



Strained Lead

Homegrown credit bureau steps up to be the first on all fronts in the credit information business.

BY PRINZ P. MAGTULIS
PHOTOGRAPHS BY CHRISTIAN HALILI

Mario Cruz, CIBI Information CEO, takes pride in his company's 34 years of existence and their 'robust database'.

For most of the 30 years or so since its founding, CIBI Information, the first and only Filipino-owned credit bureau in the Philippines, had the industry practically to itself. That changed in recent years with the entry of new players, which are set to expand their services in 2017 as new regulations take effect.

But if there's any sign that Mario Cruz, CEO of CIBI, is worried by the prospect of contending with more competitors — all leading international players at that — he's not showing it.

"In the credit information business, the three main requirements of a credit information business are data, data and data," he says. "That is where we pride ourselves. Because of our 34 years of existence, we were able to develop a robust database."

Since it began in the early 1980s, CIBI's operations have evolved from simple credit investigation to compilation and analysis of huge databases on companies and the people who worked for them. Its client base has expanded from banks to non-financial companies, including call centers and potential foreign investors.

"We are ahead of the market despite foreign companies coming in. Yes, they have the technology. But if you are holding a very, very modern high-tech machine without the raw materials, it's

nothing. We have the raw materials. We have the data," says Cruz. "And equally important, we know the Philippines. We know its needs and this is what we are trying to cater to."

With a presence in Makati as well as in Cebu, CIBI has accumulated a "robust" database comprised of 60 million pieces of credit data, he says.

CIBI was jointly created in 1982

by the Central Bank, the Securities and Exchange Commission (SEC) and the Financial Executives Institute of the Philippines, an industry association of finance professionals. It was established in response to a series of bank failures that came after a prominent industrial magnate defaulted on his borrowings and fled the country. With a central repository of credit information, banking regulators hoped banks and financial institutions would be warned if a company borrowed excessively from lenders.

CIBI became a private company in 1997 when the original shareholders sold their stake to the Go Kim Pah Foundation, which now holds 75% equity stake, and the CIBI Foundation, which owns 25%. Go Kim Pah Foundation is a charitable organization established in 1950 in honor of the founder of Equitable Bank.

In 2008, Congress passed the Credit Information System Act, which requires banks, financial institutions, utilities and other companies to share credit data with Credit Information Corporation (CIC), a state company created to gather and compile the information. Unlike previous regulations, the new law made it compulsory rather than voluntary for covered institutions to submit credit data to the government body. The CIC was also tasked to provide data to special accessing entities (SAE) that will process the information into value-added products and services for their clients.



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As of October 2016, CIC has recognized four SAEs or credit bureaus entitled to access data from CIC. Apart from CIBI Information, these include The Netherlands-based TransUnion Information Solutions (incorporated in the Philippines in 2011), CRIF of Italy (2013) and Compuscan Information Technologies of South Africa (2015). Though the new players have begun operations, they can only start offering services based on credit data sourced from CIC next year.

TransUnion formalized its entry to the Philippines through a partnership with the country's leading banks: BDO Unibank Inc., Bank of the Philippine Islands and Metropolitan Bank & Trust Co. as well as HSBC and Citibank.

Established in 1988, CRIF is present in 26 countries, including the Philippines. It is included in the Fintech 100, a ranking of the leading global technology solution providers to the financial services industry.

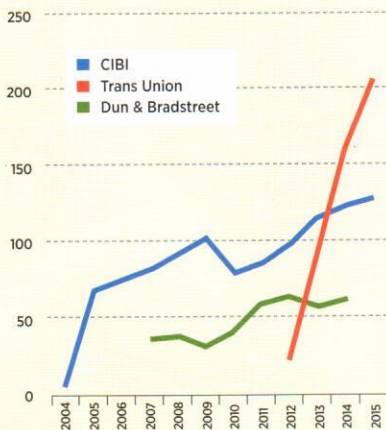
Compuscan started operations in Namibia in 2000 as a credit bureau for the microfinance industry. It started doing the same in the Philippines after CIC signed an agreement with all credit bureaus and microfinance institutions last August in the collection of their data.

Dun & Bradstreet, America's leading credit information provider established a subsidiary in the Philippines in 1998. However, it has not been accredited as an SAE.

Among the new players, TransUnion is catching up fast, undaunted by CIBI Information's long-established presence. From Php22.1 million in 2012, its second year of operation, TransUnion's revenue surged to Php207.4 million in 2015, according to financial statements filed with the SEC. That's almost double CIBI Information's revenue of only Php128.6 million in 2015, which grew by 31% from Php98.2 million in 2012. Dun & Bradstreet, meanwhile, reported revenues of Php62.3 million in 2014.

DATA CONTEST

Revenues of selected credit bureaus in the Philippines (Php mil)



Source: Company financial statements

The entry of more players in recent years has prompted CIBI Information to step up expansion. Cruz says the company is hastening plans to invest in better technology and training to help its people do better analysis. He believes CIBI will be able to match the technological sophistication of its rivals with better local data.

The company is also expanding its services. It has started work on developing predictive analytics to help its corporate clients hire staff. The tool analyzes behavioral trends, which helps employers decide whether to hire or not an applicant based on past job performance, length of stay and compensation package.

Alvin Alquinto, CIBI's business development head, says this is especially useful in the business process

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— MARIO CRUZ, CEO, CIBI INFORMATION

Cruz says the example illustrates CIBI's goal to inject a “value-added” component to the information they provide clients. Unlike the information dump that is the Internet, the job of the credit bureau is to make sense of the data, discern trends, outline behaviors and potential opportunities that can help clients make better-informed decisions.

On the business side, Cruz says CIBI has begun establishing partnerships with lending institutions such as cooperatives and microfinance organizations that serve unbanked households in the Visayas and Mindanao. CIBI offers to analyze these organizations' “transactional data”, which show the income status and payment behavior of clients.

“What we are simply providing is a sense of how good these persons are in terms of their creditworthiness. If someone has a simple fishing economic activity, for example, you would equate it already that he does not have any creditworthiness. That's not true.”

In the process, Cruz says this will help CIBI build its own database from different market segments. From individual credit scores, work has also started on developing “household scores”, which considers a family's income level as support to a specific member's creditworthiness.

Eventually, the goal is to establish one benchmark of credit information for all Filipino borrowers and public utility customers in the country before CIBI Information goes public in five years.

In October, CIBI announced a partnership with U.S.-based analytic software firm FICO to launch a predictive credit scoring product for the Philippines

For CIBI, being the first is clearly no longer enough. To maintain its leadership in the market, it must also innovate. **F**



CIBI Information is expanding its services, which includes predictive analytics to help corporate clients improve hiring of executives and staff.

outsourcing industry, which makes up the bulk of their pre-employment screenings. “Their No. 1 problem right now is attrition.” He explains: a profile can be created based on a certain behavioral pattern. Based on this profile, an employer can predict if Juan de la Cruz is likely to stay for only six months.

It can also work the other way. “If my anticipation is that you will only stay for six months, I can create a package for you so that we can have you longer,” Alquinto adds.

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