

The Credit Information Sharing Project

Close Out Report

Funded by FinMark Trust and GIZ

November 2015

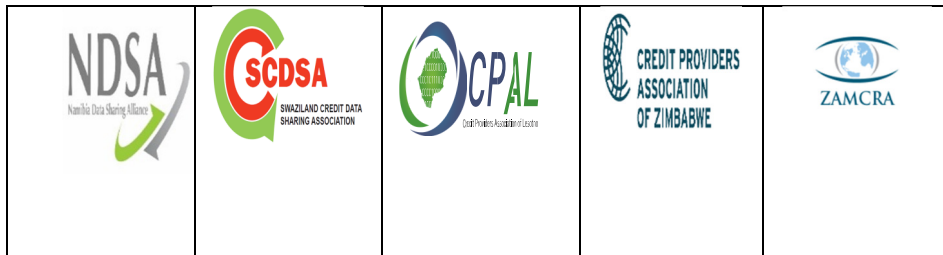


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1. Introduction

A wide divergence exists in the level of credit information sharing across different SADC member countries as well as in the structure of the credit bureau sector and the corresponding regulatory environment. Harmonisation of regulations and approaches across SADC will contribute positively to increasing the level of credit information sharing and thus the goal of greater financial integration as stipulated in the SADC Protocol on Finance and Investment (FIP). FinMark Trust and GIZ identified credit information sharing between credit providers in the region (national and regional) as a strategic and critical area for SADC because:

- It contributes to greater financial inclusion through increased access to finance for poor men, women and small businesses by providing credit information so as to facilitate faster and better credit assessments;
- It reduces over-indebtedness of the target group by providing information to credit providers on the applicant's current debt levels and credit history;
- It enables banks and other credit providers to manage credit risk during the approval of new applications for credit in existing SME and consumer credit portfolios;
- It supports prudential bank supervision through better risk management and reduced levels of default, leading to low risk of bank failure; and
- It has a positive impact on regional commercial activity as it improves commercial and financial institutions' ability to manage their risk on a regional basis.

2. Project objectives

The overall objective of the project is to reduce constraints to doing business in the financial services sector and increase the ease of access to finance in the SADC region (for both individuals and small and medium enterprises). As such the intervention aimed to remove constraints associated with the collection of credit information data and promote sharing of credit information. The target set for the collaborative agreement between FinMark Trust and GIZ were to ensure that:

- Functioning credit information sharing arrangements are in place in at least 6 countries in SADC
- SADC credit information sharing regulatory principles are in place and implemented in at least 6 countries in SADC

3. Methodology

The methodology pursued in implementing the project was to:

- Engage the private sector to support and participate in credit provider associations and to share their credit data;
- Establish National Credit Provider Associations at a National Level in at least 6 countries; and
- Develop Credit Information Sharing Principles at a regional level.

4. Engaging the private sector

Engaging the private sector is important:

- because the participation and agreement from private credit providers is key to effective credit information sharing;
- to identify the current obstacles of setting up credit information sharing systems and to identify drivers of change;
- for private credit providers to benefit from robust credit markets and have the biggest incentive to drive the project.

For this reason, the initiative was implemented in partnership with the Credit Providers Association South Africa (CPA) now known as the South African Credit and Risk Reporting Association (SACRRA) which has developed a model of credit information sharing over twenty years. The SACRRA was chosen as a partner to assist with championing the process in the SADC region due to the active involvement by its members in the region together with their direct interest in ensuring the success of the project. The project was governed by a steering committee made up of the SADC Committee of Central Bank Governors (CCBG), SADC Banking Association, SACRRA, FMT and GIZ.

5. Development of credit information sharing principles at a regional level

The intervention focused on developing regulatory principles for credit information-sharing that would ultimately be adopted by all SADC countries. The ultimate goal is that the current different regulatory principles in the SADC countries will be harmonised for national bureaus to be able to exchange information.

The regulatory principles were drafted by a short term consultant, Mr Gabriel Davel and presented to the relevant SADC structures for adoption. At the meeting of the CCBG Bank Supervision Subcommittee held on 27-28 May 2014 in Maputo, Mozambique, Mr Daniel Kanyi from FinMark Trust gave a presentation on credit information sharing, and highlighted that effective credit information sharing was critical to help expand financial inclusion and access to credit for both private individuals and SMEs through improved client selection and reduced default.

It was proposed that:

- harmonised principles for credit information sharing in SADC be developed as a SADC project and be adopted and/or endorsed as the guidelines to be used by various SADC Member States in the development of credit reporting laws and regulations in their respective jurisdictions; and
- a CCBG working group be formed to supervise and oversee the development of credit reporting in SADC.

It was also resolved that a template be devised for harmonising the collection of data from customers for sharing with the SADC region. These decisions were since communicated in the report of the Subcommittee to the August 2014 CCBG meeting. In the Subcommittee report to the May 2015 CCBG meeting the

Subcommittee reported that data on the new template would be completed as from next year (2016). The Credit Information Sharing Guidelines have since been incorporated into the country template that member central banks complete and review at Subcommittee meetings.

6. Establish National Credit Provider Associations at a national level in at least 6 countries

The focus of the project was to ensure that credit providers associations were formed, constitutions put in place and private sector credit providers agree to share credit and risk data. The project was rolled out in Botswana, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe. In all these countries, Credit Provider Associations have subsequently been formed and registered. It is envisaged that in the future another five countries will be chosen and supported to form Credit Provider Associations and thereafter develop a regional body under which these Associations will fall.

6.1 Summary of the project to date

6.1.1 Start-up phase

The project commenced in September 2012 with the appointment of a project co-ordinator who was based at the SACRRA offices in Johannesburg. Scoping visits were conducted in Zambia, Zimbabwe, Malawi and Namibia to ascertain the state of the credit markets in these countries and to also understand the challenges faced by the industry. The results of the study were shared at workshops in 2013 (workshop reports are available on request) with entities that have a regional footprint (this included the big 4 banks of South Africa and many of the credit bureaus.) Consensus was reached at this workshop that the establishment of Credit Provider Associations in countries in the SADC region was essential to ensuring that access to credit would be increased.

The SADC Credit Information Sharing (CIS) Steering Committee (Comprising FMT, GIZ, SADC Banking Association, CCBG Secretariat and SACRRA) was formed in August 2013 and chaired by SACRRA. 11 Quarterly meetings were held so as to give guidance to the initiatives being undertaken.

In all 6 countries, commercial banks, microfinance institutions, banking regulators, insurers, telecommunications and non-governmental organisations are part of the National Credit Provider Associations.

6.1.2 Phase one

As per table 2, the project consisted of 2 phases with phase 1 ending in March 2015 and phase 2 commencing on 1 April 2015 and ending on 31 March 2016.

Some of the key highlights of phase 1 include the establishment of the National Credit Provider Associations in all 6 countries which are registered and governed in terms of each countries laws. These associations have duly elected boards of directors/trustees that provide strategic oversight to the respective associations. These associations have been registered as not-for-profit associations with the sole aim of facilitation. The following associations have been registered to date:

Namibia Data Sharing Association (NDSA)

Swaziland Credit Risk Data Sharing Association (SCDSA)

Credit Providers Association of Lesotho (CPAL)

Credit Providers Association of Zimbabwe (CPAZ)

Zambia Credit Reporting Association (ZAMCRA)

Botswana Credit Reporting Association (BODRA)

The respective logos of each of these organisations are depicted below:



Table 1- Current members of the associations

List of members	Lesotho	Namibia	Zimbabwe	Swaziland	Zambia	Botswana
Banks	First National Nedbank Standard	Trust Co		Swazi Bank Standard Bank	FNB Zambia National Bank Better now finance	Standard Chartered
Standard Chartered	Letshego KBM	MLA (Asso of Microlenders)	Asso of Micro finances	Asso of Micro lenders		Lesthego Bayport
Retailers			Edgars Truworths Miekles Transunion	Foshini Truworths Edgars Transunion	Transunion	Edgars
Credit bureaus	Compuscan	Compuscan	FCB XDS			Transunion Compuscan CRB

Government	Central Bank of Lesotho	Bank of Namibia Namfisa LAAN	Ministry of Finance Reserve Bank of Zimbabwe	FRSA Microfinance unit	Bank of Zambia	
Private sector					Institute of bankers	

6.1.3 Phase three

As per table 2 good progress has been made in the following areas:

The 700 data layout have been designed for the following countries

Namibia

Swaziland

Botswana

Lesotho

Customised layouts have been developed for the microfinance sector in Zimbabwe and Zambia

The associations have been launched in Namibia, Swaziland and Zambia and prospective new members will be joining the respective associations.

Table 2

Tasks	Namibia	Lesotho	Botswana	Zambia	Zimbabwe	Swaziland
PHASE 1: ending March 2015						
1.Fact finding mission	✓	✓	✓	✓	✓	✓
2.Position of coordinator advertised	✓	✓	✓	✓	✓	✓
3. Coordinator appointed	✓	✓	✓	✓	✓	✓
4.Workshops held (marketing, recruitment)	✓	✓	✓	✓	✓	✓
5.Interim steercom established	✓	✓	✓	✓	✓	✓
6.Steercoms meetings held (quarterly)	✓	✓	✓	✓	✓	✓
7. Workshop for coordinators (on data layout)	✓	✓	✓	✓	✓	✓
8. Constitution drafted and approved	✓	✓	✓	✓	✓	✓
9. Association registered	✓	✓		✓	✓	✓
PHASE 2 April to March 2016						
1. New contracts for co-ordinators issued	✓	✓	✓	✓	✓	✓
2 Holding of monthly steercoms	✓	✓	✓	✓	✓	✓
3. Workshop to elect management committee and recruitment	✓			✓	✓	✓
4. Election of project team and workstreams	✓				✓	
5. Training for co -ordinators (data, marketing)	✓	✓	✓	✓	✓	✓
6. Draft of business plan and funding model	✓	✓	✓	✓	✓	✓
7. Recruitment of new members						
8. Design of the data layout		✓		✓	✓	✓
9. Testing of the data layout		✓				
10.Sign off the data layout and SOP						
11. Data going live						
12. Public announcement of the data going live						

6.1.4 Critical issues that have arisen

- Securing funding through levying of membership fees is problematic due to the fact that some data providers will only contribute towards funding the associations once the mechanisms are in place for data sharing.
- In the absence of compulsory data sharing through legislation, data providers are cautious to share their data on a voluntary basis as they are concerned that their good clients will be poached by competitors.
- Lack of proper identification numbers in some countries makes it difficult to collect data from original sources.
- Poor internet coverage and lack of electricity.
- Some members are paying fees to the South African Credit and Risk Reporting Association (SACRRA) and now need to also pay membership to their country's associations as well which they consider a double payment.
- The continuing political instability in Lesotho is also a point of concern.
- Attraction of smaller players such as microlenders continues to be a problem as they do not have the technical infrastructure to provide data in the required format.

7. Principles of credit reporting within SADC

Principle 1: Legislative framework, regulatory oversight and governance

- Framework must define rights and obligations for bureaus, data providers and data users
- Dedicated regulator (central bank or other)
- Risks must be managed between data privacy legislation (potentially too restrictive) and credit bureau legislation
- Credit bureau regulator always the 'lead regulator'

Principle 2: Scope and inclusivity

- Framework must be inclusive
- Positive and negative data
- Consumer and business credit
- Data sharing by bank and non-bank credit providers (telecoms, insurance, debt collectors, utilities, etc)
- Framework undermined by negative only data
- Private sector bureaus should have access to public information (eg. national ID, company registration, court records etc)

Principle 3: Scope of bureau supervision

- Credit bureau regulator use appropriate measures (eg. licensing requirements, off-site monitoring and on-site inspections)
- Regulatory framework must provide for regular bureau reporting and annual compliance review
- Regulator should have inspection powers and enforcement mechanisms including fines/penalties applicable to credit bureaus and licensed financial institutions

- Compliance checks include data submission, enquiry or data correction, etc

Principle 4: Consumer protection

- Consumers must have access to their records through various channels eg. internet, telephone, walk-in
- Minimum 1 free credit report per year
- Consumers must have access to a complaints system-complaints should be addressed within a reasonable and defined time
- Consumer confidentiality must be maintained
- Consumer information to be used for permissible purposes only

Principle 5: Credit bureau responsibilities

- Responsibilities such as data receipt, data uploads, data maintenance and reporting should be defined through legislation and regulation
- CBs must ensure they have appropriate measures to
 - Evaluate accuracy of data
 - Maintain credit records
 - Prevent unauthorised access
 - Comply with all consumer rights
 - Remove data after expiry of retention period
- Consumer confidentiality must be maintained
- Board of directors should implement governance framework
- Establish 'Code of Conduct' binding on data suppliers and users
- Establish formal legal agreements with data suppliers and users

Principle 6: Data supplier responsibilities

- Supply accurate, not duplicated data within stipulated time
- Complete data base
- Assist in resolving consumer complaints
- Provide a complete record to consumer on all information submitted to a credit bureau
- Respond to credit bureau when requested to do so
- Correct inaccurate information

Principle 7: Data user responsibilities

- Implement controls to ensure that only authorised staff are able to access consumer credit information
- Data may only be used for permissible purposes
- Implement audit trails to monitor enquiries on consumer reports
- Ensure that third parties may not gain unauthorised access to consumer records

Principle 8: Public sector registers

- Ensure consumer rights through the following measures:- Independent review of standards and procedures of data management, data security and access control
- Consumer access to records

- Timely correction of errors

Principle 9: Access to information for bank supervision and market monitoring

Credit bureaus have repositories of valuable credit data. Regulators should have the right to receive:

- Aggregated reports which can highlight aspects such as credit market activity in different sectors, and on specific licensed institutions
- Reports on specific consumers, to assist in classification of loans

Principle 10: Regional information exchange

- To be encouraged to foster regional trade and economic development
- Member states should establish bilateral or multilateral Memoranda of Agreement to facilitate access to relevant credit information

Principle 11: Special measures in early-stage markets

Special measures may be required in this phase to facilitate an inclusive and enabling credit information environment

Such measures may include:

- Compulsory data supply and enquiries by licensed institutions
- Negative option consent
- Active monitoring by the regulatory authority on information submission and enquiry levels

8. Conclusion

There has been good progress towards achieving the goals as set at the beginning of the project. These targets were:

- SADC credit information sharing regulatory principles in place and implemented in at least 6 countries in SADC

Annexures

Annex 1: Launch of the NDSA



The launch of Namibia Data Sharing Alliance. 2nd of March 2015

From Left to Right: Romeo Nel (Bank of Namibia), Anneline Dippenaar (Compuscan), Ronel Iewies (FMT), Ipumbu Shiimi (Governor of the Bank of Namibia), Dr. Prega Ramsamy (CEO FMT), Darrell Beghin (SACRRA)

Annex 2. The Zambia Credit Reporting Association (ZAMCRA) was launched on 16 October 2015.

Embrace PPP concept, credit providers urged

TRYNESS MBALE

Lusaka

CREDIT providers have been urged to embrace the concept of public private partnership (PPP) with monetary authorities to address credit market development initiatives, the Zambia Credit Reporting Association (ZAMCRA) says.

The ZAMCRA which was launched yesterday is part of a Southern African Development Community (SADC) project aimed at promoting the sharing of credit information, developing credit information availability and harmonising regulation in the region.

ZAMCRA chairperson Noel Mwanakatwe said for credit information sharing to progress well the industry needs some element of self-

regulation.

"I am confident that we can forge a mechanism that can finance entities like ZAMCRA that are dedicated to the enhancement of credit information sharing by apportioning the costs among stakeholders," Mr Nkoma said.

He said shared credit information will improve the bank's knowledge of applicant's characteristics and permits more accurate prediction of repayment probability.

Mr Nkoma said shared information also helps lenders to target and price their loans better, easing adverse selection and moral hazard problems and ultimately enhance the stability of the financial market.

He also said there is need for industry-based policy instruments that can help supplement supervisory

and regulatory policy.

At the same occasion, Bank of Zambia senior director for supervisory policy Chisha Mwanakatwe said promoting credit information sharing will help the economy at different levels such as contribute to increased access to finance and prevent over-indebtedness by providing information to credit provider on consumer debt levels.

Mr Mwanakatwe said in a speech read for him by assistant director for regulatory policy licencing for non-banking institutions Joseph Mphende that the project will also positively impact on regional commercial activity as it improves commercial and financial institutions' ability to manage their risk on the regional basis among others.

Annex 3. The Swaziland Credit Data Sharing association was launched on the 19th October 2015 in Mbabane.

14 118 110
Creditors' information to be regulated through SCDA

Written by Masejwa Makhubu

THE Swaziland Credit Data Sharing Association (SCDA) that will promote accurate transfer of consumer credit information in the country is coming soon.

The establishment of the SCDA has been made possible by FinMark Trust (FMT), an independent trust based in Johannesburg South Africa. From 2014 FinMark has been working with the Financial Services Regulatory Authority (FSRA), the Central Bank of Swaziland (CBS) and the ministry of finance through the Micro-Finance Unit (MFU). SCDSA will be launched before the end of the year.

Micro-Finance Unit (MFU) Monitoring and Evaluation and Communications Officer Masejwa said the mandate of SCDSA would be ensuring responsible credit provision through timely and accurate transfer of consumer credit providers and credit data ser-

vice providers. It would adhere to legal requirements in order to facilitate fair treatment for both the consumers and the credit providers in the granting of credit in Swaziland.

"An analysis of the local credit landscape was carried out by SCDSA steering committee with the assistance of FinMark Trust. The analysis revealed that only one credit bureau was operating in the country and the credit extent was influenced by developments in South Africa," he said.

Transpired

Matsenjwa said it also transpired from the analysis that not all credit providers submit their credit information to the local credit bureau.

He said the currency of the local credit information with the South African credit data service providers had implications on the confidentiality and usage of the information.

He said another obstacle was that most of the credit information which was normally shared tended to be

negative, only reflecting customers that had been blacklisted.

"There is also inadequate legislative framework governing the operation of the credit data sharing pending promulgation of the Consumer Credit Bill," he said.

Matsenjwa said the objectives of SCDA was to increase access to finance for households and small medium enterprises (SMEs), improve risk management processes for all credit providers, curb increasing over-indebtedness.

It would also contribute to improved bank supervision and compliance within international standards and to ensure that information sharing takes place within a regulated environment, which provides for appropriate protection of consumer rights.

He said the involvement of Finmark in this project was based on the recognition that responsible access to credit was one of the mechanisms which consumers could use to enter the formal financial services arena.

Annex 4. Appeal letters of intent from Zimbabwe:

24 Harvey Brown Avenue
Milton Park
PO Box HG 935, Highlands
Harare
Zimbabwe

Tel.: +263 4 794366/7/8
www.fcbureau.co.zw



20th October 2015

The FinMark Trust
Block A East, Central Park, 400 16th Road
Randjies Park, 1685
South Africa

To Whom It May Concern

Dear Sir/Madam

Re: The Credit Providers' Association of Zimbabwe (CPAZ)

The Financial Clearing Bureau (FCB) is one of the founding members of the CPAZ. We have been actively involved in the Steering Committee since its inception and plan to continue to represent our interests through the CPAZ Board of Trustees.

We are convinced of the value of a fully functional CPAZ, whose members contribute data and share credit information. This especially relevant in the context of the Reserve Bank of Zimbabwe's (RBZ) initiative to implement a credit reference system in Zimbabwe.

A standard template/layout for credit information sharing data submissions has been developed and agreed by the credit reference bureaus (CRBs) in Zimbabwe that participate on the CPAZ Steering Committee. The Coordinator has now been tasked to assist in expediting the adaptations to the CPAZ members' information technology systems in order to start submitting data in the required format and to the necessary quality standards.

Experience elsewhere would suggest that this process will take at least a year to achieve its first meaningful results with multiple iterations of changes to the standard template/layout for credit information sharing.

FCB sees great value in the CPAZ organisation, however, we are not able to justify paying CPAZ any fees until such time as full file data is being submitted regularly to the required quality standards. We therefore respectfully request that you consider extending your organisations funding of the CPAZ for a further period of not less than 12 months.

FCB is grateful for the support that the FinMark Trust has provided thus far and look forward to your continued support.

Yours sincerely

Alan Goodrich
Managing Director

Company No.: 476/88

Directors: Andrew Field Alan Goodrich* Greaves Motsi Takunda Ushe* *Executive

Thomas Meikle Stores

Greatermans Stores (1979) Private Limited T/A Thomas Meikle Stores

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The FinMark Trust

Block A East, Central Park, 400 16th Road

Randjies Park, 1685

South Africa

14 October 2015

To Whom it May Concern

Re: The Credit Providers' Association of Zimbabwe

Greatermans Stores (1979) T/A Thomas Meikle Stores is one of the oldest brands in Zimbabwe and owns several departmental stores in Zimbabwe operating as Meikles; M Stores and Barbour's. The Department Store Group has 6 major stores operating in Zimbabwe and other satellite stores in the country districts for the convenience of residents in these areas, as it gives them an opportunity to benefit from our well-established *Ready Credit* Scheme.

Thomas Meikle Stores joined the CPAZ in October 2014, as we support any initiative that will assist us acquiring more information for credit pricing decisions to improve our risk management. To date we have been encouraged by the progress, and are in the process of reviewing our systems to see how best we can start contributing data. We expect the process to take a couple of months, as our IT systems will need to be updated in order to submit to the required data template.

We are committed to the CPAZ initiative, and appreciate the assistance that the FinMark Trust has given the organisation, however we cannot at this stage start paying membership fees before the organisation is mature enough to provide us with access to meaningful credit profiles. We would like to see the CPAZ grow, and don't want to lose the traction that has so far been gained.

We therefore look forward in anticipation, to your continued support in 2016.

Kind regards,



Andrew Chivazve

General Manager - Credit