Linklaters

No Small Debt:
Asia's Consumer Loan ABS Market



The consumer ABS market across Asia continues to expand rapidly, driven by fintech innovation and digital lending platforms. We are seeing significant growth in asset backed financing and securitisation of unsecured consumer loans, buy now pay later receivables, microfinance receivables, and online marketplace lending portfolios. Regulatory frameworks are evolving to accommodate these new asset classes whilst maintaining investor protection standards.

The Trends Defining Asia's Consumer Loan Financing Landscape.

Geographies are shifting

Whilst issuance of consumer loan debt across Asia remains uneven, appetite is accelerating, with Thailand, India, Indonesia, the Philippines, Malaysia and Vietnam emerging as markets of increasing interest for investors and sponsors alike, alongside more mature markets in Hong Kong, Singapore, China, Japan and South Korea.

Structural innovation

As appetite grows, so does structural innovation, with onshore partnerships and origination platforms increasingly on the table as market participants seek to navigate local regulatory frameworks and tap into deep, underleveraged pools of consumer credit.

Non-bank origination and private credit expansion

Alternative capital is increasingly competing with, and complementing, public term ABS, especially where lenders want forward-flow style economics, rapid repeat issuance, or bespoke risk allocation. Private credit funds have expanded further into ABS, including consumer oriented collateral, and are more flexible in the types of structures and terms they are able to work with.

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Linklaters stands out due to its consistent, high-quality legal advice and access to a large network of offices, which enables it to provide a seamless service on complex cross-border transactions.

Chambers Global, Capital Markets: Securitisation respondent

A Guide to Navigate Asia's Consumer Loan ABS Markets.

Across consumer loan financings key structural and legal issues consistently emerge. Our recommendation is always the same: solve for them early. With deep expertise across Asia's consumer loan markets, we are uniquely placed to help you identify what those issues are and to guide you to the right solution.

Issuer establishment and "front end" considerations

- **Tax and cash-leakage**: withholding tax on collections and interest, deductibility, VAT / GST leakage on servicing, stamp duties on receivables transfers, treaty access, and "substance" expectations.
- **Capital controls and trapped cash**: repatriation mechanics, offshore accounts and cashflows, debt service waterfalls that work under local FX / settlement rules.
- **Foreign investment restrictions / eligibility**: whether offshore investors can hold the end product directly, and whether they can hold the underlying asset / security.
- **Local law structuring constraints**: in some markets the "SPV" is commonly a trust or a statutory vehicle; in others, onshore true sale can be difficult, pushing the transaction toward secured / participation-style economics or hybrid structures.

True sale and synthetic exposures to the underlying assets

For consumer loan ABS, asset transfer workstreams need to address the following 5 points:

1. Transfer restrictions and / or synthetic exposures (contractual, statutory, consumer-credit or data-related) that make assignment imperfect or require borrower notice / consent.

2. Cross-border enforceability gaps (choice of law, recognition of trust / assignment concepts, or practical enforcement pathways).

3. Servicing and commingling mechanics that ratings agencies view as weak (especially where collections sit with the originator too long or are exposed to insolvency set-off risks).

4. Accounting treatment mismatch: the originator wants derecognition / capital relief, but the legal structure leaves too much control / recourse.

5. Asset-class specific traps, including:

- **Short-tenor receivables** (high turnover, substitution rules, cut-off timing, data integrity);
- **Long-tenor instalment loans / leases** (early termination, residual value risk, repossession regimes);
- **Revolving asset pool** (eligibility criteria, early amortisation risk, concentration risk, origination and performance thresholds); and
- **Non-revolving** pools (static pool deterioration, prepayment risk and cashflow mismatch, tail risk).

Risk mitigation

Investors and rating agencies increasingly focus on whether the structure addresses specific risks that show up in consumer credit during stress:

- **Credit enhancement calibration** (subordination, reserve, overcollateralisation, excess spread trapping) tied to observed portfolio volatility.
- **Liquidity support** sized to payment timing mismatches, commingling periods, and servicer disruption scenarios.
- **Operational risk controls**: servicing continuity, back-up servicing, data quality, fraud controls, and audit rights.
- **Hedging mechanics** (where relevant): FX / interest rate risks and how hedge termination payments sit in the waterfall.
- **Regulatory / consumer protection overlay**: origination conduct, disclosure rules and how those rules behave under stress (and under an SPV / servicer transition).

Jurisdiction-Specific Highlights.



CHINA

- Two main types of securitisation structures: (A) off-balance sheet special purpose trust structures for credit assets originated by a financial institution, and (B) specific asset management plans for receivables originated by corporates.
- Transfer of underlying assets to a foreign SPV is heavily regulated.



HONG KONG

- Common law jurisdiction with flexible legal framework.
- While Hong Kong SPVs are sometimes used for securitisations, there are Hong Kong tax implications which need to be worked through.



INDIA

- Onshore/offshore dual SPV structures are popular.
- Consumer loan transactions commonly characterised by the issuance of non-convertible debentures by the onshore SPV to an offshore SPV.
- Transfer of underlying assets to a foreign SPV and security over onshore assets is heavily regulated.

Jurisdiction-Specific Highlights (continued).



INDONESIA

- Framework established under Capital Market Law and Financial Services Authority (OJK) regulations; developing market with focus on consumer finance and microfinance receivables.
- SPVs structured as limited liability companies (PT) or collective investment contracts; OJK approval required for public offerings.
- Insolvency remoteness supported by ring-fencing mechanisms.



JAPAN

- The market has developed significantly, and underlying assets typically include various receivables, infrastructure projects, whole businesses, real estate and credit-linked products and derivatives.
- Key securitisation structures in Japan include: (A) Japanese special purpose company structures which qualify for certain tax benefits and (B) trust and fund structure.



KOREA

- One of the most active Asian ABS markets with an increasingly active consumer and auto loan securitisation market.
- Typically utilise asset-backed securitisation companies established under the Asset-Backed Securitisation Act (ABS SPC) or a trust structure.



MALAYSIA

- Active Islamic securitisation (sukuk) market alongside conventional ABS.
- SPVs typically structured as special purpose trusts or companies; Labuan entities are deemed non-resident under foreign exchange control rules and are used for foreign currency issuances.
- Bankruptcy remoteness achieved through orphan SPV structures, limited recourse provisions, and regulatory oversight by Securities Commission.



PHILIPPINES

- Securitisation Act of 2004 provides framework; modest but growing market particularly in consumer receivables and real estate mortgages.
- SPVs established under the Securitisation Act as trusts or corporations; SEC registration and compliance required.
- Bankruptcy remoteness facilitated by statutory SPV framework with restricted powers and limited recourse provisions.



SINGAPORE

- Flexible SPV structures including companies, trusts, and limited partnerships; efficient incorporation and favourable regulatory environment.
- Permissive regulatory environment with preferential tax treatment granted to approved SPVs.
- No withholding tax on qualifying debt securities; stamp duty exemptions for qualifying securities lending/repo.



THAILAND

- Growing market particularly in consumer receivables.
- The Thai SEC's involvement in, and approval of, several transactions in this space has been a watershed moment, opening the door to a new generation of consumer loan financings involving Thai assets.



VIETNAM

- Emerging securitisation market with framework under Securities Law and State Bank regulations; early-stage development with limited transactions to date.
- SPVs may be structured as securities investment companies or finance companies subject to regulatory approval; complex licensing requirements.
- Strict currency controls mean that transfer of underlying assets to a foreign SPV is complex.
- Insolvency remoteness concepts developing; reliance on contractual protections and regulatory capital treatment.

Supporting You with Market-Leading Securitisation Expertise.

Clients navigating Asia's securitisation markets consistently ask how to manage fragmented regulatory regimes, uneven market maturity and the need for seamless cross-border execution – challenges that demand an adviser with deep regional coverage and global technical strength.

Band 1 securitisation capability – leading execution across Asia and globally

Linklaters is consistently recognised for top-tier securitisation strength, ranking Band 1 in Chambers for derivatives, structured products and securitisation in Greater China, APAC, UK and Europe. We are also a Firm to Watch for Securitisation in US by Legal 500, reflecting our depth across ABS, CMBS and complex structured products from the world's most established ABS markets.

Distinct multi-jurisdictional expertise across Asia's key securitisation markets

Our Band 1 team brings over 50 years' combined structured finance experience across Hong Kong SAR, Tokyo, Singapore, Bangkok and Jakarta, working seamlessly with our leading EU, UK and US teams on complex cross-border transactions. We cover the full spectrum of securitisation and structured finance products and deliver advice in English, Japanese, Korean and Mandarin.

With an integrated US law capability in Asia and support from finance specialists across 30 global offices and our alliance with Allens in Vietnam and Australia, we provide coordinated execution across Asia's key securitisation markets.

Proven track record of market-shaping innovation

As issuers and investors across Asia increasingly seek flexible, scalable and cross product financing solutions to navigate diverse regulatory regimes and evolving capital needs, demand has accelerated for innovative and hybrid structured finance techniques.

Our highly experienced structured finance team works closely with Linklaters' top rated banking and funds practices to deliver cutting edge, bespoke structures, drawing on techniques from traditional securitisations as well as loan and fund platforms to create new hybrid arrangements. This multi disciplinary approach brings together our expertise in margin lending, structured finance, investment funds, derivatives and financial regulation, enabling us to structure transactions that meet complex financing demands across the region.

Highlights of our experience include:

Hong Kong's first public consumer loan securitisation and Asia's (ex-Japan) first AAA-rated personal loan securitisation – US$200m debut asset-backed securities offering by PrimeCredit.

World's first securitisation of negative equity mortgages – HK$257m securitisation of trust interests backed by negative equity mortgage loan receivables by Pan Asian Mortgage Company Limited.

Thailand's first securitisation under securitisation law – THB1.5bn securitisation of consumer hire purchaser receivables originated by AEON Thana Sinsap (Thailand) Public Company Limited in 2004 (Eternal SPV).

Hong Kong's first infrastructure loan backed securities (ILBS) – Bauhinia ILBS 1, 2 & 3 by The Hong Kong Mortgage Corporation.

Asia's first infrastructure project finance securitisation and Singapore's first offering under MAS's Debt Distribution Facility – US$458m asset-backed securities offering by Clifford Capital/Bayfront Infrastructure Capital.

Singapore's first publicly offered private equity backed securitisation – US$498m offering of three tranches of listed bonds to retail investors backed by a portfolio of 36 private equity funds (collateralised fund obligations).

India's first cross-border securitisation – US$300m US dollar 144A/Reg S repack structured bond by India Finance Vehicle (Mauritius SPV).

Asia's first corporate sustainability bond offering – US$95m sustainability bond offering by Tropical Landscapes Finance Facility to finance a sustainable natural rubber plantation in Indonesia.

Korea's first covered bond programme under covered bond law – US$7bn Global Covered Bond Programme by Kookmin Bank.

China's first green covered bond offering and first international issuance secured by onshore assets – establishment of US$5bn China Covered Note Programme and initial US$500m China Green Covered Bonds by Bank of China.

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