

Developing Effective Approaches to Implementing the G20/OECD High-Level Principles on SME Financing

Survey pertaining to Principles 1, 2, 3 and 5

This document contains a survey to support the identification of effective approaches to implementing the G20/OECD High-Level Principles on SME Financing. The survey includes questions related to Principles 1, 2, 3 and 5, which cover key framework issues for SME finance.

The survey is submitted for response to the OECD Working Party on SMEs and Entrepreneurship (WPSMEE) and the G20/OECD Task Force on Institutional Investors and Long-term Financing. Responses should be sent to the OECD Secretariat by 16 January 2017.

Participating jurisdictions are encouraged to submit a consolidated national response to the survey, ensuring that all relevant agencies and government entities with responsibilities that address the substance of the Principles are involved. Respondents are encouraged to be as specific as possible in their answers and to provide sufficient contextual information. When relevant, respondents may provide links or references to materials that could serve as an answer to the questions, and cross-reference answers provided to questions which address related issues.

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DEVELOPING EFFECTIVE APPROACHES TO IMPLEMENTING THE G20/OECD HIGH-LEVEL PRINCIPLES ON SME FINANCING

1. Introduction

1. The *G20/OECD High-Level Principles on SME Financing* (see Box 1) were developed by the OECD, together with other relevant international organisations (IOs), at the request of G20 Finance Ministers and Central Banks Governors. G20 Leaders welcomed the Principles in November 2015, at their Summit in Antalya.

2. The Principles are voluntary and non-binding. They are addressed to G20 and OECD members and other interested economies, and can apply to diverse circumstances and different economic, social and regulatory environments. They provide broad guidelines for the development of cross-cutting policy strategies, efforts to benchmark policies and the assessment of current initiatives on SME financing at the local, national and international levels. The Principles also aim to encourage dialogue, exchange of experiences and coordination, including regulatory coordination, among stakeholders in SME finance, including policy makers, financial institutions, research institutions and SME management on how to enhance SME access to finance and increase their contribution to resilient and inclusive growth.

Box 1. G20/OECD High-Level Principles on SME Financing

1. Identify SME financing needs and gaps and improve the evidence base.
2. Strengthen SME access to traditional bank financing.
3. Enable SMEs to access diverse non-traditional bank financing instruments and channels.
4. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms.
5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection.
6. Improve transparency in SME finance markets.
7. Enhance SME financial skills and strategic vision.
8. Adopt principles of risk sharing for publicly supported SME finance instruments.
9. Encourage timely payments in commercial transactions and public procurement.
10. Design public programmes for SME finance which ensure additionality, cost effectiveness and user-friendliness.
11. Monitor and evaluate public programmes to enhance SME finance.

3. G20 Leaders called for work to identify effective approaches to facilitate the implementation of the Principles in their 2015 Antalya Action Plan. On several occasions in 2016, G20 Finance Ministers and Central Bank Governors reiterated the call for developing effective approaches for the implementation of the Principles and expressed support for work in this direction. In July 2016, they welcomed the G20/OECD Progress Report on the Development of Effective Approaches to Support the Implementation of the G20/OECD High Level Principles on SME Financing. At their 2016 Summit in Hangzhou G20 Leaders endorsed the *G20/OECD Guidance Note on Diversification of Financial Instruments for*

*Infrastructure and SMEs*¹ and reiterated the mandate to identify effective approaches for implementing the Principles.

4. Pursuant to the request, a survey-based process is being launched to identify such measures, building on the experience from recent exercises carried out to develop effective approaches for other G20/OECD High-Level Principles, including those on long-term investment financing by institutional investors², financial consumer protection³, and financial education⁴. For each Principle and its sub-components, the exercise aims to identify approaches that can be considered effective in helping to implement the essence of the principle. Such measures can be common, i.e. well-established across a broad range of jurisdictions; or innovative or emerging, i.e. in place in a limited number of countries, only recently implemented or applying only to some specific policy areas or measures. The findings of available evaluations of these measures will also be considered.

5. There are several benefits to such a survey-based approach. Seeking information from countries with different backgrounds ensures that a broad range of approaches are captured, which might be suited to different economic and political circumstances. It also ensures that the results are bottom-up and country driven. Furthermore, the exercise will help to enhance the evidence base and may spur improvements in data collection on SME finance and SME finance policies.

6. In order to reach the full range of constituents, the survey is conducted via the G20/OECD Task Force on Institutional Investors and Long-term Financing and the OECD Working Party on SMEs and Entrepreneurship (WPSMEE).

7. As a first step, the exercise will begin with a subset of related Principles to allow the OECD and G20 membership and other interested participants to utilise their resources effectively. In this context, the survey includes questions related to Principles 1, 2, 3 and 5, which cover key framework issues for SME finance. Under each Principle, questions are articulated under sub-themes, which refer to the key issues identified in the Principle. The present survey incorporates comments received by the OECD WPSMEE, the G20/OECD Task Force on Institutional Investors and Long-term Financing and other stakeholders, which were consulted on a draft survey in October/November 2016.

8. In addition to the present survey, a specific survey on Principle 7 (“Enhance SME financial skills and strategic vision”) will be conducted via the OECD International Network on Financial Education (OECD/INFE) and its working group on MSMEs and financial education, building on their related work in this area⁵. In a next step, another survey will be prepared for the remaining Principles.

¹ At their Shanghai and Washington 2016 meetings, the G20 Finance Ministers and Central Banks Governors supported, under the programme of work of the Investment and Infrastructure Working Group (IIWG), the development of a guidance note on recommended policy steps that could contribute to diversified financing instruments for infrastructure and SMEs, with special attention to equity financing. The note takes into consideration existing international instruments and analysis, including the *G20/OECD High-Level Principles on SME Financing*. See <https://www.oecd.org/g20/topics/financing-for-investment/G20-OECD-Guidance-Note-Diversification-Financial-Instruments.pdf>

² See *Report on Effective Approaches to Support Implementation of the G20/OECD High-Level Principles on Long-term Investment Financing by Institutional Investors*, September 2014, at <http://www.oecd.org/finance/principles-long-term-investment-financing-institutional-investors.htm>

³ See *Update report on the work to support the implementation of the e G20/OECD High-Level Principles on Financial Consumer Protection*, September 2013, at <https://www.oecd.org/g20/topics/financial-sector-reform/G20EffectiveApproachesFCP.pdf>

⁴ See Policy handbook on implementing National Strategies for Financial Education, November 2015, <http://www.oecd.org/daf/fin/financial-education/national-strategies-for-financial-education-policy-handbook.htm>

⁵ See the *OECD/INFE High Level Principles on National Strategies for Financial Education* endorsed by G20 Leaders in 2012.

9. Based on the survey responses, a draft report will be prepared which will illustrate common and emerging approaches to support the implementation of the Principles⁶. The effective approaches identified will be meant as illustrative examples, rather than binding prescriptions, to assist policy makers, regulators and other stakeholders in developing strategies for enhancing SME access to a diverse range of financial instruments.

10. In addition, based on the effective approaches identified, a Self-Assessment Checklist will be developed covering the main policy areas addressed by the Principles. The Checklist will be intended as an evaluation tool to help countries who would wish to self-assess their strategies and policy framework to against the key elements and capacities identified in the High-Level Principles. It will consist of yes/no questions, but also provide the possibility to indicate “in progress” action. The checklist will be intended for use by individual governments.

2. Timeline

11. The work will be carried out through the following steps:

- **November 2016:** Launch of the Survey, through the G20/OECD Task Force on Institutional Investors and Long-term Financing, the OECD WPSMEE and the OECD/INFE, for response by mid-January 2017.
- **March 2017:** Draft (interim) report on Effective Approaches to Support Implementation of the G20/OECD High-Level Principles on SME Financing.
- **April 2017:** Consultation on the draft questionnaire on Principles 4, 6, 8, 9, 10 and 11.
- **June 2017:** Launch of the second survey for response by August 2017.

⁶ The analysis will take into account the Implementation Framework of the G20 Action Plan on SME Financing, developed by the G20 Global Partnership for Financial Inclusion (GPFI). The Framework uses specific, SME-related aspects of recognized standards to prioritise reforms in three areas: i) *improvements of the credit reporting framework for SMEs*; ii) *reforms that allow banks and non-banks to lend to SMEs against movable collateral*; and iii) *insolvency reforms*.

<http://www.gpfi.org/sites/default/files/documents/G20%20Action%20Plan%20on%20SME%20Financing%20Implementation%20Framework.pdf>

SURVEY ON EFFECTIVE APPROACHES TO IMPLEMENTING THE G20/OECD HIGH-LEVEL PRINCIPLES ON SME FINANCING

Instructions for respondents

The surveys seek to identify a broad range of relevant policy measures, including regulation and legal instruments, as well as government and market-based good practices. Respondents are invited to take all these aspects into account when answering the questions and are encouraged to provide details on what they consider to be good practices. Respondents are kindly asked to be as specific as possible in their answers and to provide sufficient contextual information, in order to illustrate relevant effective approaches in their responses.

While respondents are encouraged to answer all questions, they may decide to opt out of certain questions (leaving them blank), or indicate that a response will be provided at a later date. In order to keep the exercise as light as possible, when relevant, respondents are invited to provide links or references to materials that could serve as an answer to the questions. Respondents are also encouraged to cross-reference answers provided to questions which address related issues within the same survey.

Participating jurisdictions are encouraged to submit a consolidated national response to the survey, by ensuring that all relevant agencies and government entities with responsibilities that address the substance of the Principles are involved. For purposes of the questionnaire, Government is defined broadly, and should include all competent authorities at international, national and sub-national level, as required. Respondents at national level may wish in this context to consult with relevant sectoral and/or subnational agencies.

For Member jurisdictions from the European Union (EU), they may choose to refer to relevant EU directives or forthcoming European legislation (details of the Directive/legislation are not required) in providing answers to the questions. However, respondents are kindly asked to provide examples or other relevant information on how the Directive or legislation has been implemented in their own jurisdiction. This approach addresses the intent of the survey questions to cover not only the particular policy, regulatory, or supervisory structure but also how this structure works in practice in a particular jurisdiction.

Responses should be sent to the OECD Secretariat by 16 January 2017.

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Principle 1. Identify SME financing needs and gaps and improve the evidence base

As a first step in developing a strategy to enhance SME access to finance, governments should assess the extent to which SMEs' financing needs are met and where gaps exist, in cooperation with relevant stakeholders, including central banks and financial supervisory authorities, financial and research institutions and SME representatives. This requires a strong evidence base and a better understanding of SME financing needs and challenges by public authorities and financial suppliers.¹ Efforts should be placed on improving statistical information on SME financing, particularly in developing economies, where a lack of reliable evidence constrains policy design, implementation and assessment. This calls for cooperation at the national and international levels (including through an expansion of the OECD Scoreboard on Financing SMEs and Entrepreneurs) to increase transparency regarding definitions, improve the comparability of data and indicators, within and across countries², facilitate international benchmarking³ and regulatory coordination, and shed light on outstanding financing gaps and issues.

Please answer the following questions:

Note: if the country takes part in the OECD Scoreboard on SME Finance, please insert reference to this exercise when the information is already provided.

1. Has the government taken steps to assess the extent to which SMEs' financing needs are met and where gaps exist (Yes/No)? _____

If yes,

a) Is a framework in place to collect *quantitative* data on SME finance in the country (Yes/No)? _____

If yes, please describe:

i) Type of statistical information collected (e.g. SME loan stocks/flows, interest rates, loan fees, collateral request, loan rejection rates, venture and growth capital, asset-based finance, payment delays, non-performing loans)

ii) Data sources (e.g. central bank, supervisory authority, national statistical office, ministries, commercial providers, non-governmental organisations) and frequency (e.g. monthly, quarterly, semi-annually, annually)

iii) Breakdowns collected (e.g. size of enterprise, age of firm, form of ownership, location/region, sector, gender/ethnicity of the principal owner)

b) What other sources, if any, are used to gather *quantitative and qualitative* information on SME financing needs and trends (e.g. reporting by financial institutions, specialized agencies, national development banks or similar institutions, periodic surveys of lenders, investors or SMEs, studies by research institutions/universities)? At what frequency is the information gathered?

Please describe _____

c) Is the assessment of SME financing trends and conditions in the country based also on comparative evidence from other countries/regions (Yes/No)?

If yes, please specify _____

d) Does the government participate in international efforts to improve the comparability of statistical data on SME finance (Yes/No)? _____

If yes, in which exercises? _____

e) Is the assessment of SME financing needs and trends conducted in cooperation with relevant stakeholders, including central banks and financial supervisory authorities, financial and research institutions, and SME representatives (Yes/No)? _____

If yes, please describe which stakeholders are engaged and provide examples of cooperation practices.

f) Is the government assessment of SME financing needs and trends made available to the general public (Yes/No)? _____

If yes, please describe the main practices in place for diffusing the government assessment to the public.

2. How does the government determine priority areas for action to address SME financing gaps (e.g. based on a national strategy for SME development, based on SME performance trends, based on the evaluation of policies implemented in the past, identifying the main priorities in respective areas where gaps are thought to exist)?

Please describe _____

3. At what frequency are priority areas for action to address SME financing gaps revised?

Please provide details _____

Principle 2. Strengthen SME access to traditional bank financing.

As a main source of external finance for most small businesses, efforts to improve banks' capacity to lend to SMEs should be pursued. Measures may include credit guarantees, securitization⁴, credit insurance and adequate provisioning for loan losses. Risk mitigation measures should be strengthened, making use of new technologies and mechanisms for underwriting risk⁵⁶. Effective and predictable insolvency regimes should ensure creditor rights while supporting healthy companies and offering a second chance for honest entrepreneurs. Likewise, SMEs should be afforded credit on reasonable terms and with appropriate consumer protection measures in place. Policy makers should consider enabling SMEs to use a broader set of assets beyond fixed collateral, such as movable assets, to secure loans. The feasibility of expanding the use of intangibles as collateral should be carefully considered, to ease access to lending particularly by knowledge-based companies, while taking into account potential risks. The use of credit information should also be enabled to improve risk management for lenders and access for borrowers.

Please answer the following questions:

1. Improving banks' capacity to lend to SMEs

Note: if the country takes part in the OECD Scoreboard on SME Finance, please insert reference to this exercise when the information is already provided.

1. Has the government taken any steps to enhance operating efficiency in banking markets with the aim of facilitating lending activities (e.g. measures to enhance banks' operating practices and reduce operational costs, including through ICT adoption and workflow automation, enhanced organisation and management skills) (Yes/No)? _____

If yes, please provide details.

2. Does the government provide *direct policy support* to bank lending to SMEs (e.g. credit guarantees, credit insurance, etc.) (Yes/No)? _____

If yes, please provide details about policy programmes, including developments over the last five years and novel features of established programmes, if any.

3. Have direct support measures been effective in enhancing access to bank lending by SMEs (Yes/No)? _____

If yes, how is the determination made? Please describe and provide evidence, if any.

4. Have the government and financial authorities introduced any *incentives* to foster SME lending by commercial banks (e.g. funding to banks at favourable rates, negative interest rates for deposits at central banks, etc.) (Yes/No)? _____

If yes, please provide details.

5. Have the *incentives* provided to commercial banks been effective in fostering SME access to credit (Yes/No)? _____

If yes, how is the determination made? Please provide details.

6. Has the government introduced any measures to support the *securitisation* of SME loans (e.g. provision of guarantees, development of platforms for intermediation between financial institutions and investors, standardization of information disclosure, etc.) (Yes/No)? _____

If yes, please provide details.

7. Have the measures adopted to support *securitisation* of SME loans proved effective (Yes/No)? _____

If yes, which measures have worked best? How is the determination made? Please provide details.

2. Credit risk management and mitigation

8. Has the government introduced measures to enhance access and use of credit information by lenders (Yes/No)? _____

If yes, please describe.

9. Has the private sector taken initiatives to enhance credit information sharing in lending markets? (Yes/No)? _____

If yes, please describe.

10. Has the government taken measures to encourage the adoption by the suppliers of finance of new technologies for assessing and mitigating credit risk (e.g. the adoption of advanced-analytics techniques and machine learning to enhance the accuracy of risk models, the integration of new data sources and big data applications to improve decision making, real-time data processing for forward-looking risk management) (Yes/No)? _____

If yes, please specify which measures.

11. Has the government taken any other step to enhance credit risk management and mitigation by financial institutions (Yes/No)? _____

If yes, please specify what other steps have been taken.

12. Have the government measures introduced to enhance credit risk assessment and mitigation by financial institutions proved effective (Yes/No)? _____

If yes, which measures have worked best? How is the determination made? Please provide details.

13. Have the government and financial authorities taken any measures to promote adequate provisioning for loan losses by banks (Yes/No)? _____

If yes, please provide details.

3. Insolvency regime⁷

14. Have the government and regulatory authorities taken measures to enhance timeliness in insolvency proceedings (e.g. requirements for clear and reasonable deadlines for the key steps of the proceeding, regular assessment of courts operational needs, actions to address resource gaps in insolvency courts, initiatives to reduce the backlog of old cases) (Yes/No)? _____

If yes, please specify which measures have been introduced.

15. Have the measures introduced to enhance timeliness in insolvency proceedings proved effective (Yes/No)? _____

If yes, how is the determination made? Please provide details.

16. Has the government taken other steps to streamline insolvency procedures and reduce the related administrative burden, particularly for small businesses (Yes/No)? _____

If yes, please specify the steps which have been taken.

17. Have the measures introduced to streamline insolvency procedures proved effective (Yes/No)? _____

If yes, how is the determination made? Please provide details.

18. Has the government taken measures to enhance insolvency competencies in courts (e.g. specialised expertise for IPR litigations) (Yes/No)? _____

If yes, please specify.

19. Does the insolvency regime comprise mechanisms for maximising the asset values of debtors (e.g. norms preventing the premature dismemberment of a debtor's assets by individual creditors seeking quick judgments) (Yes/No)? _____

If yes, please provide details.

20. Has the government taken measures to strengthen the enforcement of rights by secured creditors (Yes/No)? _____

If yes, please provide details about recent developments.

21. Has the government taken steps to ensure that the insolvency framework provides creditors with a range of opportunities to receive information and to monitor the progress of an insolvency administration in which they have an interest (Yes/No)? _____

⁷ This section takes into account the Implementation Framework of the G20 Action Plan on SME Financing, developed by the G20 Global Partnership for Financial Inclusion (GPMI), and aims to collect complementary information on regulatory and policy approaches in place.

If yes, please specify the steps which have been taken.

22. Does the insolvency regime facilitate out-of-court settlements (Yes/No)? _____

If yes, how well has the regime worked in practice? Please provide details.

23. Are measures in place to facilitate early business restructuring with the objective of preventing default (Yes/No)? _____

If yes, please provide details.

24. Does the regulatory framework allow and encourage rehabilitation procedures (Yes/No)? _____

If yes, please provide details.

25. What other steps, if any, have the government and regulatory authorities taken to enhance bankruptcy and foreclosure procedure, in order to allow for second chances for non-fraudulent entrepreneurs? Please provide details.

4. Collateral⁸

26. Has the government taken steps to reduce the costs and time for filing and registering security interests (Yes/No)? _____

If yes, please provide details about the steps which have been taken.

27. Does the country's regulation enable creditors to create and enforce their rights over non-fixed assets of debtors (e.g. movable assets, intangibles) (Yes/No)? _____

28. Have laws governing movable collateral been introduced or reformed with a view towards facilitating the financing of SMEs (Yes/No)? _____

If yes, please provide details about recent developments.

29. Are particular methods of notice used to publicise the existence of security rights on assets to creditors, purchasers and the general public (e.g. security interest registry) (Yes/No)? _____

If yes,

a) Which methods of notice are used? Please specify

b) Do these methods of notice also apply to non-fixed and intangible assets (Yes/No)? _____

If yes, please provide details.

⁸ This section takes into account the Implementation Framework of the G20 Action Plan on SME Financing, developed by the G20 Global Partnership for Financial Inclusion (GPFI), and aims to collect complementary information on regulatory and policy approaches in place.

c) Has the government taken any step to ease access by interested parties (Yes/No)? _____

If yes, please provide details.

30. Has the government taken other steps to facilitate the use of non-fixed assets and intangible assets (such as patents, trademarks and other intellectual property) to secure loans (Yes/No)? _____

If yes, which steps have been taken? What are the results?

31. Has the government undertaken any evaluation to assess the benefits, costs and risks implied by the use of non-fixed and intangible assets to secure loans (Yes/No)? _____

If yes, what are the results?

Principle 3. Enable SMEs to access diverse non-traditional financing instruments and channels

Recognising the complementary nature of the role of banks and other financing channels, access to a sufficiently broad range of SME financing instruments is desirable in order to obtain the form and volume of financing best suited to SMEs specific needs and the stage of the firm life-cycle. Multiple and competing sources of finance for SMEs should be supported, and efforts should be made to increase entrepreneurs' awareness of the available financing options through targeted outreach initiatives. The development of alternative financial instruments for SMEs should also aim to attract a wider range of investors, including institutional investors⁷, and to enhance their understanding of SME markets. Asset-based finance⁸ could be fostered to enable young and small firms to access working capital on rapid and flexible terms, as well as supply chain and trade finance to support their integration in global value chains. Alternative forms of debt⁹ could be cultivated to enable SMEs to invest, expand and restructure. Adequate policy attention should go to the development of hybrid tools¹⁰ and equity instruments¹¹ to strengthen SMEs' capital structure and boost investment in innovative start-ups and high-growth SMEs¹². Special consideration should be given to venture and private equity financing, including capital for seed, early and later stage investments, as well as to trade finance instruments.

1. Broadening the base of SME investors

1. Are specific policies in place to address barriers to competition in SME finance markets (Yes/No)?

If yes, please specify

2. Has the government adopted initiatives to enhance understanding of opportunities in SME finance markets by non-bank investors (Yes/No)? _____

If yes, which initiatives have proved most effective? How is the determination made? Please provide details.

3. Has the government put in place a flexible regulatory regime governing institutional investors to facilitate their investment in SMEs (Yes/No)? _____

If yes, what steps have been taken? What have been the results?

4. Has the government taken action, including regulatory measures and tax incentives, to encourage retail investors to invest in SME financial markets (Yes/No)? _____

If yes, what actions have been taken? What have been the results?

5. Has the government set up any government-sponsored/government-linked investment vehicles (e.g. national development banks, sovereign wealth funds, and state-sponsored funds) to provide financing and consulting services to SMEs, including innovative companies and start-ups (Yes/No)? _____

If yes, please specify, including targets, budget, financing sources, type of investment or service provision, implementation mechanisms and private sector partners, if any.

6. Does the government prioritise support to specific SME financing instruments alternative to straight debt (Yes/No)? _____

If yes, what instruments are prioritised and why?

7. Has the government taken steps to increase awareness by SME owners and managers of all the available financing options (Yes/No)? _____

If yes, which initiatives have proved most effective? How is the determination made? Please provide details.

2. Asset-based finance

2.1 Asset-based lending

8. Have the government and regulatory authorities taken any actions to support the development of asset-based lending for start-ups and SMEs (e.g. reforms in commercial laws easing the filing of a single lien on all existing and future accounts receivable and inventory, support to the development of expertise for the appraisal of specific assets in SME finance markets, credit to private banks at favourable rates to offer asset-based lending to SMEs) (Yes/No)? _____

If yes, please provide details on recent policy developments and regulatory reforms aimed at fostering asset-based lending.

9. Are publicly-funded asset-based credit lines in place for SMEs (Yes/No)? _____

If yes,

a) What type of asset-based lending is offered and to which target group?

b) How are the financial products delivered to SMEs (e.g. direct funding by a public financial institution, indirect funding through commercial lenders)?

2.2 Factoring and Purchase Order Finance

10. Have the government and regulatory authorities adopted measures to support the development of factoring instruments (e.g. regulation that allows the transfer of future and bulk receivables, deductibility of interest on factoring, tax incentives) (Yes/No)? _____

If yes, please provide details about recent policies and regulatory reforms aimed at supporting factoring.

11. Has the government taken action to support factoring mechanisms within supply chains (e.g. electronic platforms for match-making, assistance and training to SMEs) (Yes/No)? _____

If yes, please describe.

12. Has the government adopted measures to encourage other supply-chain finance instrument (Yes/No)? _____

If yes, please provide details

13. If the government has introduced measures to support supply-chain finance, do any of these specifically target SMEs' participation to Global Value Chains (Yes/No)? _____

If yes, please provide details.

2.3 Warehouse receipts

14. Is a regulatory framework in place for warehouses and warehouse receipts, which allows loans to be secured by stored commodities (Yes/No)? _____

If yes

a) What measures, if any, has the government taken to ensure control and oversight of warehouses? Please provide details.

b) What other measures, if any, has the government taken to ease the use of commodities for securing loans?

i) Support to the development of a reliable system of grades and standards for stored commodities (Yes/No)? _____

ii) Access to reliable information on commodity market prices and conditions by SMEs and lenders (Yes/No)? _____

iii) Support to the development of lenders' expertise on commodities in SME finance markets (Yes/No)? _____

iv) Incentives to pool commodities among small firms to reduce the costs of accessing warehouses (Yes/No)? _____

v) Raising awareness of banks on warehouse receipts mechanisms (Yes/No)? _____

vi) Other (Yes/No)? ____ If yes, please specify _____

2.4 Leasing

15. Is a legal and regulatory framework in place which protects interests of parties in a leasing transaction (Yes/No)? _____

16. Does a national asset register exist in the country (Yes/No)? _____

If yes,

a) What assets are covered?

b) How is publicity ensured?

17. Have the government and regulatory authorities adopted measures to foster leasing markets (Yes/No)? _____

If yes

a) Please provide details about recent policies and regulatory reforms aimed at enhancing leasing (e.g. tax incentives on leasing operations, loosening of capital requirements for leasing companies)

b) Which measures have proved most effective? How is the determination made? Please specify.

3. Alternative forms of debt: corporate bonds and private placements

18. Have the government and regulatory authorities introduced measures to enhance the public issuance, trading and clearing conditions of corporate debt securities (Yes/No)? _____

If yes, please provide details about recent policy developments and regulatory reforms.

19. Are rules in place to provide for private placements of corporate securities (Yes/No)? _____

If yes

a) Has the government or regulatory authority taken any steps to enhance credit scoring on private placement issuances (Yes/No)? _____

If yes, please provide details.

20. Has the government taken any measures to support the creation of bond trading venues that are accessible to SMEs, including electronic platforms for SME bond trading (Yes/No)? _____

If yes, what are the results? Please provide details.

21. Does the country's legal and regulatory framework allow non-listed SMEs to issue corporate bonds (Yes/No)? _____

If yes, under which conditions can the securities be offered?

22. Does the legal and regulatory framework allow for multi-issuer bond structures (Yes/No)? _____

23. Has the government taken steps to support standardization of documentation and information on bond issuers, particularly SMEs (Yes/No)? _____

If yes, what measures have been introduced? Please describe.

24. Has the government offered targeted initiatives to increase awareness and knowledge of SMEs about options available in debt securities markets (Yes/No)? _____

If yes, please provide details.

4. Hybrid instruments

25. Has the government or regulatory authority taken steps to enhance the development of commercial mezzanine finance markets (Yes/No)? _____

If yes, what measures have been introduced?

26. Does the government support the provision of mezzanine finance to lower-tier SMEs, i.e. SMEs with lower credit rating and smaller funding needs than those financed in the commercial market (Yes/No)? _____

If yes, what type of support is provided (e.g. direct funding, financial incentives to private investors) and which are the target firms?

27. Does the government or a public financial institution participate in investments funds that provide mezzanine finance to SMEs (Yes/No)? _____

If yes,

a) What types of risk-sharing mechanisms are in place?

b) Does the government or public financial institution participate in the management and investment decisions of the funds (Yes/No)? _____

28. Has the government taken steps to increase awareness and knowledge by SMEs of hybrid financing tools (Yes/No)? _____

If yes, please provide details.

5. Equity finance

29. Does the government or any government-related institution offer direct equity investments in SMEs (Yes/No)? _____

If yes, please provide details, including types of SMEs targeted, funding instruments and channels (e.g. direct funding, funds-of funds, co-investment schemes).

30. Has the government introduced any measures to support the development of exit channels for SME equity investors (e.g. IPO, secondary market, trade sales) (Yes/No)? _____

If yes, please provide details.

31. Has the government offered targeted initiatives to raise awareness by SMEs about equity finance opportunities and channels (Yes/No)? _____

If yes, please provide details, including types of SMEs that are targeted and outreach practices.

32. Has the government offered targeted initiatives to improve investor-readiness of start-ups and SMEs (Yes/No)? _____

If yes, what initiatives have been introduced? What are the results?

5.1 Seed and early-stage financing

33. In your country, are seed and early stage investors, such as venture capitalists and business angels, subject to any of the following requirements:

- a) Special licensing norms (Yes/No)? _____
- b) Solvency or funding requirements (Yes/No)? _____
- c) Accounting requirements (Yes/No)? _____
- d) Investment regulations (Yes/No)? _____

34. Are there any limitations on the ability of these investors to operate as limited liability entities (Yes/No)? _____

If yes, please specify.

35. Are there any restrictions in your jurisdiction on investments in seed and early stage ventures by:

- a) Banks (Yes/No)? _____
- b) Pension funds (Yes/No)? _____
- c) Insurance companies (Yes/No)? _____
- d) Retail collective investment schemes (Yes/No)? _____

36. Has the government or regulatory authorities taken any action to lift regulatory limitations (Yes/No)? _____

If yes, please provide details.

37. Does the government provide support to investors in seed and early stage ventures (e.g. tax incentives, network support, skills development) (Yes/No)? _____ .

If yes,

- a) Which measures have proved most effective? How is the determination made? Please provide details.
-

- b) Which, if any, of these measures are open to foreign investors?
-

5.2 SME equity listing

38. Has the government or the regulatory authorities adopted measures to support the development of platforms for SME equity listings (Yes/No)? _____ .

If yes, please provide details.

39. Are there listing rules and requirements adapted to small equity issuers in your jurisdiction (Yes/No)?

40. Have particular measures been taken to support liquidity in SME public listings (Yes/No)? _____

If yes, please describe.

41. What actions, if any, have the government and regulators taken to encourage cross-border investments in SME listings? Please provide details.

42. Has the government taken any steps to support the provision of services for SMEs that are or will be listed in public equity markets (e.g. information, skills development, mentoring, coaching) (Yes/No)?

If yes, please provide details.

6. Crowdfunding

43. Does a clear regulatory framework for crowdfunding activities⁹ exist in your jurisdiction (Yes/No)?

If yes:

a) Which type of crowdfunding activity is covered by regulation:

- i. Donations (Yes/No)? _____
- i. Rewards or sponsorship (Yes/No)? _____
- ii. Pre-selling or pre-ordering (Yes/No)? _____
- iii. Peer-to-peer lending (Yes/No)? _____
- iv. Equity (or investment) crowdfunding (Yes/No)? _____

b) Are there specific limitations for equity crowdfunding (Yes/No)? _____

If yes, please specify.

c) Was the regulatory framework designed in consultation with stakeholders (Yes/No)? _____

If yes, please provide information on the stakeholders involved.

44. Has the government adopted measures to support the development of crowdfunding industry networks (Yes/No)? _____

If yes, please provide details.

⁹ Financing methods for projects or ventures that consist in raising small amounts of money from a large number of individuals, typically through an online platform.

45. Has the government adopted measures to increase awareness and knowledge about crowdfunding regulation, risks and opportunities among the general public (Yes/No)? _____

If yes, please provide details.

46. Has any specific activity been developed to raise awareness and knowledge about crowdfunding by start-ups and SMEs (Yes/No)? _____

If yes, please provide details.

7. Other long-term financing

47. Has the government developed other financial instruments (not covered by the above questions) to match investors who want to put money into companies and projects for the long term with enterprises in need of 'patient' long term money (Yes/No)? _____

If yes, please specify and comment on results.

Principle 5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection

Policy makers and regulatory authorities should ensure that regulation is designed and implemented that facilitates SMEs' access to a broad range of financing instruments without compromising financial stability and investor protection, and enables a return on investment. Regulatory certainty is needed to ensure a predictable and stable operating environment for firms and investors. The combined effects of different regulations should also be considered. Regulations should be proportionate to the risks of different financing instruments. Efforts should be made to avoid undue administrative burdens (including through digitalisation), cut red tape and facilitate bankruptcy resolutions. Particularly in the equity space, flexibility provided to SMEs should be compatible with investor protection, integrity of market participants, corporate governance and transparency. Good corporate governance in SMEs should be encouraged, to enhance their access to equity markets. Legal, tax and regulatory frameworks (including tax policies which provide incentives to encourage both debt and equity financing) should contribute to foster diverse sources of finance.¹³ International regulatory coordination can serve to promote cross-border financing for SMEs.¹⁴

1. Regulatory framework

1. Are consultative mechanisms with the private sector in place to assess regulation affecting the business environment and design regulatory reforms (Yes/No)? _____

If yes, how does the consultation take place? Is participation by SMEs encouraged or facilitated?

2. Are there mechanisms in place to assess the impact of *financial market regulations* – and regulatory reforms – on SME access to finance (Yes/No)? _____

If yes,

a) Does the assessment focus on:

i) Bank lending (Yes/No)? _____

ii) Private/public equity (Yes/No)? _____

iii) Institutional investors (e.g. pension funds and insurance companies) (Yes/No)? _____

iv) Crowdfunding (Yes/No)? _____

v) Other (Yes/No)? _____ If yes, please specify _____

b) Do these assessment mechanisms consider:

i) Proportionality of regulations to different risks of financial instruments (Yes/No)? _____

ii) The combined effects of different regulations on SME financing options and conditions (Yes/No)? _____

iii) Possible unintended consequences for SME financing (Yes/No)? _____

iv) Administrative burdens for SMEs (Yes/No)? _____

v) Tax policies related to investments in SMEs (Yes/No)? _____

c) Please provide reference to assessment evidence or reports.

3. What steps, if any, have the government and regulators taken to enhance international regulatory coordination as a means to promote cross-border financing for SMEs?

Please describe _____

4. Do the government and regulatory authorities take part in the international exchange of experiences on regulation for new sources of finance (Yes/No)? _____

If yes, please provide more information.

2. Tax policy

5. Are tax policies examined to ensure they contribute to fostering diverse sources of finance for business (Yes/No)? _____

If yes, how is the determination made?

6. Was any tax reform undertaken in recent years with the explicit aim of supporting the diversification of financing instruments for SMEs (Yes/No)? _____

If yes, please specify.

3. Corporate governance

7. Has the government adopted any policy to encourage good corporate governance in SMEs (Yes/No)? _____

8. Has any action been taken to raise awareness about good corporate governance principles by start-ups and SMEs approaching capital markets (Yes/No)? _____

If yes, please provide details about the measures, including targets, implementation mechanisms and outreach

¹ Evidence on SME financing, including micro data and micro analysis is needed for informed policy discussion; the evaluation of policies; monitoring the implications of financial reforms on SMEs' access to finance and for a better understanding by financial suppliers' of SME financing needs. Evidence on financing needs and gaps by firm size and stage in the firm life cycle is especially important to tailor policy strategies. In this regard, regular quantitative demand-side surveys can represent an important source of information, but their harmonisation at the national, regional and international level should be encouraged to improve the quality of information and cross-country comparability.

² At the international level, comparison of data on SME finance is significantly hampered by differences in definitions and methodology.

³ Strengthening the ability to document differences in SME access to finance across countries can shed light on policy experiences and facilitate the exchange and adaptation of good policy practices.

⁴ High-quality, transparent and standardised securitization of SME loans is one means to foster bank lending to SMEs.

⁵ To gather more accurate information about businesses, banks may also make use of external experts, particularly for technology-based business models.

- ⁶ The use of credit scoring models may also serve to facilitate bank lending to MSMEs by reducing costs and increasing service levels.
- ⁷ See also the G20/OECD High level Principles of long term investment financing by institutional investors and their related effective approaches.
- ⁸ Asset based finance includes, for example, asset-based lending, factoring, purchase order finance, warehouse receipts, and leasing.
- ⁹ Alternative forms of debt include corporate bonds, private placements, direct lending by non-bank institutions, and peer-to-peer lending.
- ¹⁰ Hybrid instruments include subordinated loans and bonds, silent participations, participating loans, profit participation rights, convertible bonds, bonds with warrants, and mezzanine finance
- ¹¹ Equity instruments comprise venture capital, business angel investing, other private equity instruments, specialised platforms for public listing of SMEs and equity-based crowdfunding
- ¹² The existence of appropriate channels for exit can help increase the attractiveness of these instruments for investors.
- ¹³ This may be of particular importance to attract private investors to early stage investments.
- ¹⁴ In addition, international exchange of experiences on regulation for new sources of finance can be particularly beneficial.