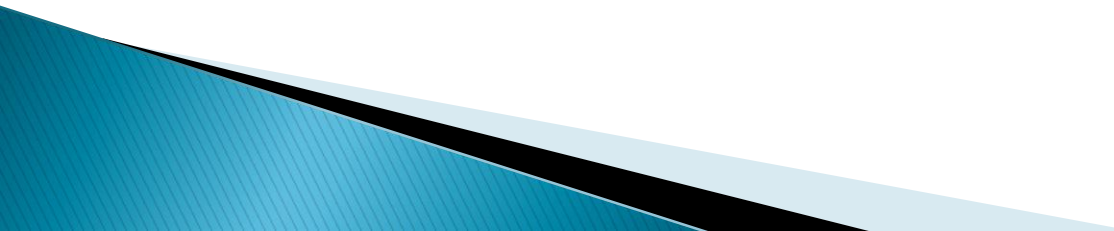


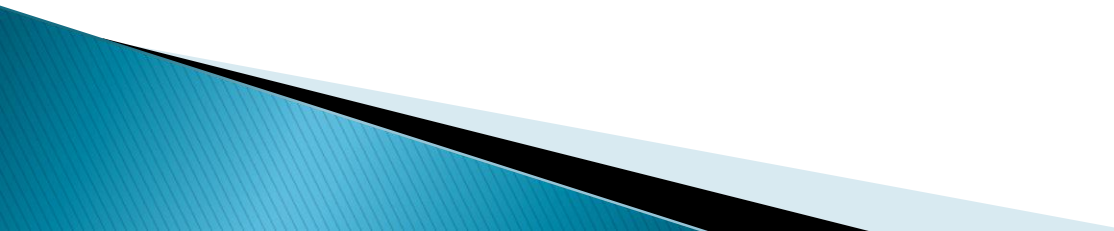
THE CREDIT REPORTING REGIME

Bank of Jamaica
June 2012

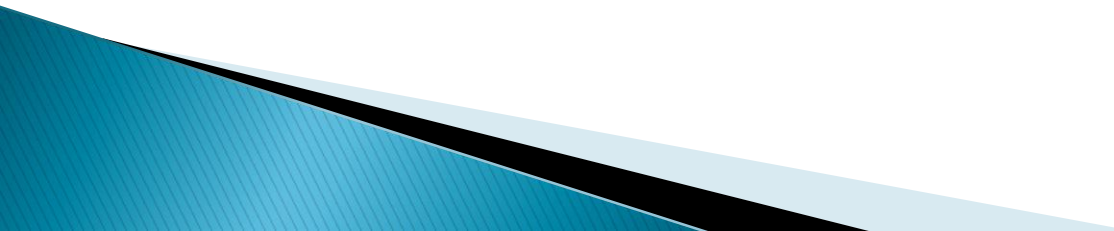
Overview of Presentation

- ▶ Legislative Framework
 - ▶ Background Information on Credit Bureau
 - ▶ Key Features of Jamaica's Credit Reporting Framework
 - ▶ Bank of Jamaica's Role
 - ▶ Licensing Process
 - ▶ Other Significant Supervisory Powers
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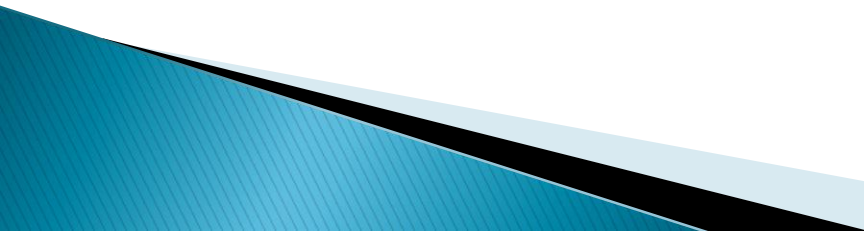
Legislative Framework

- ▶ The Credit Reporting Act (CRA) was passed in August 2010 and became effective in October 2010.
 - ▶ The Credit Reporting Regulations (CRR), which serve to operationalise the Act, took effect in January 2011.
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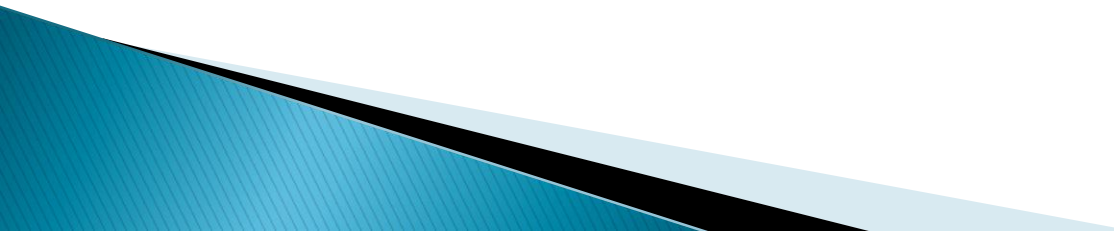
Background Information: What is a Credit Bureau

- ▶ A credit bureau is an agency that collects credit information from lenders and other relevant credit information sources on a borrower's credit history, and provides that information, for a fee, to prospective lenders. Information acquired from a credit bureau allows a lender to better assess the credit worthiness of a borrower.
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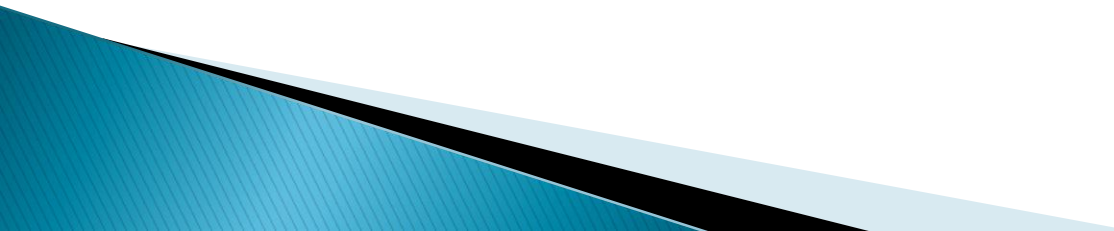
Background Information: What is a Credit Report

- ▶ A credit report represents a comprehensive credit profile of a borrower.
 - ▶ This includes, for example:
 - personal information e.g. borrower's name, ID number, date of birth etc..; and
 - a credit summary e.g. credit accounts held by borrower, whether accounts are current/past due and a record of recent credit enquiries made about the borrower.
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Background Information: What is a Credit Score

- ▶ Many lenders, as well as credit bureaus themselves, use credit bureau information to generate credit scores.
 - ▶ Credit scores are statistical estimates of the probability of default of a borrower based on characteristics available in the information provided to the credit bureau.
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Background Information: Advantages of Credit Bureaus

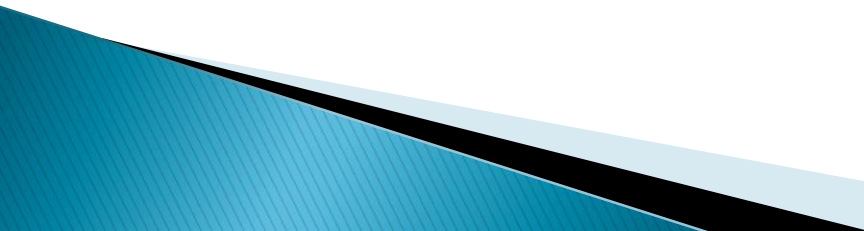
- ▶ Facilitates greater access by individuals to loans and other financial services
 - ▶ Allows lenders to better assess the credit worthiness of a borrower.
 - ▶ Reduces the time required for banks to reach a decision on a loan application
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Background Information: Advantages of Credit Bureaus cont'd

- ▶ Borrowers with good credit histories can negotiate better lending rates.
 - ▶ Promotes credit discipline on the part of consumer as well as a culture of repayment
 - ▶ Contributes to a reduction in bad debts and therefore increase profitability of banks
 - ▶ Generally therefore, also promotes enhanced soundness of the financial system.
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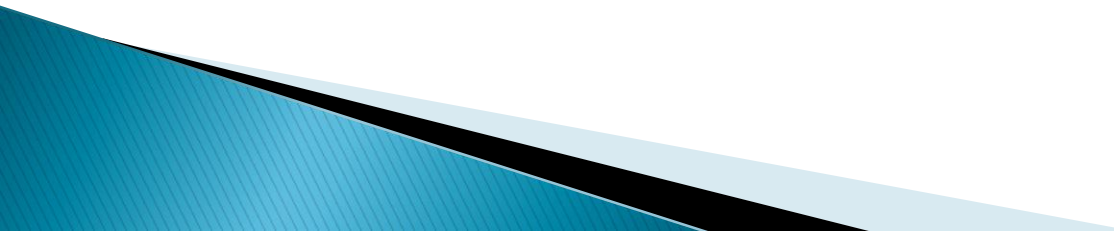
Jamaica's Credit Reporting Framework: Eligible Credit Information Providers

Under the CRA, the following persons or institutions may provide information to credit bureaus:

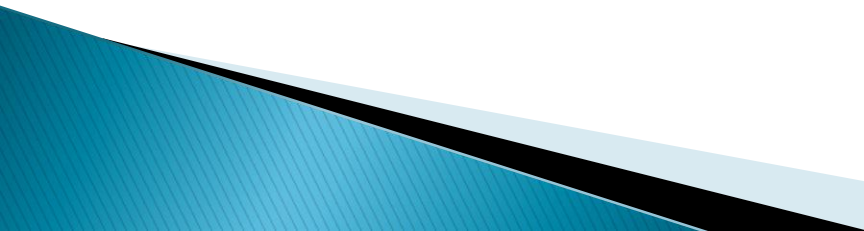
- Commercial Banks
 - Licensees under the Financial Institutions Act (e.g. Merchant Banks)
 - Building Societies
 - Societies registered under the Co-operative Societies Act e.g. credit unions
 - The Development Bank of Jamaica Limited
 - Securities Dealers
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Jamaica's Credit Reporting Framework: Eligible Credit Information Providers

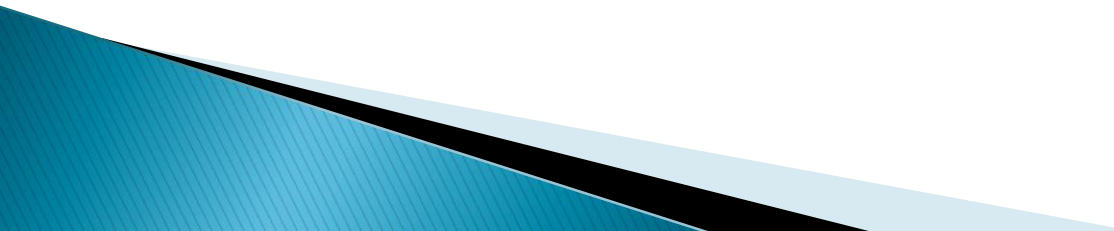
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- Insurance Companies
 - National Housing Trust
 - The Students' Loan Bureau
 - Hire Purchase companies
 - Persons who publish information on suits and judgments for debt claims
 - Other credit bureaus
 - Any other entity designated by the Minister of Finance to be a credit information provider under the Credit Reporting Act
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Jamaica's Credit Reporting Framework: Credit Information

- ▶ Under the CRA, a credit bureau can collect the following types of information on consumers:
 - Information about the consumers financial means and credit worthiness in relation to transactions involving the borrower
 - The amount and nature of loans and advances or other credit facilities granted to the consumer
 - The type of security taken in respect of credit facilities
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Jamaica's Credit Reporting Framework: Credit Information cont'd

- The nature of any guarantee / similar facilities
 - History of financial transactions involving the borrower
 - Analysis of the above information including conclusions as to credit worthiness which may be in the form of numerical or alphabetical scores
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Jamaica's Credit Reporting Framework: Access to Credit Information

The following persons can request a report from a credit bureau:

- A credit information provider (with the written consent of the consumer)
- The supervising authority (i.e. BOJ)
- The consumer to whom the information pertains

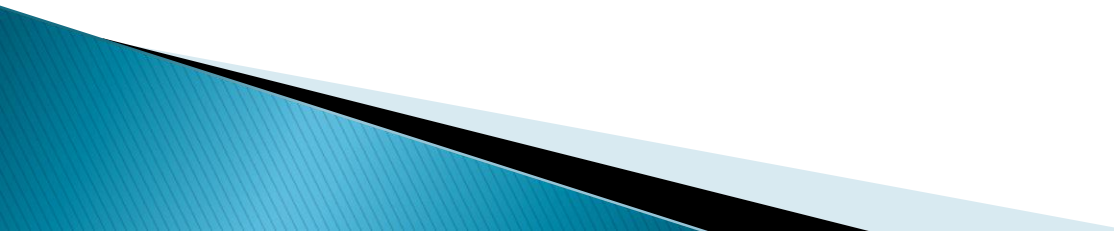
Additionally, a credit bureau may also be required to provide information pursuant to a Court Order in the course of investigations conducted under certain specific circumstances pursuant to the Credit Reporting Act.



Jamaica's Credit Reporting Framework: Uses of Credit Information

- ▶ A credit information provider can use the credit information for facilitating the extension of a loan or other credit facility to the consumer.
- ▶ Once permission is granted by the consumer, credit information can also be used by a credit information provider for:
 - Facilitating a financial or other commercial transaction involving the consumer
 - Underwriting of insurance involving the consumer
 - Purposes of employment of the consumer
 - Other purposes in accordance with the specific written instructions of the consumer

Jamaica's Credit Reporting Framework: Consumer Rights cont'd

- ▶ A consumer is entitled to receive free in each calendar year, a full disclosure of information pertaining to the consumer in the credit bureau's custody, on submission of a written request to the credit bureau.
 - ▶ Any subsequent requests by the consumer will require the payment of the credit bureau's fees.
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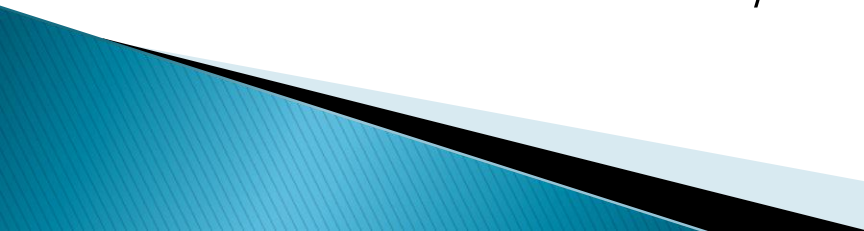
Jamaica's Credit Reporting Framework: Consumer Rights cont'd

- ▶ The information that the consumer is entitled to receive, on submission of a written request, to the credit bureau includes:
 - The nature and substance of all information pertaining to the consumer that is in the custody, possession or control of the credit bureau
 - The sources of the gathered information;
 - The name and address of every person to whom such information has been disclosed by or on behalf of the credit bureau during the six month period immediately preceding the date of the consumer's request.

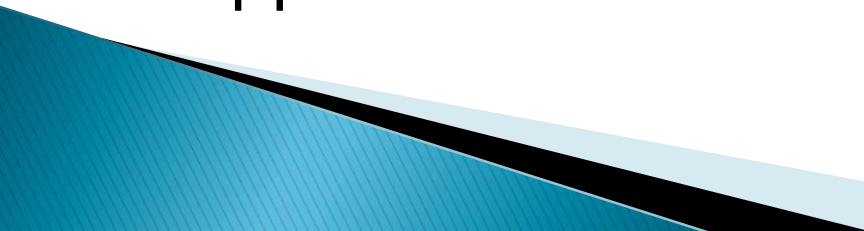
Jamaica's Credit Reporting Framework: Consumer Rights cont'd

- ▶ If asked by a consumer, a person who has obtained a credit report from a credit bureau (e.g. a bank etc.), is legally required to confirm receipt of the information and advise the name and address of the credit bureau that provided the report.
- ▶ Where a benefit is denied or a liability imposed on a consumer based on credit information provided by a credit bureau, the consumer must be so informed and also advised of his right to request the name of the credit bureau.

Jamaica's Credit Reporting Framework: Consumer Complaints

- ▶ If there is a complaint such as dispute over the accuracy or completeness of a credit report, a consumer may make a complaint in person or in writing to the credit bureau.
 - ▶ If the consumer is dissatisfied with the outcome after reporting it to the credit bureau, he or she may submit the complaint in writing to the Supervising Authority (i.e. Bank of Jamaica).
 - ▶ The Supervising Authority investigates and makes a decision/issue a direction.
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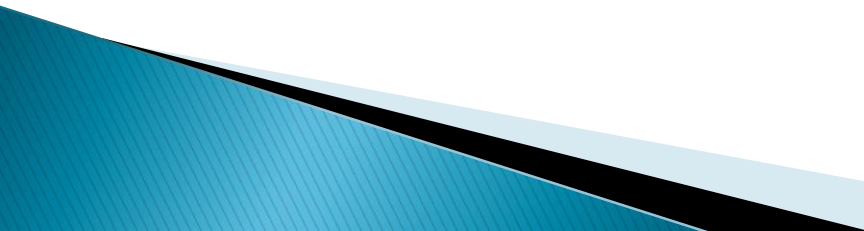
Jamaica's Credit Reporting Framework: Consumer Complaints cont'd

- ▶ If either the consumer or credit bureau is dissatisfied with the result, there is a right of appeal to an Appeals Tribunal.
 - ▶ The Appeals Tribunal is constituted of at least 3 members appointed by the Minister of Finance, one of whom is an Attorney-at-law.
 - ▶ Shareholders (5% or more), directors, officers, auditors of a credit bureau or credit information providers, among others, are not eligible for appointment to the Tribunal.
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Jamaica's Credit Reporting Framework: Consumer Complaints cont'd

- ▶ The consumer, credit bureau and the Supervising Authority are entitled to attend the hearing and have representation (e.g. an attorney-at-law)
- ▶ The Tribunal may:
 - Confirm the decision/directions given
 - Amend the directions
 - Revoke the directions.

Jamaica's Credit Reporting Framework: Consumer Complaints cont'd

- ▶ Once a complaint is made to a credit bureau, the Bureau should take steps such as to confirm, correct or complete the information no later than fourteen days after the complaint has been made.
 - ▶ Whenever credit information has been amended a copy of the amended report is sent by the credit bureau to every person to whom the credit bureau disclosed the inaccurate or incomplete information.
 - ▶ The consumer is also notified when the necessary changes have been made.
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Bank of Jamaica's Regulatory Role

- ▶ Bank of Jamaica (BOJ) is designated as the Supervising Authority under the CRA.
- ▶ BOJ's supervisory authority includes powers to:
 - Review and recommend on license applications;
 - Ongoing Supervision
 - Require periodic reports from credit bureaus
 - Issue supervisory guidance for credit bureaus' operations
 - Issue Directions
 - Investigate consumer complaints

Bank of Jamaica's Regulatory Role: Licensing Process

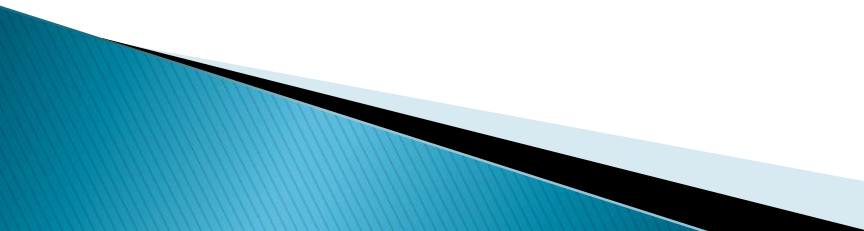
Two-phased approach:

Phase 1 involves a review :

- ▶ Background information on applicant (e.g. corporate profile, regulatory standings in other jurisdictions if applicable etc.)

- ▶ Capital adequacy
 - required minimum start-up capital of US\$100,000 per CRR,
 - sufficiency of resources to support proposed business plan, and
 - establishing source of funding to ensure no AML/CFT concerns;

Bank of Jamaica's Regulatory Role: Licensing Process cont'd

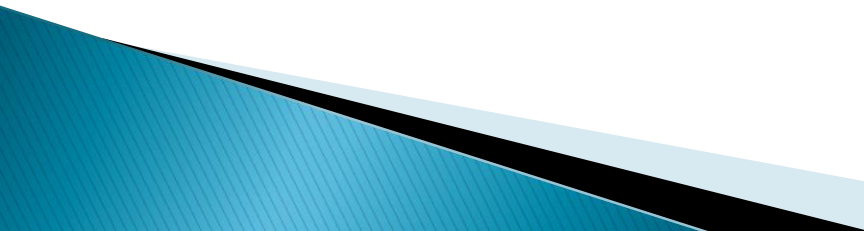
- ▶ Fitness and Propriety of significant shareholders, proposed directors and managers
 - ▶ Proposed corporate governance arrangements
 - ▶ Credibility and viability of the Business Plan
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Bank of Jamaica's Regulatory Role: Licensing Process cont'd

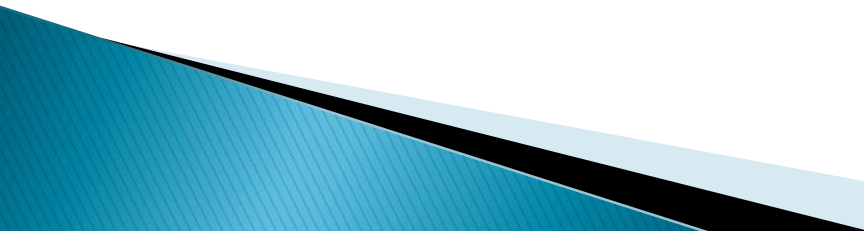
- ▶ Appropriateness of IT infrastructure proposals vis.
 - The proposed information systems strategies and arrangements (i.e. software, hardware, networking, and security) are adequate per CRA;
 - The arrangements for any proposal for credit information to be stored in another jurisdiction
 - The proposed information systems governance structure is satisfactory and includes the requisite controls, policies, procedures, management oversight, and audit reviews inclusive of disaster recovery/business continuity planning.

Bank of Jamaica's Regulatory Role: Licensing Process cont'd


Phase 2 assessments:

- Detailed review of organizational structure, proposed staffing and other operational arrangements;
 - Further review of IT systems inclusive of prototype demo
 - Procedures for disposal of credit information established to be inaccurate/ineligible/ no longer current;
 - Proposed operational policies (e.g. as regards general risk management, customer dispute resolution, etc..;
 - Proposed arrangements/agreements with credit information providers;
 - Scoring methodology, where applicable;
 - Insurance arrangements;
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Bank of Jamaica's Regulatory Role: Post Licensing

- ▶ The law allows for a six month, or such other period as approved by the Minister, for start-up of operations after licensing.
 - ▶ During this period, the BOJ will perform site visits and other confirmatory checks to ensure that the arrangements indicated during the licensing review process have been implemented.
 - ▶ At this stage, the credit bureau would be engaging in discussions/agreeing contracts with credit information providers regarding, inter alia, issues of data submission, system development/configuration, and staff training to facilitate start-up.
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Post Licensing Activities cont'd

- ▶ Confirmation of operational arrangements proposed during pre-licensing stage
 - ▶ On-site visits (e.g. review of adequacy of facilities for interface with consumer)
 - ▶ Comprehensive walk-through of IT systems
 - ▶ Review of Agreements with Credit Information Providers
- 

On-going Oversight

On-going supervision includes:

- ▶ Performing fit and proper assessment of directors, management officers and significant shareholders (holding 10% or more of voting shares) of a credit bureau
- ▶ Annual Inspections;
 - Performing reviews of systems and operational arrangements to ensure compliance with act,
 - Assessing capital adequacy
 - Assessing financial condition

On-going Oversight cont'd

- ▶ Periodic reports from credit bureaus including
 - statutorily required annual report (business volumes, consumer complaints, resolutions etc.)
 - annual audited financial statements and related auditor's report
 - auditors report on the credit bureau's operation
- ▶ Compilation of statistics;
- ▶ Examining and reporting on returns;
- ▶ Providing annual and other reports to the Minister

Supervising Authority entitled to access all information, books, records, documents in performance of its functions.

Issue of Supervisory Guidance

Issue standards relating to:

- Operations of credit bureau;
- Provision of credit information by credit information providers; and
- Risk management

Issue of Directions

Issue written directions to a credit bureau to ensure compliance with provisions of the Act e.g. where:

- ▶ Operators cease to satisfy fit and proper requirements
- ▶ Licence granted based on misleading or false information
- ▶ Credit bureau is insolvent
- ▶ Operating in contravention of the CRA
- ▶ Not providing accurate or reliable information
- ▶ Ceased to operate as a supplier of credit information

Issue of Directions cont'd

- ▶ Supervising Authority can also act to safeguard the confidentiality of the credit information including seizure of the information until appropriate measures are in place
- ▶ Failure to comply with directions can lead to a recommendation to the Minister for revocation of licence

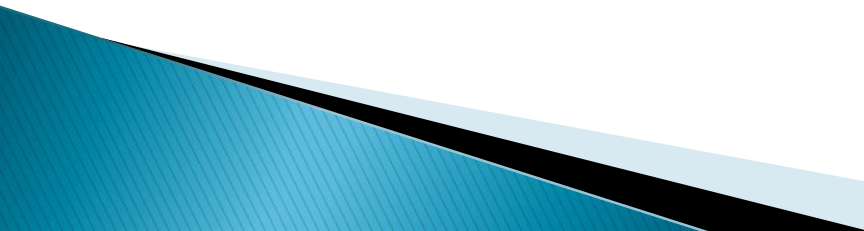
Issue of Directions cont'd

- ▶ Issue written directions to a credit information provider where:
 - Has disclosed credit information without being satisfied after taking reasonable enquiries and investigations to ensure that the information is reliable
 - Has on more than one occasion provided credit information that is not reliable

Issue of Directions cont'd

- Failure to comply with the Directions could lead the Supervisor to issue a Notice prohibiting the provision of credit information by the subject provider.
- Contravention of a notice is an offence.
- Applications can subsequently be made for removal of the notice in accordance with the date specified in the notice (not later than 14 days after the issue of notice). The Supervisor can approve or refuse application.

Other Significant Supervisory Powers

- ▶ Monitor payments of annual license fees required under the Act
 - ▶ Investigate complaints made by any person (other than consumers to which credit information relates) who have been adversely affected, and issue directions
 - ▶ Under search warrants issued by Resident Magistrates, enter premises and inspect books/accounts/records/documents to determine whether the disclosure of credit information is being undertaken by person/s otherwise than as authorized under the Act.
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Other Significant Supervisory Powers cont'd

- ▶ Commission a special audit where reasonable cause exist (e.g. to determine whether procedures are adequate for the protection and reliability of credit information)
- ▶ Hold/cause to be held investigations to determine whether:
 - a credit bureau licence should be suspended/restored/revoked
 - breaches of Act/Licence/Regulations have been committed

THANK YOU

