

CGC and OCBC Bank cross RM2bil mark in wholesale guarantees

KUALA LUMPUR: Credit Guarantee Corporation Malaysia Bhd (CGC) and OCBC Malaysia have crossed the RM2bil mark in wholesale guarantees (WG) for unsecured small and medium enterprise (SME) financing.

In a joint statement on Monday, they said this RM2bil was after several new tranches totalling RM610mil for this year.

OCBC Malaysia comprises OCBC Bank (Malaysia) Bhd (OCBC Bank) and its unit OCBC Al-Amin Bank Berhad (OCBC Al-Amin).

The WG effort, begun in 2014, has now seen a total of RM2.05bil distributed among 8,211 SME accounts.

Prior to the latest RM610mil WG tranche, OCBC Malaysia had already disbursed RM1.44bil in unsecured financing through the scheme in partnership with CGC to 4,509 SMEs in industries ranging from retail and wholesale to manufacturing.

Of this year's RM610mil tranche, they said RM495mil involves OCBC Bank and RM115mil from OCBC Al-Amin.

A wholesale guarantee (WG) aims to encourage the participation of a financial institution by providing capital relief in accordance with Basel II.

At the same time, it allows them to obtain additional security for their unsecured or partially-secured SME financing/loans.

WG provides a new edge for the banking industry by reducing risk on their books and free up their capital which allows increased capacity for more SME financing/loans.

As for CGC, its strength of WG lies in its simple implementation method of providing a blanket guarantee on financing/loans already underwritten by OCBC Malaysia via a thorough understanding of the underwriting standards and performance of such loans.

As the portfolio would have been seasoned for a period of time, loan quality is made more predictive, hence minimal credit assessment is required upon submission.

OCBC Malaysia submits the qualifying accounts per the agreed terms. CGC's WG also allows more certainty in outreach and fee income as this is derived from a pool of existing OCBC Malaysia customers.

CGC president and CEO Datuk Mohd Zamree Mohd Ishak said that OCBC and CGC's achievement in unsecured wholesale guarantees reaffirms their joint commitment in promoting greater access to financing for SMEs.

"Over the span of seven years, CGC and OCBC have provided an average of RM300mil in unsecured financing yearly through our award-winning wholesale guarantee schemes.

"This milestone resonates well with the Government's call to financial institutions to provide more assistance to SMEs, enabling them to recover and continue their operations with the reopening of the economic and social sectors," he said.

This is in line with the government's 6R approach (Resolve, Resilient, Restart, Recovery, Revitalise and Reform) implemented to mitigate the impact of the Covid-19 pandemic.

Mohd Zamree emphasised CGC remains steadfast in its counter-cyclical role, with various initiatives to boost the recovery momentum of the Malaysian economy from the pandemic, particularly in the SME sector.

CGC is also fully committed to supporting the implementation of the Twelfth Malaysia Plan, especially in Theme 1 Resetting the Economy which includes a special focus on Transforming MSMEs as the New Driver of Growth (Game Changer III)".

OCBC Malaysia, through OCBC Al-Amin initially, became a prime mover of the initiative to make unsecured financing available when it introduced OCBC Al-Amin Business Cash-i (BC-i) in 2012.

The bank became the country's first SME WG in response to the alarming results of a Department of Statistics study where the majority of respondent SMEs had cited lack of collateral as the biggest constraint to obtaining financing.

OCBC Bank CEO, Datuk Ong Eng Bin, the latest WG tranche bodes wells for the future of SMEs with the ongoing impact of the pandemic.

"The timing is right and the amount substantial enough to make a tangible difference to the long-term development of SMEs in Malaysia.

"Although the SME customer gains the benefit of our agreement with CGC without even knowing it, what is most pertinent to them is that such an arrangement enables the bank to make available more to SMEs in the long run as the bank's risks are lessened through the arrangement.

"In addition to the WG, OCBC Malaysia is also collaborating with CGC on a portfolio guarantee (PG) which sees CGC providing a 70% guarantee cover. The PG is designed to enable worthy businesses to have better access to short to medium-term financing.

“As a bank that is steeped in the SME business landscape, we recognise unsecured financing as necessary. With the impact Covid-19 has had on businesses, particularly SMEs, we are confident this will pave the way for the steady progress of SME financing in the country,” Ong said.

<https://www.thestar.com.my/business/business-news/2021/10/11/cgc-and-ocbc-bank-cross-rm2bil-mark-in-wholesale-guarantees>