSSIA

- Promote a global solution for a clear and efficient tax system. Undertake independent assessment of financial reforms especially Basel III
- Provide easier access to finance for SME sector using public guarantees to incentivize financial institutions to make resources available
- Determine a common SME definition to create a common data base for international comparability. This data base would enable additional tools, providing investors with analysis and data, and to raise financing for this sector

Reality Check

Why isn't the real economy the driving theme in the global arena and how do the B2O recommendations address this?

Lack of demand is forcing the emphasis on financial engineering for fast wealth creation. However, this comes at the cost of growing the real economy that drives sustainable financing.

How do the B2O recommendations address poor market demand?

The world's demographics are changing. In high income countries the population is aging yet salaries remain high. This is a productive community challenged with low market demand. In mid and low income countries, birth rates are high, the population is growing, but salaries are low.

How do Financial Institutions increase profitability & diversify revenues as well as minimize their credit and transaction risks?

Financial institutions are faced with negligible revenue growth in overly saturated markets characterized by; a highly competitive environment, customers with poor revenue growth and low profitability and reputational risk due to money laundering and fraud.

How can we reduce the burden of regulatory requirements for financial institutions and their clients?

Industry regulatory requirements are placing additional encumbrances on the Financial Institutions such as: costly compliance reporting requiring more data validation, restrictions on service and product offerings, greater monitoring of banks and their customers' transactions, economic scenario stress tests and stringent capital adequacy and liquidity requirements.

How can the risks and difficulties of prioritizing logistics physical infrastructure investments be reduced?

Limited availability of funding resources to meet the market demand is placing pressure on prioritizing investment in infrastructure due to unpredictable future revenues needed to achieve the required economic growth and investment returns.

Recommendation

The Real Economy must be the driving theme to deliver sustained economic growth

Our efforts must be concentrated on the following three main economic pillars of the real economy; manufacturing, agriculture and the services industries that support them.

Sustaining global market demand is essential to financing growth

We must connect the youthful workforce of the mid and low income countries with the expertise of the high income countries thus building the buying power of the mid and low income countries creating an unprecedented new global market demand serving as the foundation to increase financing globally.

Seamless, integration into the global value chain activities with a smart finance matrix providing the dynamic scoring level needed to:

- Increase profitability and diversify revenues
- Mitigate trade finance risk based on borrowers historic and future activities
- Minimize transaction risk by electronically directing loan proceeds to preapproved sellers
- Reduce asset recovery risk providing the capability to seize assets in the trade pipeline

Ease burden of regulatory compliance through real time, dynamic and validated transaction monitoring:

- Provide dynamic exception reporting of bank and customer transactions
- Improve compliance with Tier One capital asset ratios and economic scenario stress tests
- Achieve improved capital adequacy and liquidity requirements

Create national trade visibility to maximize logistics physical infrastructure investment returns:

- Dynamic information regarding current and future trade volumes
- Efficiently manage resources to avoid shipment bottlenecks
- Optimize existing logistics infrastructure and prioritize future investments

NB: The boxes in lighter shade illustrates the wider scope of our recommendations

2015 B20 TASK FORCES INTERDEPENDENCIES TOWARDS ACHIEVING SUSTAINED ECONOMIC GROWTH

