



**International
Finance Corporation**
World Bank Group

Credit Information Sharing

Recent Developments:

Credit Reporting Standards G20 SME Finance Initiative

Hong Kong, 24th March 2011

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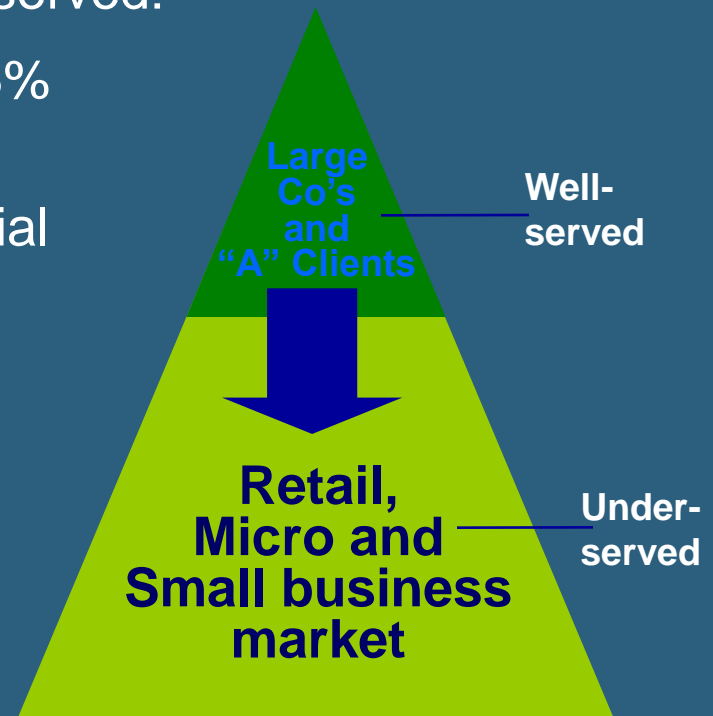
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IFC Advisory Services

Objective of IFC Financial Infrastructure Development

Create Access to Finance:

- The bottom of the pyramid remains underserved:
 - Banking sector penetration of 5% to 25% vs. 70% to 90% in developed markets
 - Banks tend to focus on large commercial clients and top retail clients
- Targeting the underserved:
 - *Microfinance* (up-scaling):
Total reach: 70 million clients globally
 - *Banks* (down-scaling):
Requires retail skills and systems
 - *Non-bank financial institutions* (diversifying):
Leasing, factoring, housing, insurance



Information Sharing is Changing

Historically

- Focus on Negative Data
- Prevent bad debts
- Benefits to Lenders and 'the financial system'

Today's Requirement

- Full File Data – positive information
- Inclusion of Non Traditional Data
- Financial Inclusion (Micro and SME)
- Prevent Over Indebtedness
- Responsible Lending

The Future

- Broader Public awareness of Credit Reporting
- Consumers/Businesses take responsibility

The Need for Global Standards

- What is best practice?
- How can we balance the needs of the market with the rights of consumers/businesses?
- What are the roles of the various players?
- What can policy makers do to improve the flow of information but maintain control?
- World Bank in collaboration with the Bank for International Settlements establishes task force.

The Task Force

- Chaired by World Bank and BIS
- Task Force made up of 25 individuals representing a broad spectrum of stakeholders in the credit information sharing environment
 - Central Banks, Industry Associations, Regulators, Privacy etc.
- Scope:
 - Consumer and Commercial credit reporting (excl Rating Agencies)
 - Public and Private information service providers
 - Aimed at policy makers and practitioners
- Output:
 - Global Standards incorporating core Principles, rationale, guidelines and recommendations (implementation guidelines to follow).

The Process and Time Line

Establish Task Force and Agree Scope

Mar 2009

Task Force Deliberations
Draft Principles and Guidelines

Dec 2010

Tier II Review
Draft V 2.0

Feb 2011

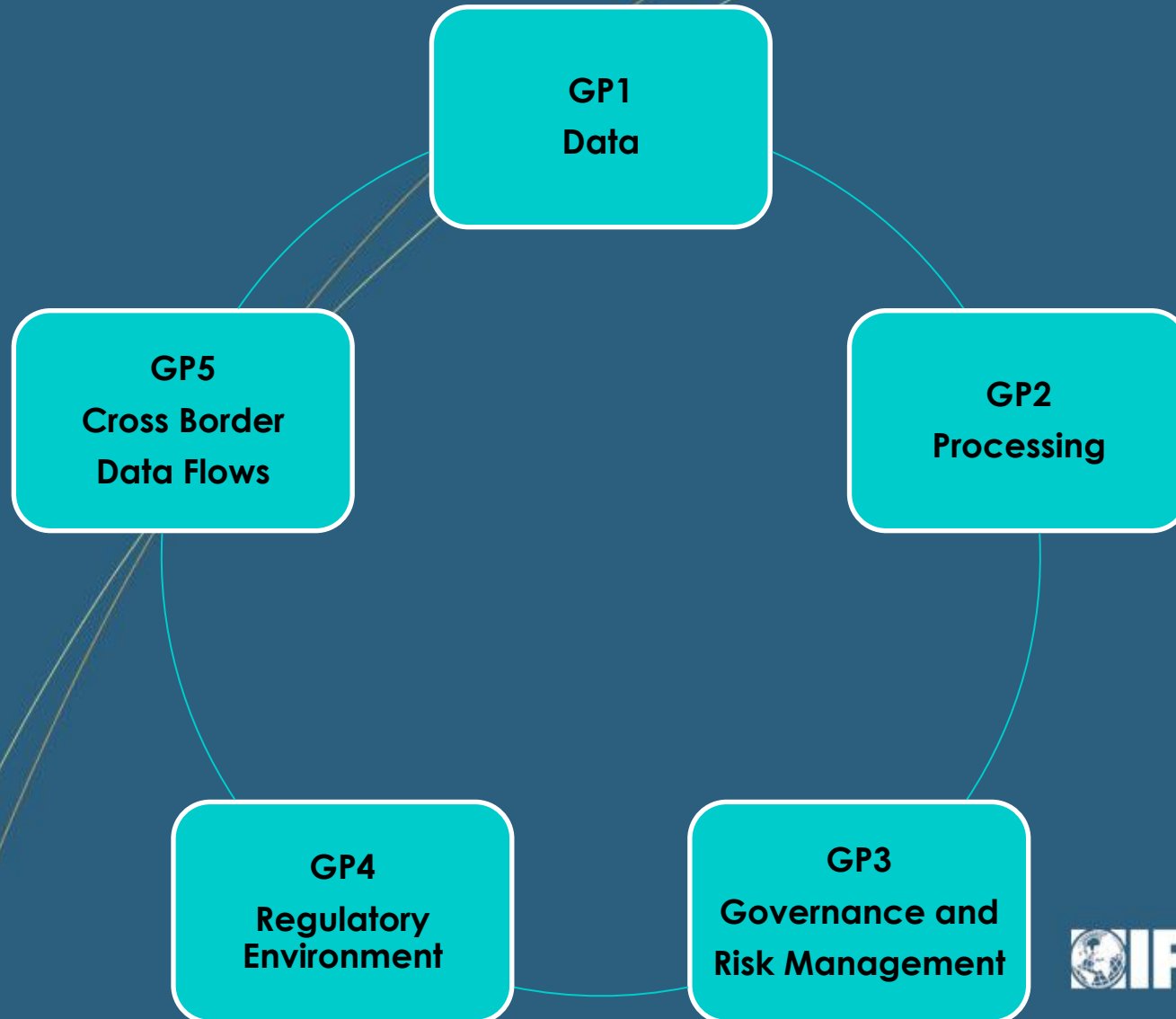
Public Consultation

May 2011

Publication

Jul 2011

The Five General Principles



Public Consultation

General Principles for Credit Reporting – consultative report

Available for download at:

www.worldbank.org/paymentsystems

Comments should be forwarded to the Secretariat no later than
31st May 2011

The G20 SME Finance Initiative

- **Pittsburg (Sept 2009) G20 Leaders announced the creation of the Financial Inclusion Experts Group (FIEG)**
- **Two primary roles:**
 - Support innovative modes of financial service delivery aimed at the poor
 - Scaling up models of SME finance
- **Created 2 Sub (working) Groups:**
 - Access Through Innovation (CGAP, Brazil and Australia)
 - SME Finance (IFC, Germany and South Africa)
- **SME Finance Sub Group:**
 - Best practice stock taking
 - SME Finance Challenge

Scaling-Up SME Access to Financial Services

- **Role of SMEs in Economic Development**
- **Non Financial Barriers to SME Development**
- **Access to Finance as a Key Constraint to SME Development**
- **Exploring Various SME Finance Models**
- **Suggested Actions and Policy recommendation**



http://www.ifc.org/ifcext/media.nsf/Content/SMEFinancialAccessReport_Nov2010

Credit Reporting Case Studies

- **10 Responses to the stock taking exercise**
 - See box 4.7 (page 61) for comparative analysis
- **Mix of private (4) and public (6) examples**
- **EAP contributions from**
 - SME Corp (Score), Malaysia
 - Bank Negara (CCRIS), Malaysia
 - CBS (SME Blended Score), Singapore
 - D&B India (SMERA), India

Key Recommendations to G20

- FIEG recommends that G20 Leaders implement a four fold action plan:
 1. Establish supportive enabling environment
 2. Establish Global SME Finance forum for KM and monitoring
 - Virtual platform to be launched in Cannes
 3. Fund the SME Finance Challenge
 - 14 winners announced in Seoul
 4. Gather more data

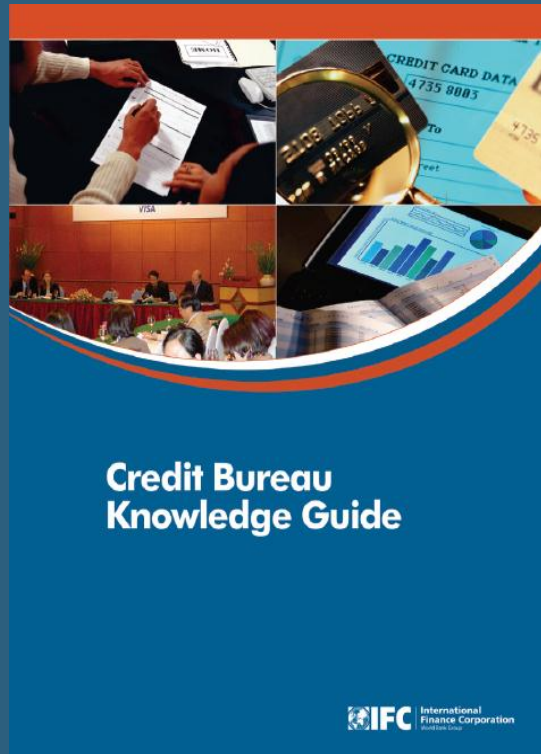
Implications for Credit reporting

Section 5.1, Recommendations for Policymakers

‘Establishing a solid financial infrastructure should be a priority in the financial development agenda of most developing countries.’

‘The aim should be to develop a comprehensive credit reporting system that covers both personal and commercial credit information positive as well as negative from all relevant players.’

IFC Credit Bureau Knowledge Guide



Thank you! Questions?

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Available at:

[http://www.ifc.org/ifcext/gfm.nsf/AttachmentsByTitle/FI-CB-KnowledgeGuide/\\$FILE/FI-CB-KnowledgeGuide.pdf](http://www.ifc.org/ifcext/gfm.nsf/AttachmentsByTitle/FI-CB-KnowledgeGuide/$FILE/FI-CB-KnowledgeGuide.pdf)