



**International
Finance Corporation**
World Bank Group

Financial Identity and Credit Reporting

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Firm level

Approx. 300m MSMEs
(70% of all) are unserved
and the total need for
credit exceeds \$2 trillion*

Household Level

Over 60% of people remain unbanked and
underserved in emerging markets* and only 50%
of adults worldwide have an account at a
formal financial institution*

2.5 Billion Adults Do Not Have Access to Finance

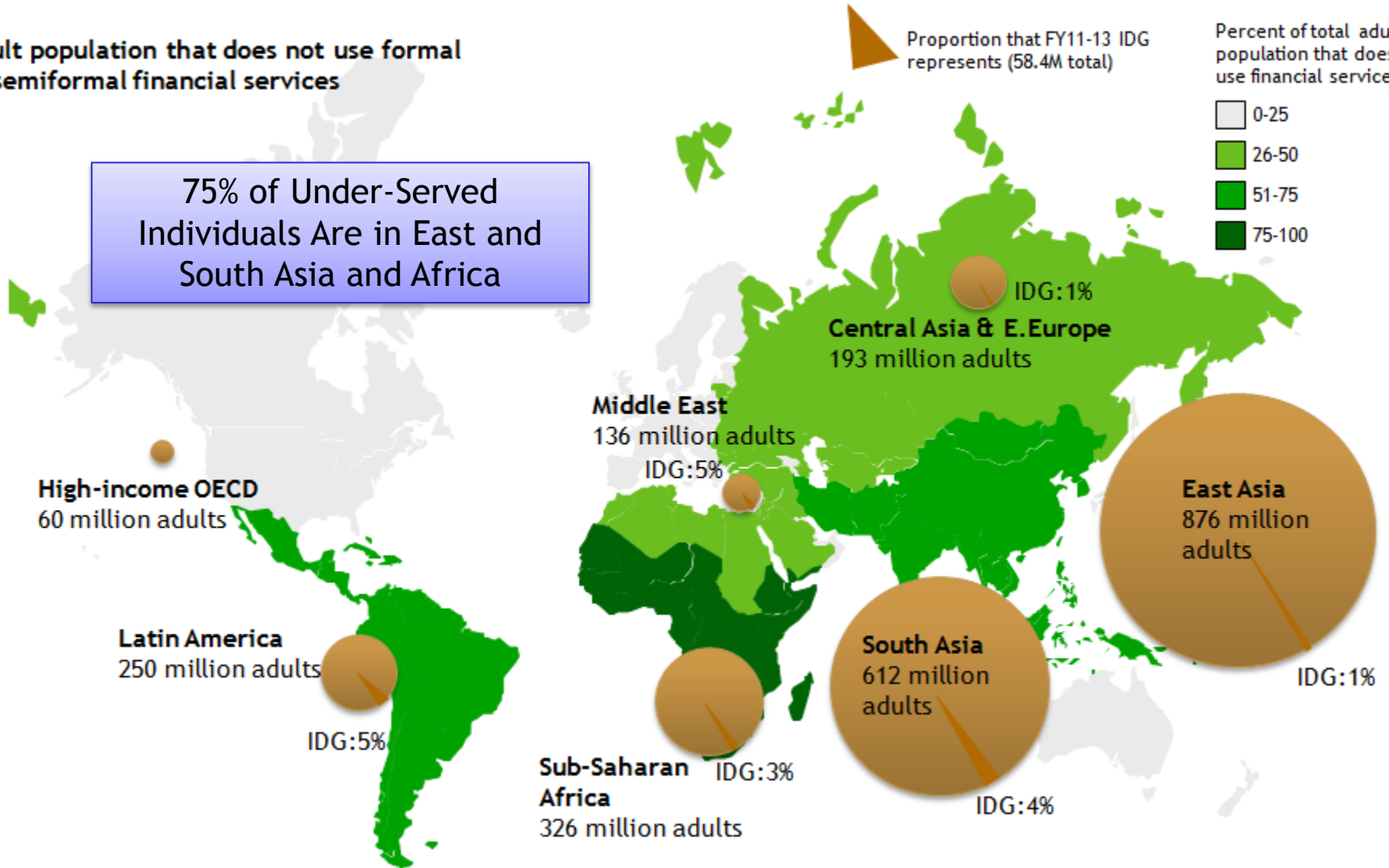
Adult population that does not use formal or semiformal financial services

75% of Under-Served Individuals Are in East and South Asia and Africa

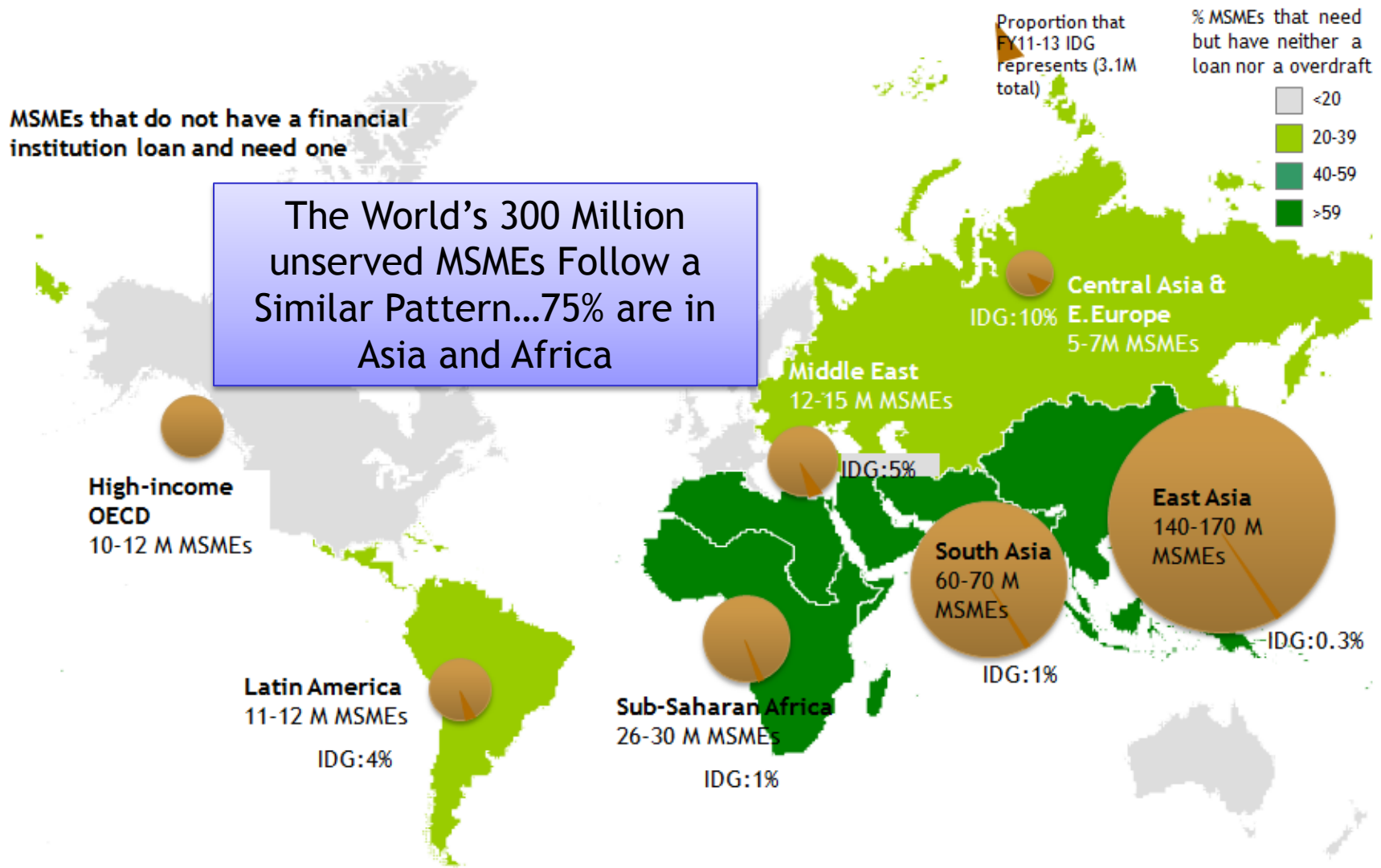
Proportion that FY11-13 IDG represents (58.4M total)

Percent of total adult population that does not use financial services

- 0-25
- 26-50
- 51-75
- 75-100



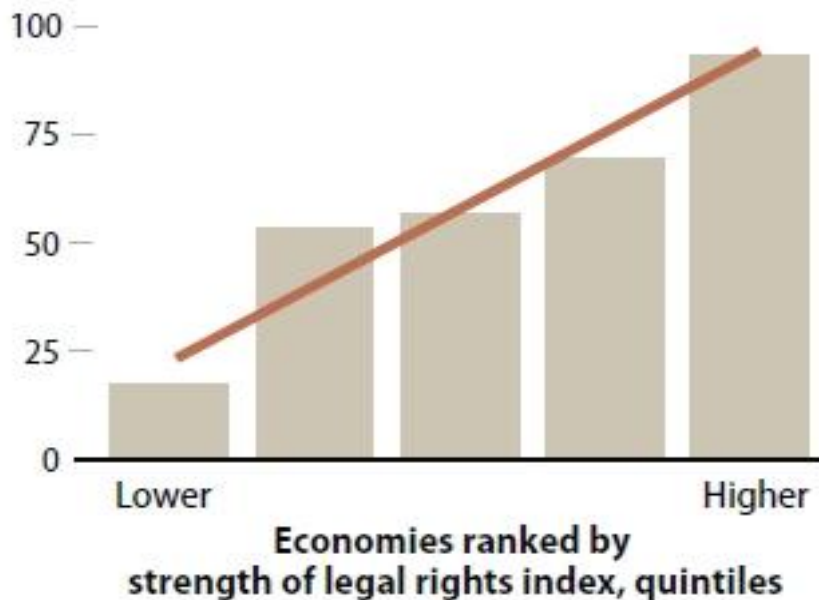
More Than 300 Million Businesses Lack Access to Credit



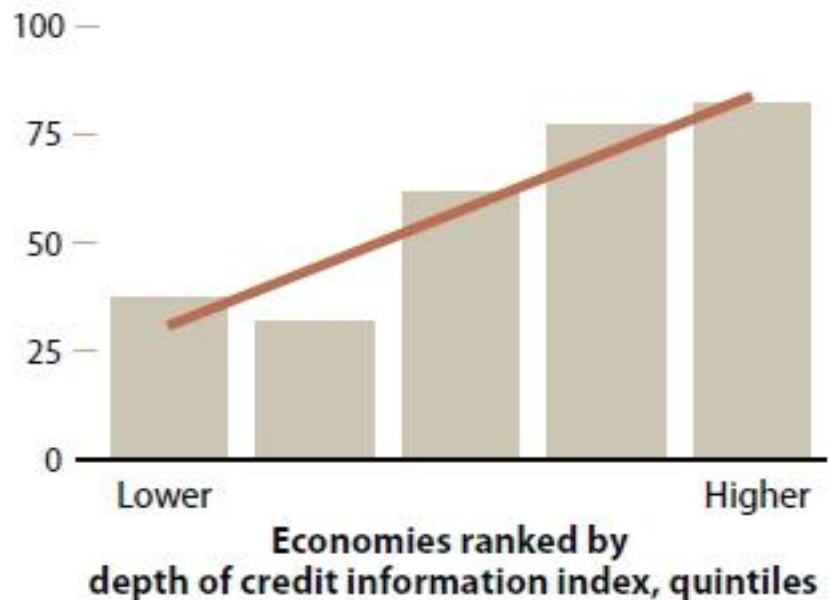
Stronger legal rights and better credit information ease access to credit

Stronger legal rights and more credit information are associated with more credit

Private credit as % of GDP



Private credit as % of GDP



Note: Relationships are significant at the 5% level and remain significant when controlling for income per capita.

Source: *Doing Business* database; World Bank, World Development Indicators database (2008).

Information Sharing is Changing

Historically

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

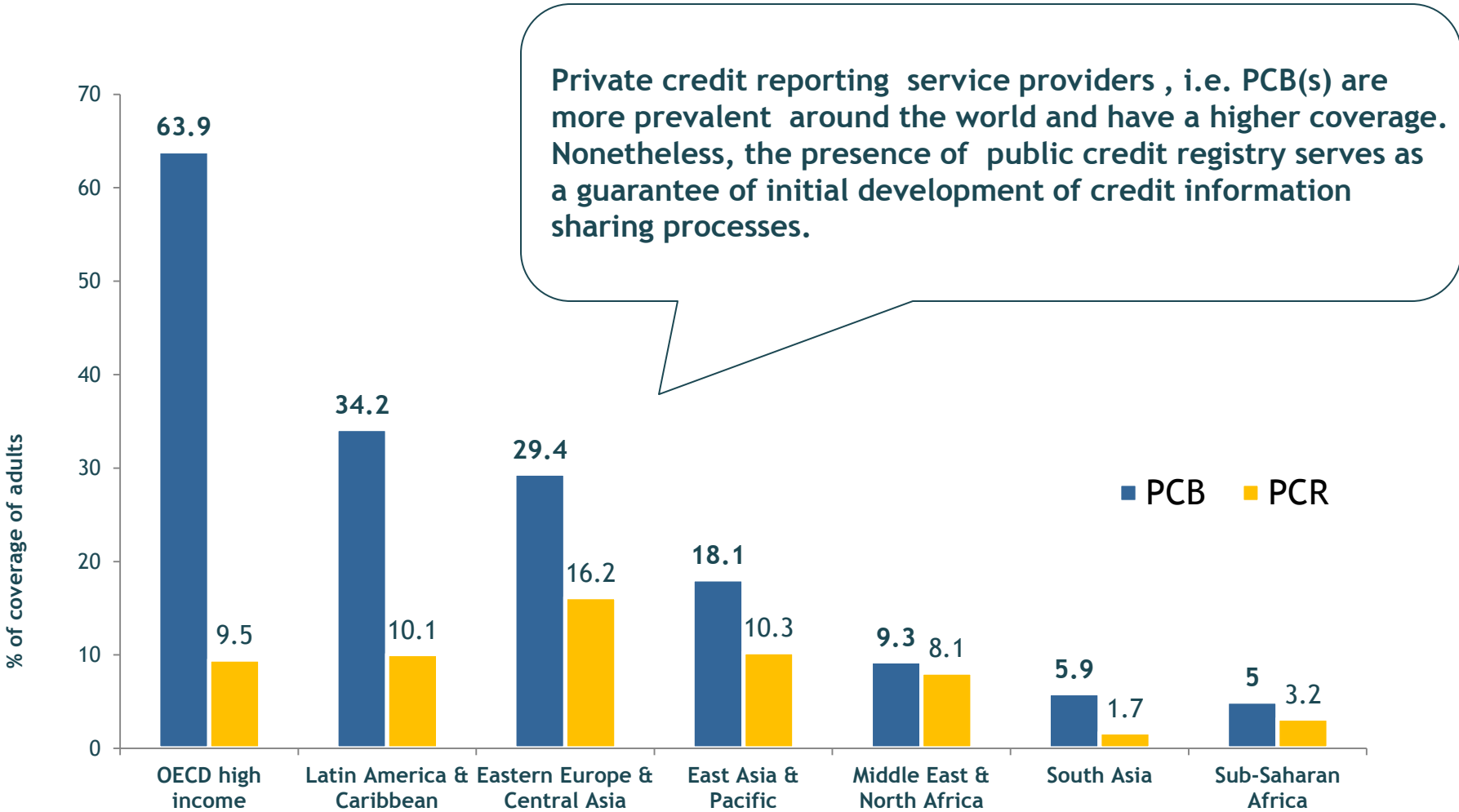
Today's Requirement

- 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 for their own IDs

Regional coverage comparison of Private vs. Public (% of adults)

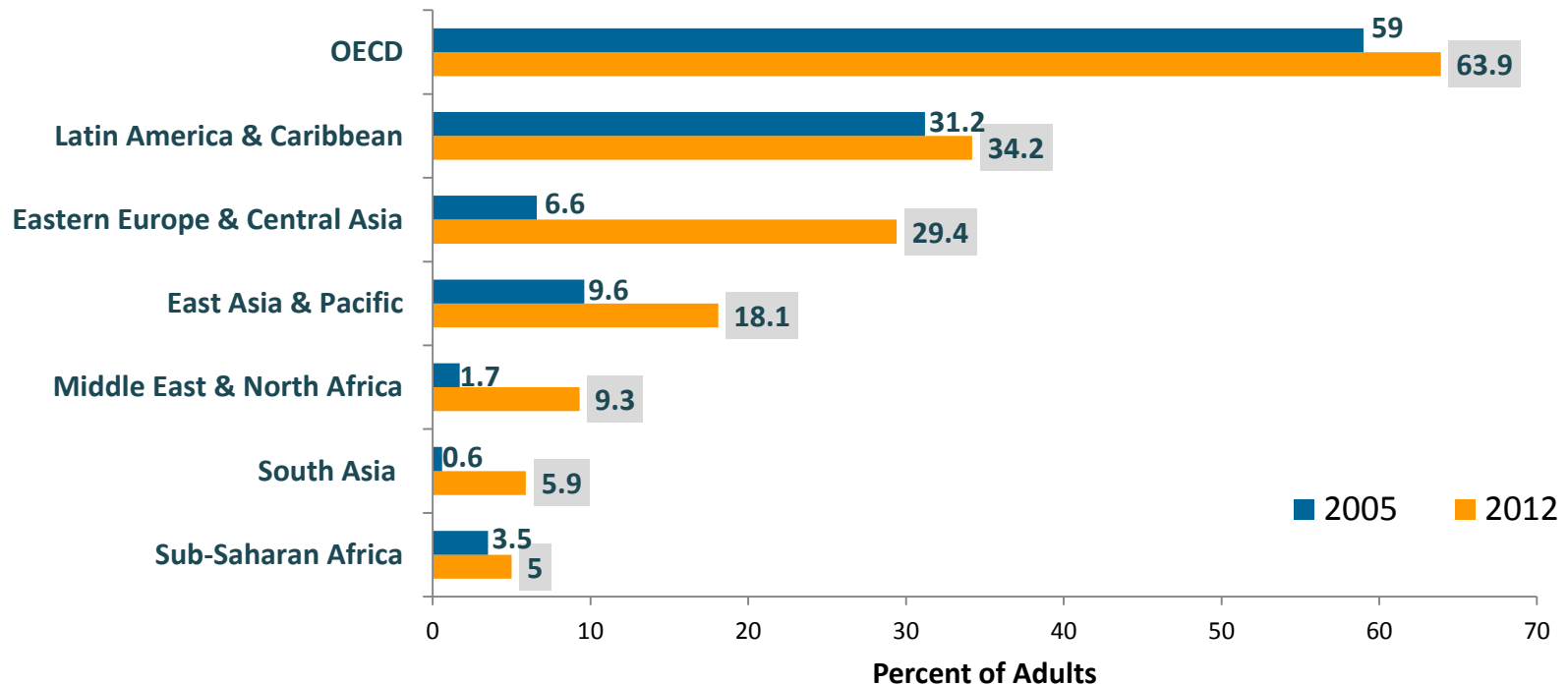


Source: Doing Business 2012

Private Credit Bureau Coverage Across Regions

What has changed in 7 years?

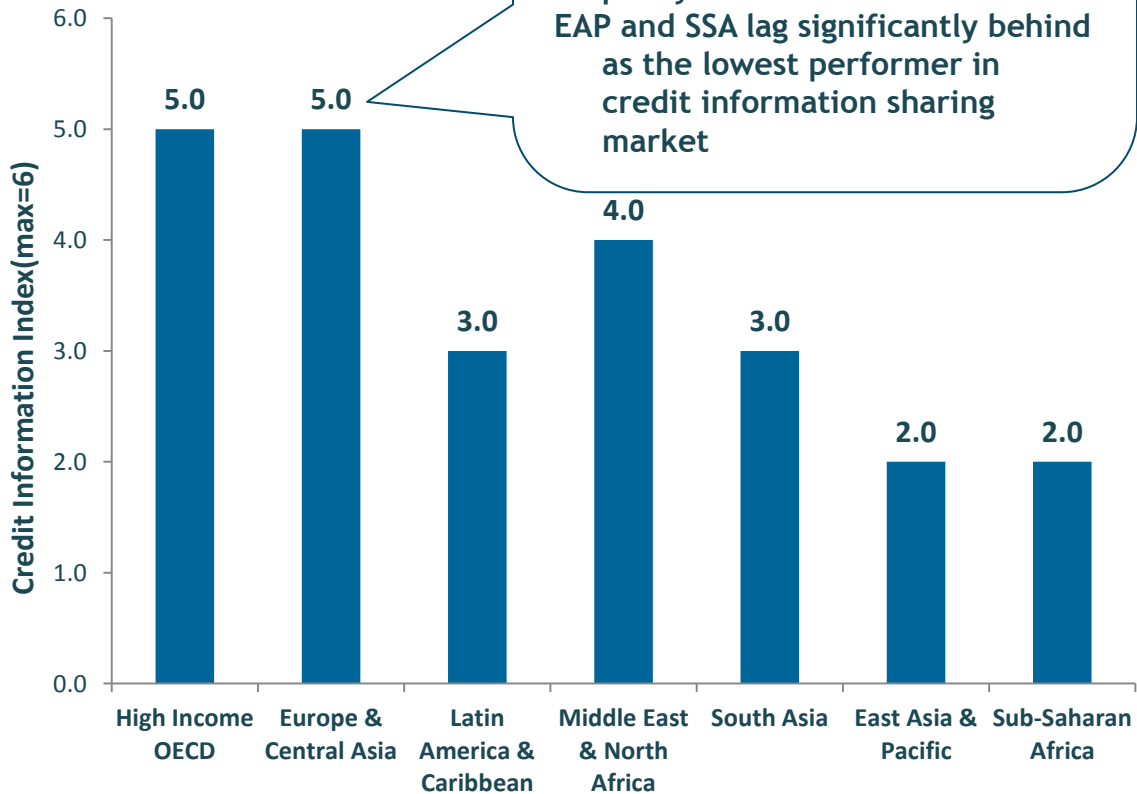
Average Private Bureau Coverage (% of adults)



LAC continues to lead while **ECA**, **EAP** and **MENA** are big reformers demonstrating significant leaps in improving the coverage of private credit bureaus

Regional Comparisons for Credit Information Index

Credit Information Index



ECA is the best performer out of all emerging market regions
MENA is ahead of LAC, which demonstrates the big progress in reforms in MENA region for the past years
EAP and SSA lag significantly behind as the lowest performer in credit information sharing market

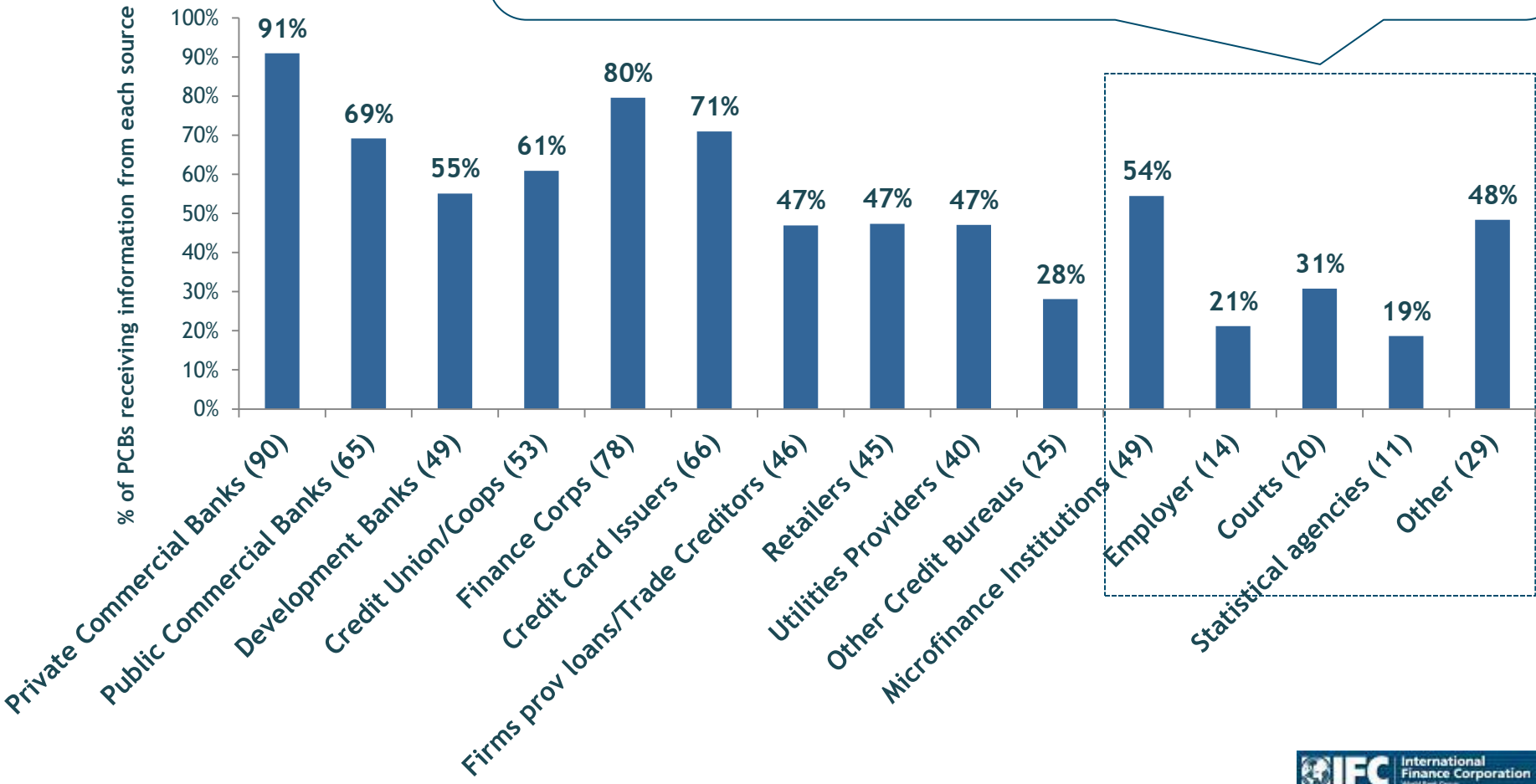
Components of the Credit Information Index

- Both firms and individuals are listed
- Both positive and negative information
- Retailers and/or utilities submit data
- 5 or more years of historical data
- All loans included above 1% GNI per capita
- Consumer right to inspect is guaranteed by law

Source: Doing Business 2012

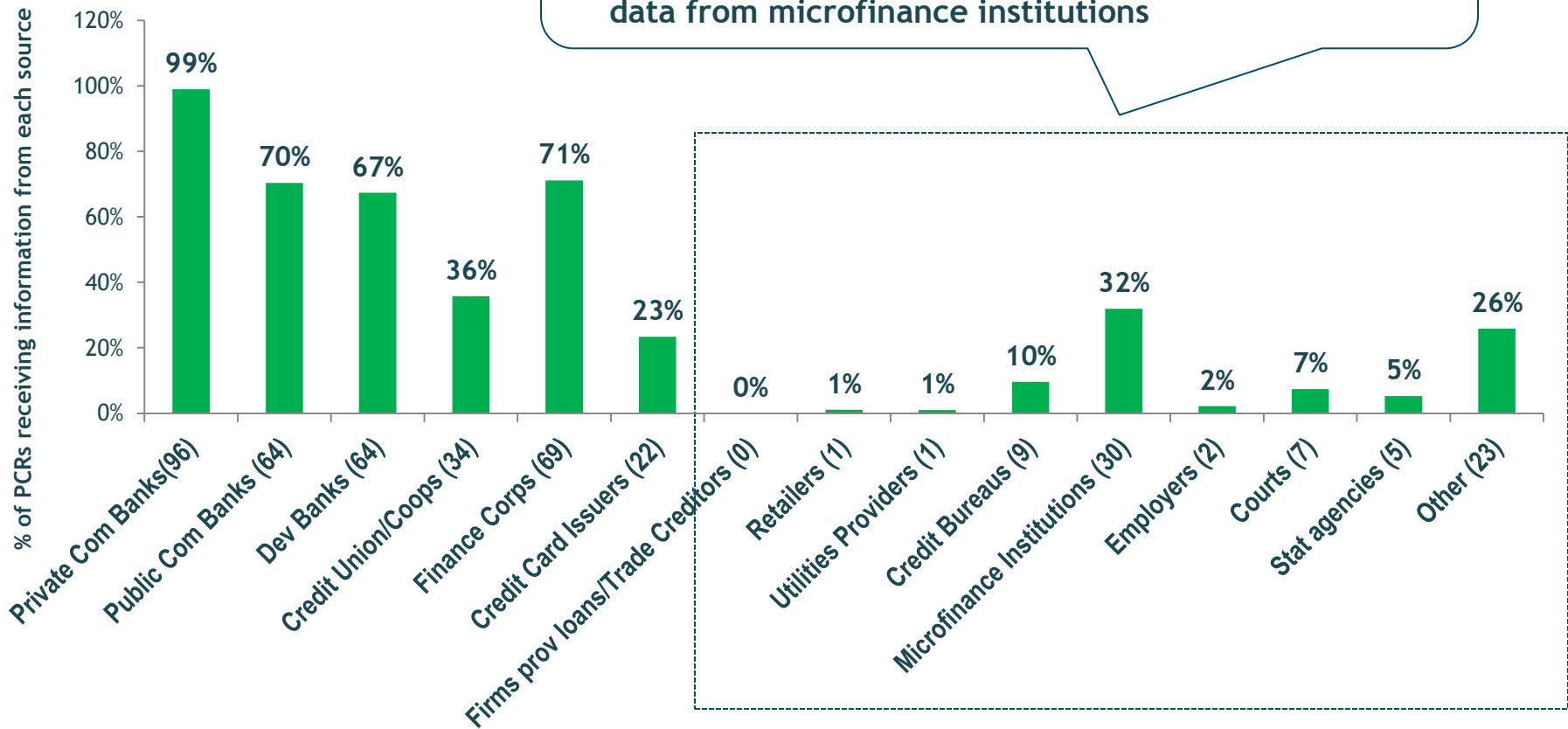
Contributors of Data to Private Credit Bureaus

Over 50% of bureaus reportedly receive information from MFIs
 Data quality and coverage of the MFI market remains an issue, as most bureaus capture only data from regulated MFIs (if any)
 More PCBs started to get information from additional sources, like employers, statistic agencies, ID , bankruptcy agencies



Contributors of Data to Public Credit Registries

Compared to private bureaus, public credit registries are significantly less inclusive in obtaining data from alternative sources (e.g. retail, utilities) and obtaining data from microfinance institutions



Source: Doing Business 2012 (Data based on 101 PCRs that provided information)

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 with support from the Bank for International Settlements establishes task force

Credit reporting systems should be safe and efficient, and fully supportive of consumer rights and

- (i) effectively support the sound and fair extension of credit in an economy;*
- (ii) serve as the foundation for robust and competitive credit markets..*

*Information
quality*

*Security,
reliability and
effectiveness*

*Governance
arrangements to
deal with
operational,
legal and
reputational
risks*

*Legal and
regulatory
framework*

*Globalization
and access to
credit across
borders*

General Principles on Credit Reporting

I

Data

- Data collection and retention

II

Security & Efficiency

- Security Measures
- Reliability & Efficiency of Data

III

Governance & Risk Management

- Accountability
- Transparency
- Effectiveness
- Fair Access

IV

Legal & Regulatory Framework

- Clarity & Predictability
- Non-Discrimination
- Proportionality
- Consumer rights and data protection
- Dispute resolution

V

Cross-border Data Flows

- Pre-conditions
- Requirements

Regulation and Oversight Process

ANNEX - GPI DETAILS

Accuracy and Quality

- Free of errors, truthful, complete and up to date.
- Consistent application of appropriate data-supplying rules and procedures to all data providers with similar characteristics.

Timeliness

- Clear and detailed rules for the updating of information.
- Pre-defined schedules and/or specific trigger events.
- Data available to users in a prompt manner to enable them to carry out their functions without unnecessary delays.

Sufficiency (including positive)

- Credit Reporting Service Providers (CRSPs) should be able to collect and process all the relevant information to fulfill their lawful purposes. Relevant information comprises both negative and positive data.
- Clear rules on minimum data inputs and optional data inputs.

Data Collection

- CRSPs should be able to gather information from all relevant data providers, within the limits established by the law.
- CRSPs should be able to access other data sources of relevance, within the limits established by the law.

Data Retention

- Data collected by credit reporting systems should be available to users for a period of time that is consistent with the purpose for which the data is used.
- Clear rules should be in place regarding the method to determine the specific date or event when distribution of data should be discontinued.

Security Measures

- Credit reporting system participants should protect data against any loss, corruption, destruction, misuse or undue access.

Reliability of Data

- Credit Reporting Service providers should implement appropriate business continuity measures to ensure that their services will be available to users without any significant disruptions.

Efficiency of Data

- Credit reporting service providers should strive to be efficient both from an operational as well as from a cost perspective, while continuing to meet users' needs and high standards for service levels.

Accountability

- CRSPs and credit reporting data providers should be subject to mechanisms that ensure proper accountability of management and, where applicable, of board members. This should include independent audits or reviews.

Transparency

- Governance arrangements for credit reporting service providers and credit reporting data providers should ensure timely and accurate disclosure of all relevant matters related to the entity and its activities.

Effectiveness

- The management of CSRPs and data providers should identify all relevant risks faced by the organization, reporting periodically to the organization's top governing body.
- To properly address and mitigate risks, credit reporting service providers and credit reporting data providers should establish sound internal controls and risk management mechanisms.

Fair Access

- Governance arrangements of CRSPs should promote all users having access to information under equitable conditions. This objective should not be affected by the ownership structure of the service provider.

Clarity and Predictability

- The legal and regulatory framework should be sufficiently precise to allow service providers, data providers, users and data subjects to foresee consequences of their actions.
- The terminology used throughout the legal and regulatory framework, including the rules and other norms, should be consistent at the domestic level.
- Public awareness of the laws and rules of credit reporting operations contributes to the clarity and predictability of the legal and regulatory framework.

Non-discrimination

- Data supplying and data access should be established in a fair manner, responding to impartial rules regardless of the nature of participants.
- Obligations on data quality, security measures and consumer rights should be equally applicable to all credit reporting service providers, data providers and users.

GP IV: Legal and Regulatory Environment

Proportionality

- The legal and regulatory framework should not be overly restrictive and burdensome relative to the possible issues it is designed to tackle.
- Laws and regulations should be practical and effective as to ensure a high degree of compliance.

Consumer rights and data protection

- Rules regarding the protection of data subjects/consumers should be clearly defined and at a minimum include: i) right to object, ii) right to be informed, iii) right to access data, and iv) right to challenge accuracy of information.

Dispute resolution

- The process for solving disputes should be established in the law(s) governing credit reporting activities or in substantive regulations when such laws do not exist.
- CRSPs and data providers should flag to all users cases where data subjects are involved in a dispute with the data provider in connection with the subject's data.
- CRSPs and data providers should cooperate in reaching an expeditious solution to disputes.
- The legal framework should provide suitable enforcement mechanisms, including redress for data subjects harmed.

Pre-conditions

- The feasibility or desirability of cross-border data transfers should be based on a cost-benefit analysis that considers market conditions, the level of economic and financial integration, legal and regulatory barriers, and participant needs.
- Standardization of data formats and procedures should be fostered to facilitate cross-border credit data transfers.

Requirements

- When cross-border credit data transfers occur, the potential sources of risks that can arise should be identified and appropriately managed.
- There should be a framework for cooperation and coordination between relevant regulators and overseers

- ❑ **Rec. A: Regulation and oversight of CRS**
- ❑ **Rec. B: Regulatory and oversight powers and resources**
- ❑ **Rec. C: Disclosures of objectives and policies with respect to CRS**
- ❑ **Rec. D: Application of the General Principles for CRS**
- ❑ **Rec. E: Cooperation among authorities**

CRS should be subject to appropriate and effective regulation and oversight by a central bank (CB), a financial supervisor (FS), or other relevant authorities. It is important that one or more authorities exercise the function as primary overseer

Key considerations:

- ❑ Identify credit reporting systems that should be subject to regulation and oversight using publicly disclosed criteria.
- ❑ Central bank or other relevant body should be entrusted to oversee the national CRS.
- ❑ One authority should be appointed as primary overseer and establish a collaborative agreement with other relevant authorities.

CBs, FSs, and other relevant authorities should have the powers and resources to carry out effectively their responsibilities in regulating and overseeing CRS

Key considerations:

- ❑ Powers or other capacity consistent with their relevant oversight responsibilities, including the ability to obtain information and induce change.
- ❑ Sufficient resources to fulfill their regulatory and oversight responsibilities.

CBs, FSs, and other relevant authorities should clearly define and disclose their regulatory and oversight objectives, roles, and major regulations and policies with respect to CRS.

Key considerations:

- ❑ Define → to set clear expectations for credit reporting systems and facilitate compliance with applicable policy requirements and standards.
- ❑ Disclose → to provide accountability in the exercise of regulation and oversight of credit reporting systems

CBs, FSs, and other relevant authorities should adopt, where relevant, the General Principles for CRS and apply them consistently.

Key considerations:

- ❑ To establish key minimum standards, authorities should adopt the General Principles for CRS, providing a consistent regulatory and oversight framework within and across national and regional jurisdictions.
- ❑ Authorities should ensure that the General Principles and related roles are applied consistently to all CRS participants

Central banks, financial supervisors, and other relevant authorities, both domestic and international, should cooperate with each other, as appropriate, in promoting the development, safety and efficiency of CRS.

Key considerations:

- ❑ Authorities should cooperate with each other, as appropriate, to support more efficient and effective regulation and oversight of credit reporting systems.
- ❑ Authorities should adopt current and evolving best practices on international cooperative arrangements.