Onboarding of Third-Party Credit Information Providers

– PROJECT REPORT

June 2021

CIS Kenya
Towards a more open credit market

fsd Kenya

Creating value through **inclusive finance**

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The Kenya Financial Sector Deepening (FSD) programme was established by the UK's Department for International Development (DFID) programme in 2001 to support the development of financial markets in Kenya. In 2005 we were constituted as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). Our aim today is to help realise a vision of an inclusive financial system to support Kenya's goals for economic and social transformation. We work closely with government, financial services industry and other partners across key economic and social sectors. The core development partners in FSD Kenya are currently the Bill and Melinda Gates Foundation and the Swedish International Development Agency (SIDA).

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Abbreviations and Terminology

Adverse Action Notice	"adverse action notice" means a notice issued by an institution to a customer conveying denial or cancellation of, an increase in any charge for, or a reduction or other adverse or unfavourable change in the terms of coverage or amount of, any loan, existing or applied for, or any other action or determination adversely affecting the customer, based on customer information obtained from a bureau.
Amendment Notice	"amendment notice" means a written notice from an institution advising a bureau of an amendment to credit information previously incorrectly reported to a bureau by that institution.
AMFI-K	The Association of Microfinance Institutions- Kenya (AMFI-K) is a member-based institution whose mission is to champion the aspirations of microfinance institutions through advocacy, capacity building, networking and linkages and research. The Members of AMFI-K are key beneficiaries of this onboarding manual.
Banks	Commercial banks licensed under the Banking Act and Micro Finance Banks licensed under the Micro Finance Act and regulated by the Central Bank. This Procedures Manual will not apply to the Banks.
CBK	The Central Bank of Kenya is a public institution established under Article 231 of the Constitution of Kenya, 2010. The Bank is responsible for formulating monetary policy to achieve and maintain price stability and issuing currency and promote financial stability through regulation, supervision and licensing of financial institutions under its mandate.
CIS	Credit Information Sharing the mechanism under which credit information is shared amongst participating credit information providers.
CIS Kenya	Credit Information Sharing Association of Kenya (CIS Kenya) is a broad mandate is to promote best practices in credit provision by working towards the implementation of an effective credit information sharing mechanism. CIS Kenya's unique task is to establish a self-regulatory mechanism centered on credit information sharing, that eventually yields benefits for credit information providers, consumers and the economy at large.
CIS Validata	A tool developed by CIS Kenya to assist in the validation of data prior to submission by a data provider.
Code of Conduct	Code issued by CIS Kenya with approval from CBK to all participants in the credit information sharing ecosystem to provide guidance to players in the Credit Information Sharing (CIS) framework on best practices
CRB	Credit Reference Bureau, also referred to in this manual as a bureau, is an entity licensed under the Credit Reference Bureau Regulations by the Central Bank of Kenya to receive and report on credit information from the financial sector.

Abbreviations and Terminology

CRB Regulations 2020	Refers to The Banking (Credit Reference Bureau) Regulations, 2020 issued under the Banking Act
Credit Information	"credit information" means any positive or negative information bearing on an individual's or entity's credit worthiness, credit standing, credit capacity, to the history or profile of an individual or entity with regard to credit, assets, and any financial obligations.
Credit Information Provider	"credit information provider" means a person other than a subscriber who has been approved by the Central Bank to furnish credit information to a Bureau and per the CRB Regulations 2020, these may also be referred to as "third-party credit information provider".
Customer	"customer" means any consumer of services or products who has or had a formal engagement to receive services or products on agreed terms and conditions from an institution or a third-party and includes a person who seeks to open an account with an institution;
Customer Information	"customer information" means credit information, or any other positive or negative information provided by a customer or obtained from an institution, a third-party, or public record information, which may be exchanged pursuant to these Regulations
DLAK	The Digital Lenders Association of Kenya (DLAK) is a new member organization incorporated in 2019 bringing together the leading digital-first loan providers and associated stakeholders to facilitate mutual growth in the digital lending sector in Kenya.
DST	Refers to the Data Specification Template that defines and guides on the credit data that shall be shared under the CIS mechanism.
FSD Kenya	FSD Kenya was established in 2005 by the UK's Department for International Development to support the development of inclusive financial markets in Kenya.
Full File Information	Credit information pertaining to both performing and non-performing or default credit data.
KUSCCO	Kenya Union of Savings and Credit Cooperatives is the umbrella body for SACCOs whose mission is the promotion of SACCOs through advocacy and provision of quality, diversified, innovative and market-driven products and services for sustainability." KUSCCO members are key beneficiaries of this onboarding manual.
Mandatory Data	Data that is specified in the Data Specifications Template as mandatory for submission to CRBs

Abbreviations and Terminology

MFB	"microfinance bank" means a deposit-taking microfinance business licensed under the Microfinance Act, 2006
MFI	Micro Finance Institution, Means Non-Deposit Taking Microfinance Business as defined In The Microfinance Act, 2006. Mfis Are Key Beneficiaries Of This Onboarding Manual.
Negative Information	"negative information" means any adverse customer information relating to a customer as defined in CRB Regulations 2020 which includes amongst others non-performing loan or credit default or late payment on all types of facilities or claims.
Non-Banks	Institutions that do not fall under the definition of a Commercial Bank or Micro Finance Bank and may include Micro Finance Institutions, Savings and Credit Cooperatives, and other credit information providers.
Non-Mandatory Data	Data that is specified as non-mandatory for submission in the Data Specifications Template.
Positive Information	"positive information" means any information on performing loan or other credit and as defined in CRB Regulations 2020.
SACCO	Savings and Credit Cooperative. New CRB Regulations mandate the participation of regulated SACCOs.
SASRA	The Sacco Societies Regulatory Authority (SASRA) is empowered to license, regulate and supervise deposit taking Sacco Societies under the Sacco Societies Act 2008 (the Act).
Technical Committee	Set up under the Code of Conduct, the Technical Committee (TC) shall be a committee of the Governing Council (GC) of the Association, comprised of representatives from different sectors of the Association's membership with CRBs as ex-official members. The role of the TC will be to investigate any breaches by members of (i) any applicable laws and Regulations, (ii) the

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Chapter 1

Introduction

1.1 Background to the Project and Pilot

Kenya's credit information sharing (CIS) mechanism has been under development for ten years now since the formal launch in July 2010. Anchored in the Banking Act, the mechanism was primarily established for institutions licensed under the Banking Act. However, subsequent amendments to the underlying CRB Regulations allowed for the participation of non-regulated credit information providers, identified as third-party credit information providers.

Inclusion of unregulated credit information providers broadens the sources of credit information within the mechanism for profiling of customers and development of credit scores. It also encourages the application of credit information in credit decisions in the broader credit markets. The CIS mechanism has facilitated the growth of non-traditional credit information providers, for instance digital lenders, thus widening access to credit by micro borrowers.

Recent developments and focus by lenders on default listing has led to a perceived abuse of the CIS mechanism especially with respect to consumer rights, data submission standards, and equitable application of the CIS mechanism in making credit decisions. The CBK announced the withdrawal of approvals previously granted to third-party credit information providers.

It is to address this that CIS Kenya came up with an initiative to establish a properly defined criterion and setting of standards for participation in the CIS mechanism. Besides developing an industry Code of Conduct, CIS Kenya has initiated a process to come up with Onboarding Procedures for third-party credit information providers. It is hoped that with the adoption of these it could allow for the mechanism to become what it was intended, an equitable risk management mechanism that empowers both the consumer and the credit provider.

1.2 Revised CRB Regulations 2020

New CRB Regulations, CRB Regulations 2020, were issued in April 2020 in an effort to strengthen further the CIS mechanism. The regulations sets out a new regime with strict requirements for data sharing including the signing and adherence to an industry Code of Conduct and a requirement that approved third-party credit information providers must submit their full portfolios of data to all licensed CRBs. The requirement for third-party credit information providers to submit to an industry Code of Conduct suggests that the revised regulations have delegated some of the responsibilities for ensuring compliance with the regulations to the industry.

1.3 Onboarding of third-party credit information providers

CIS Kenya has taken the initiative to come up with procedures for onboarding of third-party credit information providers into the CIS mechanism with support from FSD Kenya. This is through a Pilot to test and design procedures for the onboarding of third-party credit information providers. The

❝ Recent developments and focus by lenders on default listing has led to a perceived abuse of the CIS mechanism

procedures should form a good basis for developing an industry-standard on participation in the CIS mechanism coupled with requisite consumer safeguards.

This report documents the process for developing the Onboarding Procedures Manual and describes the Pilot and its outcomes. It is hoped that following the Pilot, the industry will adopt **one common procedure** for onboarding of third-party credit information providers, underpinned by a Code of Conduct that is designed to address the issues and concerns that have previously arisen.

1.4   Appreciation

Though the Project was conducted in the face of a public health emergency, the Covid-19 pandemic, participation by a wide and broad section of entities and individuals was observed. I would like to acknowledge and give our appreciation to all who took the time to attend the various virtual workshops and meetings from Associations like AMFI, DLAK, and LAK, individual credit information providers and CRB representatives. In addition, I would like to recognize those institutions that enrolled for and participated in the Pilot as that allowed us to test the procedures in a real-world environment.

I would also like to acknowledge the work of CIS Kenya in coordinating the entire project and the efforts of the Technical Assistants who engaged with the credit information providers throughout the Pilot. Finally, I would like to acknowledge the sponsorship of FSD Kenya for this project and their guidance and input throughout the project.

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Chapter 2

Methodology

In preparing and executing the Pilot, a Work Plan was developed that defined a process of stakeholder engagement and consultation over a six month period.

The following identifies the key deliverables and objectives and the approach that was taken to achieve them.

2.1 Reviewing of draft Onboarding Procedures Manual and CRB engagement

As the CRB Regulations recognise the CRBs as the entities that seek approval from the CBK on behalf of credit information providers, it was imperative that they are part of the process for crafting of the onboarding procedures. In this regard, CIS Kenya developed draft onboarding procedures in collaboration with the licensed CRBs based on which the Onboarding Procedures Manual was prepared.

Once completed, the Onboarding Procedures Manual was shared with the CRBs and reviewed during a meeting with the CEOs for their concurrence and support. The procedures envision a joint team comprising of the CRBs and CIS Kenya that administer the process prescribed in the manual. The Onboarding Procedures Manual was then presented to the industry and tested through a Pilot with volunteer credit information providers.

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2.2   Designing an approach to the Pilot

The objective of the Pilot was to test the efficacy of the Onboarding Procedures. This would be achieved by putting the procedures through the rigours of taking prospective third-party credit information providers through the prescribed steps. The credit information providers could then give their feedback which would be used to fine-tune and draw up the final Onboarding Procedures Manual.

The approach to the Pilot followed the following steps:

1. Introduce the procedures to stakeholders. This was achieved through a series of targeted workshops where credit information providers were taken through the procedures. These workshops were conducted under the auspices of Industry Associations including, AMFI, DLAK, LAK, CIS Kenya, CRB clients and SACCOs.

2. Enlist participants for the Pilot. Following the workshops, credit information providers were invited to register for and volunteer to participate in the Pilot.

3. Roll out of the Pilot. The Pilot roll out was facilitated through a team of Technical Assistants whose role was to engage with individual credit information providers and take them through the onboarding process as prescribed in the manual

2.3   Recruiting of participants for the Pilot through stakeholder workshops

In preparation for the Pilot, Sensitisation Workshops were held for credit information providers drawn from the targeted Associations and sectors. The purpose of the Workshops was to prepare the credit information providers for the Pilot by taking them through the Procedures Manual and inviting them to enrol for the Pilot.

Through these workshops, we were able to engage with credit information providers from whom the Pilot participants were drawn from representing various sectors. Participants in the Pilot were a mix of entities that had previously participated in the CIS mechanism or were new to the CIS mechanism. This allowed the Procedures to be tested with entities that had varying degrees of CIS awareness.

2.4   Pilot implementation

The objective of the Pilot was to test the onboarding procedures proposed for unregulated credit information providers. The Pilot followed a series of steps that were designed to test the capacity of the Credit Provider and their ability to meet the requirements set out in the Data Submission Template(DST). These steps form part of the process in the Onboarding Procedures and would be used to establish the eligibility or not of a prospective Credit Provider to participate in the CIS mechanism.

1. The first step was to administer a Checklist comprising of a questionnaire that captures information on the legal, operational, technical and staffing capacity of the Credit Provider. This questionnaire was administered and verified by the Technical Assistants.

2. The idea for the Checklist is to be able to establish any significant gaps in the capacity of the Credit Provider prior to moving to the data submission stage. The Checklist shall be used to test the readiness based on key criterion including technical capacity, staffing, customer data retention processes amongst others.

3. Upon completion of the Checklist stage, the Credit Provider was taken through the DST and their data capture process reviewed to determine if they would be DST compliant. This compliance would be demonstrated by the data capture process of the Credit Provider and whether the data can be generated electronically.

4. Subsequent to the DST compliance, the ValiData tool was installed to allow for validation of the data and determine the data quality and whether the minimum error threshold could be reached.

Participating credit information providers received a report on the outcome of the Pilot for their institution. The report highlighted any gaps the Credit Provider may need to address to attain the threshold or if there were capacity issues identified. Those who were successful received a confirmation of their data quality compliance vide a Suitability Assessment Report.

Below is a summary of the institutions that enrolled and participated in the Pilot. The institutions were drawn from various sectors and the summary gives the stage of the Pilot the institutions were able to reach at the time of this report, i.e., 15th January 2021.

Table 1: Institutions in the pilot

Stage	MFI	Digital Lenders	Trade Creditors	SACCOS	Leasing Companies	Total
Complete registrations	9	16	2	4	6	**37**
Incomplete registrations	1	13	0	0	1	**4**
Visits	8	2	2	2	5	**30**
Validata installations	6	10	2	1	3	**22**
Data validation	6	10	2	1	2	**21**
Suitability assessment report	5	5	2	1	2	**15**

i.   A majority of the participants identified themselves as digital lenders.

ii. Thirty-seven institutions were able to complete the Checklist and Questionnaire process out of 41 that had enrolled.

iii. Thirty institutions were visited with the ValiData successfully installed in twenty-two of these.

iv. Data validation was carried out in twenty-one of these with Suitability Assessment Reports issued to fifteen of these. At the time of preparing this report the remaining institutions were working to complete the process for their assessment reports to be issued.

v.   There were some late registrations for the Pilot following the Dissemination workshop. These were allowed as the institutions were keen to establish their readiness status.

The complete data sheet is appended to this report.

2.5   Dissemination of findings to key stakeholders

At the conclusion of the Pilot, a Dissemination Workshop was held for key stakeholders. The workshop was used to disseminate the findings and lessons learnt in the Pilot and recommendations for the onboarding procedures. The workshop involved attendees drawn from across all sectors including both those who had participated in the Pilot and those who had not.

The attendees were again taken through the Onboarding Procedures and then presented with the findings and outcome of the Pilot. Attendees were invited to give their feedback during the workshop. It was also agreed that they would be allowed a period to review the Manual, which was shared with all participants, for further

input upon which the Onboarding Procedures would be completed.Monthly

2.6   Progress reports

During the project, various reports were prepared documenting the progress and highlighting learnings at each stage. The following are the reports and documentation that were prepared:

- Onboarding Procedures Manual

- Checklist and Questionnaire

- Internal Guide for the Technical Assistants to follow during the Pilot

- Monthly Progress Reports detailing key deliverables and activities during each month

- Concept Paper on a self-regulated CIS mechanism

- Presentations for the various workshops held

- A Final Report documenting the Pilot and Project,

- A final Onboarding Procedures Manual for third-party credit information providers

- A refined Checklist for testing the capacity and readiness of third-party credit information providers into the CIS mechanism.

2.7   Submission to the CBK

The CIS mechanism falls under the regulation of CBK. Any process even if an initiative of the industry participants must be approved by CBK. The Onboarding Procedures still requires CBK approval to come into effect for CIS participants. Approval has been sought through submissions by CIS Kenya to CBK on behalf of the industry. It is anticipated that CBK shall give its approval to allow for a full roll-out of the Onboarding Procedures.

Findings

In this Section we shall present the findings from the Pilot with respect to the Onboarding Procedures Manual, outcomes and data on the Pilot participants, and the use of the CIS ValiData.

3.1 Findings on the Onboarding Procedures:

The purpose of the Pilot was to test the efficacy of the process set out in the Onboarding Procedures Manual. This would entail taking individual credit information providers through the process and steps outlined in the Manual. The processes help determine the eligibility, suitability and capacity of the Credit Provider to participate in the CIS mechanism.

The Procedures are designed to be part of the Code Of Conduct (Code). Their purpose is to ensure that only entities that have the capacity to comply with the Code and the CRB Regulations are onboarded.

3.1.1 Joint Onboarding Committee

The process of onboarding is to be overseen by a Joint Onboarding Committee comprising of the sponsoring CRB and CIS Kenya. To align with the Code, the JOC should operate under the oversight of the Technical Committee established under the Code of Conduct as the role of the Technical Committee, *inter alia,* is enforcement and ensuring participants adhere to the Code.

By having the JOC work under the Technical Committee, it can be assured that the process of onboarding is objective and does not deviate from the stipulated standards.

" The purpose of the Pilot was to test the efficacy of the process set out in the Onboarding Procedures Manual.

This might be the case were the sponsoring CRB to be left to determine eligibility on its own as previously.

3.1.2 Checklist and questionnaire

The first stage in the onboarding process is to administer the Checklist. The Checklist is designed to assess the capacity of the prospective Credit provider in three areas, operational, technical and staffing. The Checklist consitsts of a questionnaire with a series of questions that evaluate the legal status and internal processes of the Credit Provider. Each question is scored and the total tally is used to determine the capacity of the Credit Provider to meet the requirements of the CIS mechanism.

Certain circumstances may preclude the Credit Provider from proceeding to the next stage of the onboarding. During the Pilot the following were some of the main issues that emerged as the Checklist was being administered to participating Credit Provider's:

1. Reliance on digital platforms to engage the customer from origination including all communication. The customer cannot contact the Credit Provider.

2. Terms and conditions not accessible to ascertain consent clauses and other conditions

3. Physical premises not clear for some of the entities as its assumed the digital platform would suffice for all customer engagements

4. Lack of Loan Management Systems to capture data electronically for purposes of submission to the CRBs

5. Low staffing or few individuals dedicated and assigned to the CRB data submission and customer dispute resolution.

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3.1.3 Onboarding process

The Onboarding Process follows a Work Flow that takes the prospective Credit Provider through a series of steps starting with a successful completion of the Checklist and Questionnaire. The detailed Work Flow is set out below encompassing:

1. Determine the DST compliance of the credit information providers data;

2. Installation of the Validation tool;

3. Data runs to establish the quality of the data.

Figure 1: Onboarding procedure workflow

Third-party credit information provider approaches CRB or CIS

Joint Onboarding Commitee (JOC) carries out eligibilty assesment as per checklist

Third-party Credit Information Provider meets eligibilty criteria

Third-party Credit Information Provider does not meets eligibilty criteria

Third-party Credit Information Provider commences pilot under guidance of the JOC

Third-party Credit Information Provider works on deficient woth guidance from JOC

Third-party Credit Information Provider meets all requirements and set threshold for reporting

Third-party Credit Information Provider does not meet set requirements and /set threshold for reporting

CBK approval fornally sought for onboarding of Third-Party Credit Information Provider

Third-party Credit Information Provider works on deficient woth guidance from JOC

Third-party Credit Information Provider approved and can start reporting credit information

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Once these steps are completed successfully, a Suitability Assessment Report is issued to confirm that the Credit Provider was able to meet the requirements and that their data quality met the desired threshold. This report supports the application to the CBK for approval as a third-party Credit Information Provider.

3.1.4 Outcome of the Pilot on the onboarding process

The following can be said following the Pilot on the efficacy of the Onboarding Procedures:

1. The Procedures as designed are able to identify credit information providers that have the capacity to meet the requirements and obligations as set out under the CRB Regulations 2020.

2. The Pilot confirmed that the Onboarding Procedures provide an objective vetting process that ensures that only credit information providers with the capacity and ability to meet the CIS reporting requirements would be approved to participate.

3. Through the Checklist, the Procedures were able to identify at the outset credit information providers that have gaps in their capacity to meet the minimum requirements. These are credit information providers that could have the same issues that had been raised by the Central Bank relating to customer disputes and data quality, including:

   - Inability to meet the reporting requirements per the Data Submission Template.

   - Challenges in providing real time updates on their credit data where systems are manual.

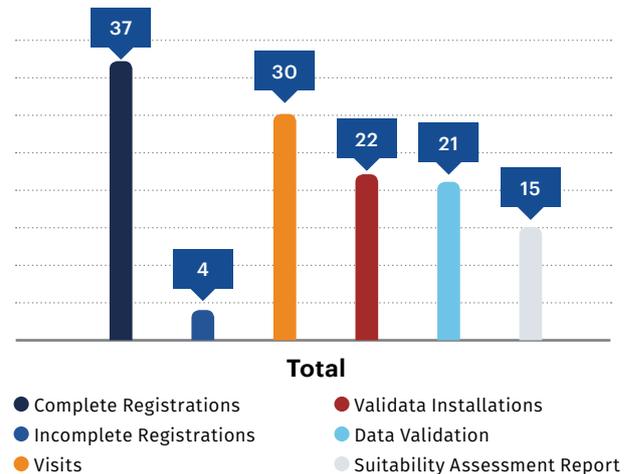   - Lack of dedicated staffing to manage customer disputes and queries.

It is possible that with this process, some credit information providers that had earlier been approved would not qualify unless they were able to enhance their operations to meet the criterion defined in the Onboarding Procedures Manual per the CRB Regulations.

3.2 Outcome of the Pilot process for participants

A total of 41 institutions enrolled for the Pilot out of which 37 completed the Checklist registration process (see table 2 below). Out of these, 15 successfully completed the process to the point of receiving their Suitability Assement Reports by January 2021. There were some late enrollments and these were still going through the

process after the Dissemintaiion workshop in December 2020.

Figure 2: Pilot participants

- Complete Registrations
- Incomplete Registrations
- Visits
- Validata Installations
- Data Validation
- Suitability Assessment Report

The participants were clustered into sectors with each sector assigned to a Technical Assistant.

The Technical Assistant was responsible for taking their cluster through the onboarding procedure as defined in the Manual. We highlight below the progress of participants in the Pilot by their respective sector cluster.

3.2.1 MFIs

Figure 3: MFIs

- Complete Registrations
- Incomplete Registrations
- Visits
- Validata Installations
- Data Validation
- Suitability Assessment Report
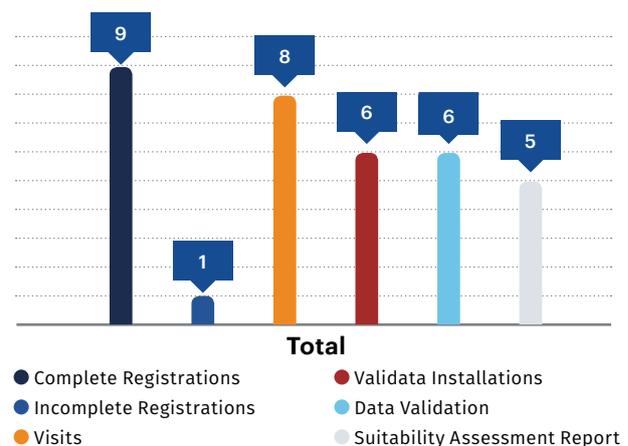
- A total of nine credit-only micro finance instutions enrolled with five being able to complete the entire process to issuing of Suitability Asssement Reports.

- Two enrolled after the Dissemintaion workshop and hence had not completed the process by mid-January.

8

- The MFIs generally have good quality data, processes and staffing capacity.
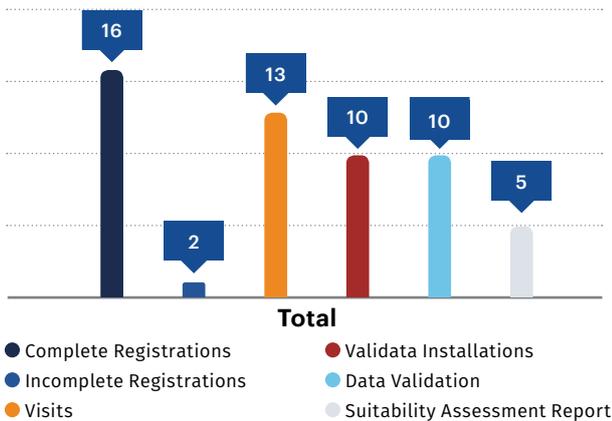
- Only one MFI had challenges with their Loan Management System that was being upgraded at the time of the Pilot.

- Only one MFI had an issue with the installation of the Validation tool as they needed to upgrade their computers to handle the tool.

3.2.2   Digital lenders

Digital lenders constituted the largest number of entities that enrolled for the Pilot. They were very enthusiastic participants with their Association being very keen on the process. This may be a reflection of the impact on their business models that were highly integrated with the CRBs.

Figure 4: Digital lenders

Total

- Complete Registrations
- Incomplete Registrations
- Visits
- Validata Installations
- Data Validation
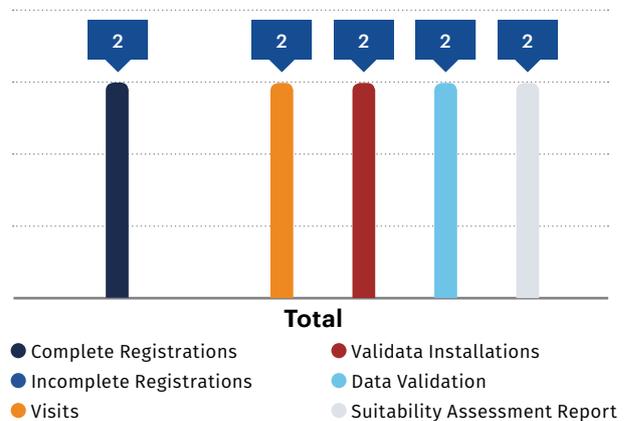- Suitability Assessment Report

Some of the challenges unique to the Digital Lenders:

1. The channel of engagement with the customer is entirely digital and therefore not geared for instances where the customer wishes to engage with the Lender in oerson

2. Terms and conditions of service are not accessible at the point of application as the customer only needs to acknowledge prior to applying

3. Physical location and contact details not clear.

    - Need to use the CRB mechanism as a debt recovery leverage.

    - Though they capture a lot of data electronically, their data submissions have a lot of errors that required corrections hence the low completion rates.

3.2.3   Trade creditors

Trade creditors were part of the institutions that were targeted who had previuolsy not engaged with the CIS mechanism. This was to allow for the testing of the procedures with entities that were completely new to the process.

Figure 5: Trade creditors

Total

- Complete Registrations
- Incomplete Registrations
- Visits
- Validata Installations
- Data Validation
- Suitability Assessment Report

Some unique issues that were identified:

- Initially the data compliance with the DST was a challenge and needed to be aligned

- They were able to achieve the submission threshold with one attaining over 99% success rate on a very large data set

3.2.4   SACCOs

Following the SACCO workshop, it was hoped that a good number would sign up for the Pilot. Ony four enrolled and of those only one was able to go through

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the entire process. Their participation may have been compromised by the fact that one CRB was offering a 'solution' that was supposed to ensure their continued access to the mechanism outside of the CBK mandated ones.
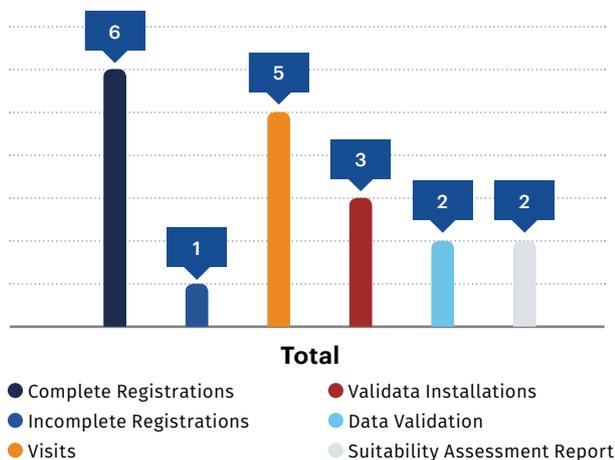
Some of the unique challenges to the SACCOs:

- Bureaucratic decision processes that delayed approvals to allow participation

- Deficient loan management systems capable of extracting customer data

- Lack of staff dedicated to manage the process

3.2.5 Leasing companies

These were also new to the CIS mechanism and provided a good tests for onboarding of new sectors. Their challenges were significant to the point that a workshop had to be held mid-stream the Pilot to introduce them to the basics of the CIS mechanism and the standard Data Submission Template.

Figure 6: Leasing companies

- Complete Registrations
- Incomplete Registrations
- Visits
- Validata Installations
- Data Validation
- Suitability Assessment Report

- Legacy systems that were not designed to capture required customer information
- Lack of proper Loan Management Systems
- Incompatibility of computer systems to allow for the ValiData installation

3.3 CIS Validation Tool

The purpose of a Validation Tool is to assist the third-party credit information providers to meet the minimum data reporting requirements as set out in the DST,

particularly, the data formats and mandated fields.

To facilitate this, CIS Kenya developed an industry tool, CIS ValiData. The use of this tool was to be tested during the Pilot to determine its efficacy in facilitating the standardization of submissions but also the determination of the data quality. It is expected that by using the same Validation tool, a data quality threshold can be established that would allow a third-party Credit Provider's data to be accepted for submission to the CRBs.

3.4 Use of a validation tool in the onboarding process

The Pilot was designed to allow for the testing of the CIS ValiData tool to determine the usefulness of a validation tool in the process besides establishing how it should be implemented. All participants in the Pilot had to install the CIS ValiData for purposes of carrying out data runs on their data files. This would then give the level of errors in the data files and allow for the participating Credit Provider to correct errors and resubmit. Through this process a continuous improvement in the level of data quality was observed with most participants being able to reach the 80% threshold by the third data run.

From the Pilot and feedback from participating credit information providers, a Validation Tool such as the CIS ValiData is necessary and integral to the process. As such, the Onboarding Procedures shall include the successful implementation of the ValiData or any other agreed industry validation tool.

3.5 Recommendations on the CIS ValiData

In the process of implementing the CIS ValiData certain issues arose and some observations were made. We highlight these here to allow for improvements in the ValiData's implementation when we proceed to a full roll out of the Onboarding Procedures.

1. The ValiData should have an API capability to allow institutions to submit data on real-time basis especially for those processing loans instantly like Digital Lenders. .

2. Develop a comprehensive User Manual for the ValiData tool.

3. Some institutions may need to upgrade their computer systems in order to support the ValiData tool.

Chapter 4

Challenges

Certain unforeseen challenges arose in the course of the Pilot some driven by regulatory uncertainties, others by wider public health concerns, and others by competing actions by the CRBs.

> "
> A Credit Provider once approved submits its data to all licenced CRBs irrespective of the sponsoring CRB.

4.1 Managing stakeholder expectations

Given the background of the Pilot, i.e., the action by the regulator to withdraw approval for all unregulated credit information providers, there was misplaced expectations that the CIS Kenya initiative was the path to readmission to the mechanism.

This lingering question, as to whether the initiative for Onboarding Procedures was sanctioned by the regulator, presented a challenge, and affected the level of participation and commitment to the process by some credit information providers and CRBs.

It is our view that the process must continue,

post the Pilot, with a planned roll out of the Onboarding Procedures..

4.2 Lack of a common stance amongst licenced CRBs

Under previous CRB Regulations, licenced CRBs viewed signing up of third-party credit information providers as a competitive advantage as the CRB could present itself as having more sources of data. Approved third-party credit information providers were only required to give their data to the CRB that sponsored their application to join the CIS mechanism. The fact that a CRB was left to ensure the compliance of the third-party Credit Provider upon approval may have resulted in the disparate levels of compliance amongst participants.

The new CRB Regulations require that a Credit Provider once approved submits its data to all licenced CRBs irrespective of the sponsoring CRB. This in effect has

significantly changed the market dynamics especially for any CRB that was leveraging its sponsorship of multiple credit information providers for a commercial advantage.

Though the CRBs were consulted and invited to participate in every phase of the Pilot, it was observed that some CRBs were intent on setting up parallel platforms to circumvent reporting restrictions and maintain their commercial advantage. This has diluted the initiative driven by CIS Kenya and in fact negatively affected the number of entities enrolling for the Pilot particularly from the SACCO sector.

4.3 Status of regulation of the sector

Upon the publishing of the CRB Regulations 2020, the CBK also announced the withdrawal of approvals for third-party credit information providers. Since then, there has been no clear guidance or pronouncement on the next steps and how a fresh vetting would be conducted. The CBK appears pre-occupied with legislative measures that would bring third-party Credit Information Providers under its regulatory ambit first.

Without a clear direction from the regulator, any initiative taken by the industry would remain under a cloud of uncertainty as the CBK could reject or come up with a different position. This uncertainty for unregulated credit information providers continues to raise questions as to whether they will ever be allowed to rejoin the regulated

CIS mechanism and if indeed they should be pursuing an option of a CIS mechanism under a Self-Regulatory Organization.

4.4 Impact of the pandemic on credit information providers

The Pilot was conducted in the face of an on-going public health emergency, the Covid-19 pandemic. Mitigation measures resulted in a change in how work was conducted with businesses being required to have their employees work from home (WFH). This affected the ability of staff to coordinate and time their availability to support the Pilot process as desired including meeting with the Technical Assistants.

The Pilot process required the Technical Assistants pay a visit to the Credit Provider's main location to:

- Verify the information on the Checklist
- Assess the compliance with DST
- Install and train on the CIS ValiData

Though it was possible to conduct most of the engagements through virtual meetings, some of the tasks required physical interactions and this delayed or prevented the process to proceed for some of the participants.

Chapter 5

Recommendations

With the completion of the Pilot and Project to develop Onboarding Procedures, we have a few recommendations and suggestions for CIS Kenya as a way forward.

These recommendations would see CIS Kenya preparing and resourcing itself to implement the onboarding procedures for the CIS mechanism, while also supporting prospective participants to meet the standard for participation that the procedures have set.

5.1 Full roll out of the procedures

The Onboarding Procedures form a key component of the enforcement of the Code of Conduct as they are intended to set an eligibility criteria and develop a standard for participation in the CIS mechanism. Having completed the process of developing an Industry Onboarding Procedure through a consultative process, it would be expected that the natural step is for these Procedures to be adopted in the fresh vetting of third-party credit information providers.

1. CIS Kenya can give a formal proposal to CBK to drive the onboarding of third-party credit information providers per the Onboarding Procedures Manual developed for third-party credit information providers participation in the CIS mechanism

2. CIS Kenya should notify and advise the market that participants should expect to be vetted and onboarded through the process set out in the Onboarding Procedures Manual.

3. CIS Kenya should set up a team and structure that allows for it to provide support and guidance to third-party credit information providers seeking to be onboarded.

5.2 Onboarding incubator

There are expressed concerns that the standards set in the Onboarding Procedures Manual may preclude the ability of some entities to be onboarded to the CIS mechanism. Rather than lock out prospective participants, the Onboarding Procedures intend to set a minimum criterion and establish a standard to assure data quality and discipline amongst CIS participants.

To allow as broad a participation in the CIS as possible, it is imperative that interested participants are provided adequate support to meet the standard and requirements set in the Onboarding Procedures. To aid entities that may not be able to immediately meet the onboarding requirements, CIS Kenya can set up an 'Onboarding Incubator'.

The incubator would provide a controlled environment that would support those entities that have significant technical gaps and capacity challenges. During the Pilot it was observed that some entities use Excel to hold customer information, others have poor data capture processes that exclude pertinent information and consequently have a low DST compliance. Upon meeting the requirements, these entities could then proceed with the onboarding and CBK approval processes.

5.3 Data Protection Act 2019

Kenya passed its first Data Protection Act in 2019 with the Act coming into effect in November 2019. The primary purpose of the Act is to recognise the fundamental importance placed on protecting the personal data of individuals and to define how that data is to be protected. It establishes the Office of the Data Protection Commissioner, makes provision for the regulation of the processing of personal data, provides for the rights of data subjects and obligations of data controllers and processors.

It defines data controllers and data processors who must be registered by the Commissioner. Generally, the data controller determines the purposes for which and how personal data is processed. The data processor processes personal data on behalf of the data controller. The data processor may be a third-party external to the company. The universal Principles of Data Protection are well ensconced in the Act requiring that all personal data is processed lawfully, fairly and in a transparent manner in relation to any data subject.

The CIS mechanism would fall within the legal jurisdiction of the DPA as the mechanism primarily deals with personal information of consumers. It may be necessary for a legal review of the CIS mechanism to establish that it is within the stipulations of the DPA and determine if any further licensing would be required from the Data Commissioner once the DPA is fully enacted in Kenya. CIS Kenya could take up this issue and seek an opinion on behalf of the CIS stakeholders.

5.4 CRB Regulations and long-term structure of the CIS mechanism

The action of the CBK to withdraw approvals for third-party credit information providers and require their fresh vetting is a demonstration of the vexing issue of how to maintain regulatory discipline amongst participants who are not regulated by CBK.

Due to the sheer number of potential participants in the CIS mechanism from outside the regulatory ambit of the CBK, this challenge may continue. As a CIS mechanism is only as effective as it is universally used across all credit markets, the issue of how to include unregulated credit information providers should not limit the growth and application of regulated CRBs.

The current CRB Regulations had envisioned such a scenario and in fact seems to have proposed a model structure of the CIS mechanism that would allow for disciplined expansion and reach of the mechanism beyond regulated credit information providers.

Specifically, Regulation 64 if effected could form a template for future onboarding of unregulated credit information providers and would provide the requisite discipline and oversight to ensure no abuse of the mechanism.

1. Industry Code of Conduct to set out the rules for participation in the CIS mechanism

2. Common validation tool to standardise data submission per Reg. 64 (1)

3. Industry data hub to collate and consolidate data from where CRBs would tap third-party credit information per Reg. 64 (2).

CIS Kenya could act as the focal point that is envisaged in Regulation 64 that facilitates the joint developing by *'bureaus, institutions and third-party credit information providers of a central hub (and) industry tool for the submission of credit information to the bureaus'.*

Further, establishing a singular mechanism for unregulated credit information providers under the Industry Association will ensure standardization and compliance. It would mitigate the need for the CBK to vet and approve participants on an individual case by case basis with the burden to ensure eligibility and compliance falling on CIS Kenya and its members.
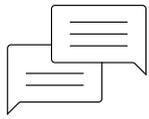
CIS Onboarding Procedure Manual (excerpt)

2.0 PREAMBLE

2.1 Background

In the recent past, concerns by the Central Bank of Kenya (CBK) regarding poor CIS practices by some unregulated lenders culminated in the suspension of some of them from sharing credit information. Some of the concerns raised in CBK's Circular no. 8 of 2020 included;

- Inefficient complaint redress mechanism;
- Non-functioning telephone numbers;
- Absence of physical locations for customers seeking assistance;
- Predatory lending practices;
- Cases of identity theft;
- Unethical harassment of delinquent customers;
- Listing customers without giving prior listing notices;
- Inability to promptly correct errors noted in credit information submitted to CRBs;
- Reluctance to update records held by CRBs.

This Procedures Manual, developed jointly by the 3 CRBs and CIS Kenya, will be used to ensure that applications by third-party credit information providers are assessed efficiently and in line with CRB Regulations 2020. It is envisaged that going forward, the process of onboarding of third-party credit information providers will be a collaborative effort between the CRBs and CIS Kenya, as provided for in this manual, to ensure that an industry standard is established and maintained.

2.2 CRB Regulations on third-party credit information providers

The CRB Regulations 2020 provide for the inclusion of third-party credit information providers as sources of data for the CRBs. The CRB Regulations 2020, specifically Regulations 24, 63, 64 and 65, have prescribed the process and mode of participation and below we summarize some of the key Regulations that will guide the design of this manual.

Of note is that the Regulations place the onus on the sponsoring CRB to ensure the capacity, preparedness and ability of the third-party credit provider to provide accurate and up to date data and generally meet and adhere to the requirements of the Regulations pertaining to data.

1. An application submitted to the CBK by a bureau for the approval of a third-party credit provider should be accompanied by a Suitability Assessment Report.

2. The third-party credit information providers shall be subject to an industry Code of Conduct

3. The submission and maintenance of the customer data is subject to stipulated consumer rights including required notices to the affected consumer prior to and after their data being reported to the CRBs.

4. The Credit Information Providers shall submit its data to all licenced CRBs. The submission can be through a central point or tool.

5. The Credit Information Providers should have a dedicated unit or staff to receive and resolve customer complaints related to the sharing of their data.

6. Data submissions shall be via a standardized data template.

This procedure manual is designed to meet the requirements of the Regulations by setting out an industry agreed standard and process that shall be used to onboard third-party credit information providers under the CRB Regulations 2020. It is expected that this manual shall be applied by all parties to ensure discipline and avoid the earlier mentioned issues that arose

with the inclusion of non-regulated credit information providers.

2.3 Industry code of conduct

One of the key additions to the Regulations providing for third-party credit information providers participation in the CIS mechanism is the introduction of an industry Code of Conduct to which the third-party credit information providers shall be subject. An industry Code of Conduct has been developed under the auspices of CIS Kenya whose purpose is to provide guidance to all participants in the CIS mechanism on best practices.

Upon approval of the Code by the CBK per Regulation 24 (8), a third-party credit information providers wishing to participate in the CIS mechanism will have to accede to the industry Code. The Code of Conduct shall then be used to provide industry governance for the on-going participation of third-party credit information providers.

2.3.1 Legal basis and purpose

Regulation 24 (8) provides that a third-party credit information providers shall be subject to an industry code of conduct approved by the Central Bank. After consultations with industry stakeholders, CIS Kenya as the industry Association has issued a Code of Conduct to all participants in the credit information sharing ecosystem in Kenya. The purpose of this Code of Conduct is to provide guidance to players in the CIS mechanism on best practices about:

- Data quality in the collection, extraction, submission, access, use, storage and discarding of credit information.

- Consumer protection with respect to issuance of notices, timely updating of customer information, efficient dispute resolution, accessibility of credit information providers, prompt correction of data and response to customer queries.

- Customer-centricity including risk-based pricing, consumer education and appropriate product offerings.

2.3.2 Enforcement, monitoring and compliance

For the Code to be enforced by CIS Kenya, members must voluntarily commit to act decisively to promote transparency, accountability and ethical behaviour. Upon admission to the mechanism, the Association's compliance function shall receive statistical compliance

reports from CRBs and/or through the industry validation and submission tool. The compliance reports shall be used to detect and report non-compliance to the Technical Committee.

The Technical Committee, comprising of members from various sectors with the participation of the CRBs as members, shall impartially investigate departures from the Code and reporting standards and shall address the non-compliant third-party credit information providers. Non-compliant members may be subject to sanctions and penalties as may be agreed by the members.

2.4 Use of CIS ValiData

To assist the third-party credit information providers in meeting the required data formats an industry tool, CIS ValiData has been developed pursuant to Regulation 64. The ValiData is designed to facilitate the submission of data in a standardized format by allowing the third-party credit information providers carry out data validation based on the agreed validation rules before simultaneous submission to all licensed CRBs.

The tool provides error logs instantly for the third-party credit information providers to action and correct the data file. Once the agreed threshold is met, the third-party credit information providers can then submit to the CRBs the data file per Regulation 63 (6).

This process ensures that the third-party credit information providers takes ownership of the data quality issues while ensuring the CRBs are receiving data that has been validated in a standard format.

2.5 Design of the manual

This onboarding manual has been designed to ensure compliance with the requirement by all parties and highlight the roles of various parties in the process.

Following from the above, there shall be several stages in the onboarding process for third-party credit information providers. These stages shall facilitate the **Suitability Assessment Report** that should accompany the application to the CBK for a third-party credit information providers per regulation 24 (2).

The CRBs and CIS Kenya shall collaborate in the process as provided for in this manual.

Due diligence: This stage shall entail assuring that the applicant institution is able to comply with the technical

and operational requirements for a third-party credit information providers and adhere to the industry Code of Conduct. **A Checklist shall be used to make this initial assessment and only institutions that meet the minimum on the checklist can move on to the piloting stage.**

Piloting: This stage shall entail piloting the submission of data by the third-party credit information providers following the due diligence. This shall test the ability of the applicant institution to meet the reporting requirements of a third-party credit information providers. **Only institutions that meet the minimum submission requirements can move on to the formal application stage.**

CBK Application: Following a successful conclusion of the due diligence and piloting, the sponsoring CRB shall submit an application to the CBK on behalf of the third-party credit information providers.

Post-approval: The third-party credit information providers shall become subject to the industry Code of Conduct to assure their continued participation in the sharing mechanism. Compliance and adherence of the Credit Information Providers to the industry Code of Conduct shall be monitored and enforced through the Compliance and Technical Committees as provided for under the Code.

3.0 STEPS TO FOLLOW ON ONBOARDING THIRD-PARTY CREDIT INFORMATION PROVIDERS

3.1 Joint Onboarding Committee of the CRBs and CIS Kenya

The process of onboarding will be conducted by a Technical Team comprising of the three licensed CRBs and CIS Kenya. This Technical Team, to be known as the Joint Onboarding Committee or JOC, shall manage the onboarding process per the stages and workflow detailed below.

The JOC shall manage all applications irrespective of whether the applicant is sponsored by a CRB or direct member of CIS Kenya. This is to assure transparency and impartiality in the management of the onboarding process. The JOC will work with the applicant and take them through the process of onboarding for a third-party Credit Information Provider as provided for in this manual.

The JOC shall provide technical support to and applicant as may be necessary to ensure the applicant is able for to meet the requirements and reporting thresholds for a successful third-party Credit Information Provider. The JOC shall ultimately sign off on the applicant and confirm the applicant's readiness for approval by the CBK.

The JOC shall be comprised of two representatives from each CRB and two from CIS Kenya. The representatives should be drawn from the data or operations teams of the CRBs and the Data Quality and Compliance Support function of CIS Kenya in order to have the requisite skills.

Below are the various tasks and roles that shall be performed in the onboarding of a third-party Credit Information Provider.

3.2 Application phase (due diligence)

3.2.1 Role of JOC

Upon receipt of applications for approval to join the CIS mechanism, and in line with Regulation 24(4), the JOC will perform due diligence on the third-party credit information providers before admission to the mechanism to establish:

a. Nature and character of the third-party credit provider's ownership and management

b. The nature of the third-party credit provider's business and whether it is subject to any legal or regulatory framework.

c. The soundness of the third-party credit provider's information management system in relation to generation, storage and transmission of customer information

d. The accuracy and integrity of the third-party credit provider's records.

e. The credibility of credit information of every person the third-party credit provider deals with

f. Whether the third-party credit provider's customers have expressly consented to the sharing of the customers' credit information.

g. The customers awareness on the third-party credit information providers relationships with respect to credit information sharing.

h. Whether customer's financial or credit information is occasionally based on estimates or is subject to assessment before ascertaining the completeness of the information

3.2.2 Collaborative role of CIS Kenya

Through the JOC, CIS Kenya will partner with the CRBs to ensure compliance to the requirements that are directly impacted by the signing of the industry Code of Conduct required under Regulation 24 (8). The areas that call for collaboration include:

1. Data quality, Data processing and Data submission

    i. Soundness of credit management information system

    ii. Extraction of data in line with Data Specification Template

    iii. Prompt and consistent submission of full-file data

2. Dispute resolution

    i. Existence of a complaint handling function

    ii. Dispute lodging facilities (functional phone numbers, Websites complaint forms etc.)

3. Staff adequacy and competence

    i. Ascertain appropriate numbers of involved staff

    ii. Provide training on handling disputes, data submission, and use of bureau products

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3.2.3 CIS Kenya membership application

As noted earlier, the participation of third-party credit information providers in the CIS mechanism is now subject to an **industry Code of Conduct**. The existing Code of Conduct has been established by the industry under the auspices of CIS Kenya as the umbrella Association driving the development of the CIS mechanism in Kenya. As such, the third-party credit information providers will need to become a member of the industry Association

with the application process entailing:

1. Completing a CIS Kenya membership form available in the Code of Conduct

2. Kshs. 3,000 application processing fee payable to CIS Kenya

3. Verification of requirements under 3.1.1 and 3.1.2 above

Onboarding procedure workflow

Third-party credit information provider approaches CRB or CIS

↓

Joint Onboarding Commitee (JOC) carries out eligibilty assesment as per checklist

Third-party Credit Information Provider meets eligibilty criteria ←→ Third-party Credit Information Provider does not meets eligibilty criteria

Third-party Credit Information Provider commences pilot under guidance of the JOC ← Third-party Credit Information Provider works on deficient woth guidance from JOC

Third-party Credit Information Provider meets all requirements and set threshold for reporting

Third-party Credit Information Provider does not meet set requirements and /set threshold for reporting

CBK approval fornally sought for onboarding of Third-Party Credit Information Provider ← Third-party Credit Information Provider works on deficient woth guidance from JOC

Third-party Credit Information Provider approved and can start reporting credit information

3.3 Pilot phase

CRBs Technical Team and CIS Kenya's Data Quality and Compliance Support (DQCS) function will support the member through a data piloting phase to progressively attain the highest level of accuracy. The team will monitor the pilot in terms of data extraction and transmission and ensure that the applicant:

1. Demonstrates capacity to extract and prepare data for submission in line with applicable Data Specifications Templates (DST)

2. Has the ability to meet requirements for multiple submissions to all CRBs

3. Meets data quality thresholds within a period of 3 months or earlier date that proves satisfactory

4. Can use the industry Tool for data validation and submission.

3.4 CBK approval phase

Pursuant to Regulation 24 (2) the sponsoring CRB will submit an application to CBK constituting:

1. Confirmation of subscription to Industry Code of Conduct

2. Suitability Assessment Report that includes the Certificate of Data Quality

3. Payment of prescribed application fee (1,000/=)

4. Any other documentation as may be required by CBK and the CRBs

3.5 Post-approval phase

Upon receipt of CBK approval, the CRBs will notify CIS Kenya to facilitate:

1. updating of member status on CRB and CIS Kenya website and other channels that promote industry standards

2. activation of CIS ValiData for the member.

3. Continuous review of the data submission through the Technical Committee

4.0 CHECKLIST ON INTERNAL PROCESSES

As part of the process, a Checklist shall be used to test and determine the eligibility of a third-party credit information providers to participate in the mechanism. The purpose of the Checklist is to act as a filter to ensure that only entities that have the capacity to meet and comply with the requirements of the CRB Regulations, Code of Conduct, and Consumer Rights provisions are accepted into the CIS mechanism.

The checklist shall list areas that the prospective third-party credit information providers must demonstrate ability to comply with prior to the process detailed above commencing. These areas shall be drawn from the various operational, technical, and staffing expectations that would be necessary for the Credit Information Providers to competently meet the reporting and customer engagement requirements under the Regulations.

For the purposes of testing the technical capacity and readiness of the third-party credit information providers, the following aspects and relevant items shall comprise the Checklist on internal processes:

1. Operational readiness
2. Technical readiness
3. Staffing readiness

4.1 Operational readiness

The internal processes of the prospective Credit Information Providers should demonstrate that they incorporate the required statutory notices and customer consent to submit customer information.

To comply with consumer rights provisions under the Regulations, several Notices have been prescribed to inform and empower the consumer in the reporting of their data to the CIS mechanism.

4.1.1 Pre-listing, post-listing and adverse action notice

Regulation 63. (1) requires that third-party credit information providers notify an affected customer of the action they are taking with respect to the CIS mechanism.

These include:

- notifying the customer, a month before a loan be-

comes non-performing that the information on the loan shall be submitted to a bureau immediately it becomes non-performing.

- notifying the customer, within thirty days of the first listing, that the customer's credit information has been submitted to all licensed Bureaus: and

- issue an adverse action notice to a customer against whom an adverse decision has been taken, in whole or in part, based on the information obtained from a bureau.

4.1.2 Customer consent

Regulation 24 (6) requires that a third-party credit information providers may only furnish customer credit information to a bureau with the prior written consent of the customer.

Participants are therefore expected to have the proviso to authorize the sharing of customer information embedded in their terms and conditions of business and they must have first demonstrated that this is so prior to joining.

A sample shall be made available for third-party credit information providers who may not have one incorporated in their current terms and conditions of business.

4.2 Technical readiness

Regulation 65 provides that third-party credit information providers may only submit credit information using a data template agreed between institutions and approved by the Central Bank. As such the capacity of the Credit Information Providers to extract the relevant credit information from its client management systems per the minimum requirements of the DST will be evaluated.

4.2.1 Data submission template

Regulation 65 provides that third-party credit information providers shall submit credit information using such format or template as may be agreed between institutions and as approved by the Central Bank. The current agreed data template is DST Version 4.

The DST comprises of both mandatory and non-mandatory data. For purposes of this checklist, the third-party credit information providers must demonstrate ability to provide the Mandatory Data per the reporting requirements of this template.

4.2.3 Industry validation tool

To ensure that data meets the required submission standard per the DST, the third-party credit information providers shall be expected to use the industry approved validation tool, CIS ValiData, per Regulation 63 (6). The third-party credit information providers must confirm its ability to use the tool either as a desktop or virtual server depending on the size of its data. The Checklist shall include testing the third-party credit information providers' capacity to use the CIS ValiData while following the prescribed steps for data extraction, conversion, validation and submission:

a) Data extraction

The Credit Information Providers can be able to extract the customer information into a data file from its systems.

b) Data conversion

The Credit Information Providers can be able to convert the extract into the required format for uploading onto the validation tool.

c) Data validation

The Credit Information Providers can be able to use the Industry Tool to validate its data prior to submission. The third-party credit information providers must demonstrate capacity to make the required corrections to error logs and re-validate the file before it can submit to the CRBs.

d) Data updating

Regulation 63 (4) requires that customer data is accurate and up to date. The third-party credit information providers is expected to demonstrate capacity to update data immediately.

4.3 Staffing readiness

Regulation 63 (7) requires that the third-party credit information providers establishes and maintains functional units or dedicate competent staff to receive and resolve complaints or disputes arising from credit information sharing activities. In addition, the data submission processes require that the third-party credit information providers has technical staff who can competently manage the process.

For this reason, the Checklist shall assess the staffing complement that the Credit Information Providers is proposing and recommending and their requisite skills. The staff should be designated to deal with the operational areas above that relate to customer engagement including dispute resolution and the technical areas that relate to the data extraction and submission process.

Appendix 2

Checklist and questionnaire

	OPERATIONAL CAPACITY	RESPONSE	VERIFIED BY	SCORE
1.	Legal Form			
2.	Registration Number			
3.	Contact Details – Telephone			
4.	Contact Details – Postal			
5.	Main Office Location			
6.	Branches if any (attach list if many)			
7.	The process and terms and conditions for credit application are clearly described on the website or office site			
8.	Customers can contact and obtain information prior to applying for credit.			
9.	Credit application have express customer authorisation to share their credit information			
	Total			**9**

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	TECHNICAL CAPACITY	RESPONSE	VERIFIED BY	SCORE
1.	Credit Application Process is manual/electronical/or both (please indicate in your response what's applicable)	Customers complete an application: a) Manually b) Electronically/Digital c) Both available		
2.	Where Credit Application process is purely digital please indicate if a signature is captured			
3.	Customer data is captured on a loan management system (LMS)			
4.	All Credit Application data is keyed in before an approval is granted.			
5.	Customer credit information data can be extracted from the LMS			
6.	The data extraction process is automated (i.e. not triggered by a person)			
7.	Loan repayments are updated on the LMS			
8.	DST minimum mandatory data can be extracted from the LMS			
9.	Notices can be and are generated to customers			
	Total			**9**

	STAFF CAPACITY	RESPONSE	VERIFIED BY	SCORE
1.	Number of Staff Dedicated to Customer Service			
2.	Number of Staff Dedicated to Data Submission			
3.	Staff have adequate knowledge of the CIS process and their roles			
4.	There is a clear process for handling customer complaints			
	Total			**4**

	CIS VALIDATA	RESPONSE	VERIFIED BY	SCORE
1.	CIS ValiData Specifications			
2.	Total loan book and number of customers			
3.	Technical staff to use the ValiData			
	Total			**3**

	OUTCOME	RECOMMENDATION	VERIFIED BY	AGGREGATE SCORE
1.	Meets minimum criteria			
2.	Does not meet criteria			