

Preventing over-indebtedness

SYMBIOTICS' PERSPECTIVE

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Agenda

- Introduction to Symbiotics
- Our systems and process
- How is this relevant to OI prevention?
- Conclusions and questions



Symbiotics

Snapshot

- 1.1billion AUM/A; 60+ countries; 250+ partnerships
- Among largest microfinance fund manager/advisor
- Based in Geneva, Switzerland with offices in Mexico, Singapore, Capetown, Zurich and London
- 85 employees
- From our social charter: “Invest in the real economy, promoting the social function of finance”



Symbiotics investment universe

Where are we?

- We are active in all major markets, including some of those with higher levels of household debt
- We believe healthy investments can be made in those markets, but must be done carefully
- We also actively pursue investments in uncharted territory, but this has its own challenges.



Investment Analysis

How does our investment process align with our mission and social charter?

- Begins with pursuing the right partnerships
- We invest in socially responsible FIs that lend predominantly to MSMEs.
- They typically have social missions and participate in events such as this.



Investment Analysis

What resources can we use?

- We leverage publicly available information:
 - MIMOSA study
 - Macroeconomic research
 - Currency analysis
- We rely on our local partners who own the relationship with microfinance borrowers
- We use our analysis process to inform investors of risks. High on the list is the risk of OI



Investment Analysis

Where does investment analysis fit into the process?

- Credit risk & social performance analysis – internal system of ratings that guide our fund managers in investment decision-making
- We recommend investments in FIs that will enable us to achieve our social mission
- We won't recommend investment in FIs that, according to our criteria, present a high risk of contributing to OI



Investment Analysis

How is FI investment analysis relevant to prevention of over-indebtedness?

- Credit risk rating (CRR) is 100 questions and uses top down bank analysis system
 - Market, regulatory, governance, FI performance and management (CAMELS)
 - Mix of qualitative/subjective and quant/objective.
 - Examples of topics:
 - Level of credit penetration and competitiveness
 - Regulatory environment
 - Management's level of experience
 - Operational procedures, oversight, control



Investment Analysis

How can we analyze an FI's commitment to ethical lending and avoidance of OI?

- Social performance rating (SPR) is our in-house tool used to assess an FI's expertise and conduct in social performance management.
- Examples of criteria:
 - Board expertise in microfinance best practice
 - MFI's presence underserved markets
 - Policies and training on ethical lending
 - Employment conditions and incentive system
 - Staff turnover



Some conclusions

- *What lessons have we learned about OI?*
 - Macroeconomic factors, specifically overnight shocks can contribute significantly to OI.
 - Major microfinance markets have become more saturated and competitive, but also better managed and regulated.
 - Credit and social performance analysis are useful tools in the effort to prevent OI
 - What else?



Questions?

