5TH AFRICA CIS CONFERENCE

13 - 14 FEBRUARY 2020

WINDSOR GOLF HOTEL & COUNTRY CLUB NAIROBI, KENYA

CONFERENCE REPORT

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5TH AFRICA CIS CONFERENCE

STRUCTURE OF THE CONFERENCE REPORT

1 Structure of the Conference Report

This report documents the 5th Africa Credit Information Sharing Conference proceedings, including comments, question and answer sessions and key findings, and charts the way forward. It is divided into distinct segments covering the topics in the conference program as follows:

Opening Session	Plenary session	Recommendations and Conclusion	Annexes
Outline of the welcome and opening remarks, keynote speeches and the subsequent comments, question and answer session.	An overview of all plenary sessions held over the two days followed by comments, question and answer sessions.	Conclusions and recommendations reached by the conference participants.	Annexes provided in this report include the conference program, conference attendee list, conference presentations and speeches.

5TH AFRICA CIS CONFERENCE

OPENING SESSION

2 Opening session

Debarl Inea, the conference moderator, welcomed delegates to the 5th Africa Credit Information Sharing Conference organised by the Credit Information Sharing Association of Kenya (CIS Kenya). He introduced the key note speakers who included the following:

- Jared Getenga, Chief Executive Officer, CIS Kenya
- Mr. Charles Ringera, Chair, CIS Kenya
- Mrs. Sheila Mbijiwe, Deputy Governor, Central Bank of Kenya (CBK)
- Dr. Geoffrey N. Mwau, EBS, Senior Economic Advisor to the Cabinet Secretary, The National Treasury

2.1 Key Note Speeches

2.1.1 Jared Getenga

Below are the key highlights of Mr Getenga's introductory remarks:

Jared Getenga thanked the Chief Guest, Dr Geoffrey Mwau for accepting the invitation to officially open the 5th Africa Credit Information Sharing (CIS) Conference, on behalf of the Cabinet Secretary, Hon. Amb. Ukur Yatani. Jared also thanked Mrs Sheila Mbijiwe, also a Chief Guest, for attending the conference as a key note speaker in her own capacity, in addition to representing the Governor of the Central Bank of Kenya, Dr. Patrick Njoroge. He thereafter acknowledged the unrelenting support and presence of CIS Kenya's Governing Council members, and concluded his introduction of the keynote speakers, by welcoming Charles Ringera, the Chairman of CIS Kenya's Governing Council to address the Conference.

2.1.2 Charles Ringera

Below are the key highlights of Mr Ringera's speech:

I am very pleased to extend a warm welcome to all of you, who constitute a representation of the fraternity of Africa's credit market. We appreciate your acceptance of our invitation to attend the 5th Africa CIS Conference 2020 organised by CIS Kenya, under the auspices of the National Treasury and the World Bank Group. This is the fifth such conference, held biennially since the first one in July 2011. We appreciate the growing interest that the subject of credit reporting and related infrastructure has generated internationally, and more recently in Africa. This is attested to by the presence in this conference of representatives from 16 African countries, namely Uganda, Tanzania, Rwanda, Somalia, Ethiopia, DRC, Zambia, Zimbabwe, Malawi, Madagascar, South Africa, Nigeria, Botswana, Ghana, Liberia and Sierra Leone. From outside Africa, we are pleased to welcome representatives of India and Pakistan.

The range of speakers and experts also confirm the growing breadth of local and international interest in matters of credit infrastructure, considering the involvement of IFC/World Bank, the Credit Ombud of South Africa, Collateral Registries of Zambia and Sierra Leonne, Southern Africa Fraud Prevention Services, local and international credit bureaus and the Policy and Economic Research Council (PERC), whose Director of Research travelled here from the US. Similarly, it is commendable that SACCOs, Development Financial Institutions, Banking Associations, commercial banks and microfinance institutions around Africa have sent a number of their staff to participate in this conference.

Ladies and Gentlemen,
I am truly gratified that this year, we have done a number of things differently. One impressive initiative is the involvement of a number of youth participants. CIS Kenya and FSD Kenya have jointly sponsored 30 university students from Undergraduate and Masters levels in finance and economics-related disciplines to attend this Conference and participate in a research survey coordinated by FSD Kenya. This is bound to guarantee a continuing interest in building a robust credit market in Africa.

I must, therefore, thank the Secretariat of CIS Kenya, led by its CEO Mr. Jared Getenga, who have built a formidable partnership with the National Treasury, the Central Bank of Kenya and with the World Bank to organise this series of conferences and other related activities that have contributed to the extensive knowledge sharing and growth of our credit markets. In Kenya, we have witnessed the country's improved ranking in the Ease of Doing Business. Of the ten areas of assessment, Kenya's best performance has been in the "Getting Credit Indicator" where we scored 95 of the possible 100 points. Among the biggest contributor to this high rating is the 'Depth of Credit Information Index" where we score the maximum 8 out 8 points and the 'Credit Bureau Coverage of the Adult Population' rise to an impressive 36.4%.

Ladies and Gentlemen, since the mechanism was unveiled in July 2010, CIS Kenya has helped to inculcate a culture of taking responsibility for credit taken. Our Association has undertaken various initiatives all aimed at improving the CIS mechanism. Some of these initiatives include:

1. Establishment of an exclusive ADR Center (Tatua Center) that has so far helped to resolve thousands of CRB-related disputes at no cost to the customers. It is well recognized by the Kenyan Judicial System as a key partner in reducing the number of CIS disputes that end up in court. We appreciate the efforts of the Registrar of Tatua Center, Hannah Ndarwa, who is present in the room today and who will be available at the CIS Exhibition booth to explain the working of Tatua Center.

2. Development of a Data Validation and Submission Tool (ValiData) that will greatly improve the data submission process. Currently, data providers submit data to the 3 licensed CRBs separately. The ValiData is a transformational tool that will allow simultaneous submission and validation of

data, thereby improving data quality. I invite you to visit the CIS Kenya Exhibition Booth for a demonstration of the positive impact it will have on data submission.

3. Establishment of the CIS E-Learning Center that aims to enhance CIS knowledge and strengthen Compliance, interpretation of Credit Reports and introduction to Risk-Based Pricing. I once again invite you to visit the E-Learning Exhibition Booth to learn more.

4. Implementation of a Sustainable Finance Tool for non-bank financial institutions. With the support of WWF Kenya (and we acknowledge the presence of Mr. Sandy Okoth, Regional Sustainable Finance Expert at WWF), CIS Kenya has developed a customer appraisal tool to assist MFIs in implementation and measurement of SF factors. We are indeed very proud of this development and I kindly request you all to visit the SF Booth for a DEMO. At this point, I will show you a short clip on the Customer Appraisal Tool.

Ladies and Gentlemen, CIS Kenya would not have achieved these milestones without support from important partnerships with policy makers like the National Treasury and the Central Bank of Kenya. At CIS Kenya's request, the National Treasury in 2019, approved two important consultancies that are bound to change the future of the CIS landscape going forward:

- Execution of a national communications campaign that will address the perennial challenge of negative perceptions around the purpose of credit reporting. The strategy is complete and the launch of the campaign is scheduled for mid- March 2020.
- On-going Drafting of a National Policy on CIS that will inform comprehensive legal amendments to provide a broad-based overarching legal framework for CIS in Kenya.

On its part, the Central Bank of Kenya has continued to involve CIS Kenya in the CIS Technical Working Group, a partnership project with the World Bank, Banks and digital lenders, that has championed the introduction of daily data submission to credit bureaus. The increased frequency has strengthened the reliability of credit scores generated by CRBs and helped integrate digital credit into the CIS mechanism.
We also commend the CBK for issuing the Kenya Banking Sector Charter last year which requires, among other things, that banks introduce risk-based credit pricing as well as enhanced transparency and information disclosure.

Ladies and Gentlemen, it will not surprise you to observe that among the notable findings of the Kenya FinAccess Household Survey 2019 was the improvement in overall access to formal services and products from 75.3% in 2016 to 82.9% in 2019. The fact that digital technology is the biggest driver of financial access is particularly relevant to us at this Conference. Indeed, the revolutionary growth of digital credit has become a main influencer of the proposed reforms in the CIS environment. We look forward to working with the Digital Lenders Association, and other stakeholders to ensure that credit reporting takes into account the peculiarities of digital credit.

With those few remarks Ladies and Gentlemen, on behalf of CIS Kenya's Governing Council, I wish to sincerely thank you for attending this conference and do wish everyone a very fruitful and productive time at this Conference. I also appreciate WWF Kenya, Metropol, Experian, CARE Risk Solutions and O'Kash for their sponsorship contributions. It is now my humble duty to invite the Deputy Governor, Central Bank of Kenya Mrs. Sheila M'Mbijjewe to make her remarks and invite the Chief Guest.

Thank You!

2.1.3 Sheila Mbijiwe

Below are the key highlights of Mrs Mbijiwe's speech:

It's our pleasure to be here at the 5th Conference. We think that these kind of conferences are very important, as they bring people together, to discuss the future, and prepare for what is coming. The role of credit markets in economic development cannot be overemphasized; with the huge proportion of use of credit in our population, this development is critical for Africa today and tomorrow. Credit Reporting systems significantly support economic developments by ensuring inclusive credit.

While credit reporting in recent developments is increasing, the acceptance in Kenya has been quite remarkable over this period. We started in 2010, and since that time we have had 3 credit reference bureaus licensed, with full file information sharing. We started with a kind of negative approach, because the kind of data being collated was negative data only. But this has since grown into full file data reporting.

The number of credit reports accessed by the market participants grew in excess of 90%'; an important step as we look forward to continued developments in this area. CBK has in its turn walked besides CIS in putting appropriate legal and regulatory framework to govern the operations of the mechanism. Initially we sought to reduce loan rate margins and to increase people's accessibility to credit, and found that this has not really happened – risk based pricing has not really taken off the way we expected it to. CIS instead ended up being a tool for penalizing the borrower, as opposed to a tool that looks at how we expand and enable more people to access credit. This was at the inception – those were the problems we met when implementing the mechanism. With time, we have tried to promote inclusion by rewarding borrowers with good credit history and better credit terms reflecting lower default risk and to have that recognition in place. But it met with structural rigidities. The cost of bank credit did not reduce. Interest rates generally remained high, and as a result of that in August 2016 the National Assembly enacted the Banking Amendment Act 2016 which capped interest rates. And again this created different problems: what we had then was that we had interests to those who were perceived to be of heavier risk actually getting less credit than before. This particularly affected our MSME's.

We are happy to say that this Act was repealed in the Finance Act 2018-1019 and as a result of that we are back with this opportunity to enhance the ability to monitor how credit reporting scores are interpreted to ensure well priced credit. CBK has released a Charter, which is going to be one of the strategic drivers of the financial sector in the coming years. The Charter has four pillars: Customer Centricity, Risk-Based Pricing, Transparency and Upholding of ethical culture. Its in risk-based pricing that the CIS mechanism comes through as a tool that we that can use to make this work. We need to look at the quality of the data used in the generation of credit reports and credit scores, to make sure that it is uplifted and sustainable and dependable. We need to make sure that there's harmonisation in the credit scoring framework. At the moment the credit scoring done by banks and credit bureaus is not harmonised – this means we do not have alignment in the outcome, and this needs to be thought through.

There is a perceived reluctance amongst the banks to fully embrace credit scoring methodology. I understand where this mindset comes from, being an ex-banker. I find it quite interesting because we inherited a structure at independence, where we had two very large nominal banks that could have very wide margins and be able to exert pressure on the market place. They had a dominant play in the wake of their enactment. Unfortunately, our industry continued to develop in that way. But now when we look forward into the future, we are talking about digital financing, we are talking about all the digitisation that is coming with it, we talk about banks in China that have 400 million customers, then we see that he future is no longer a future of a few customers and wide margin. The future is many customers and a very small margin. Kenya needs to move in that direction to survive. The CIS Mechanism, along with artificial intelligence are the tools that will enable assess and properly interrogate the financial sector so that we can understand how to move in that direction. But for sure we must move quickly.

The realisation that this goal that we were trying to achieve had been hindered. The cost of bank credit has not materialised – the interest rates generally remained high – interest caps were put and then removed, and now we have a charter which we intend to fully embrace.

The challenges in the credit landscape, is the digital credit delivery channels. As you know we define banks as those institutions that are deposit taking. Those institutions that are credit only do not fall under the ambit of the Central Bank of Kenya. As a result we are getting very predatory, incorrect lending. Most of them say they are self-regulating. But I wonder how many Kenyans would think that interest rates of about 300% per annum is within the self-regulating structure. The government as a whole is really looking at how these institutions are operating. The Governor and the Central Bank have been very clear on this in the past - laws will definitely be changed to ensure the oversight of these institutions. In November last year, a lady came to the Central Bank to explain how her husband had committed suicide following getting involved with these lenders. When the he was unable to pay the debt, this lender chose to extract her husband's contact list from his phone, through the digital abilities that they have. They then started sending messages to all his contacts; including his mother, his grandmother, and his aunts. This is predatory lending, and it has to stop.

In conclusion therefore, and in support of what the Chair of CIS Kenya has said, technical assistance programme has been created with the World Bank, CIS Kenya, and CBK. We intend to look at harmonising the credit scoring methodologies currently in use, as well as the licensing of the CRBs, improve data quality and enhance supervisory capacities, so as to enable us achieve the dream of getting risk-based pricing. The future looks promising for CIS Kenya, and with a 90% growth year on year, this is one of the new industries, one of the new areas, that Kenya is breaking into. It however depends on the responsiveness of the credit information sharing institutions to new digital innovations and capacity, as that is where the future resides. We really think that these types of forums are ideal opportunities for delegates to sit and talk, and to understand how to reach out to this near future, and making sure that it is delivered in an ethical and appropriate way.

2.1.4 Dr. Geoffrey Mwau

Below are the key highlights of Dr Mwau's speech:

It is my honor and pleasure to preside over this official opening of the 5th Africa CIS Conference 2020 here in Nairobi Kenya. This Conference aims at taking stock of progress in our credit markets and finding solutions to some of the challenges that hinder effective financial intermediation. Before making my remarks let me take this opportunity to commend CIS Kenya for hosting this Conference. The quality of program is a demonstration that the credit market is keen on having its operations and strategic focus informed by rigorous engagement on critical issues.

I note with appreciation that this Conference has attracted participants from a wide range of countries, with no less than 15 African countries represented. The mix of various African Central Banks, Financial Sector Development, Non-Governmental organisations, commercial banks, fintechs and other non-bank financial institutions, credit bureaus and other policy makers, offers an excellent blend that is perfectly suited to advise policy makers on appropriate structures to ensure effective financial intermediation. I wish to cordially welcome all our international guests from within and outside of Africa to our great country Kenya and trust that you will enjoy our Kenyan hospitality, even as you aim to draw maximum benefit from the expert conversations that will take place over the next two days.

I am aware that this is the first time that a comprehensive review of the entire set of credit infrastructure is being discussed in a CIS Conference, and I wish to commend the organisers for broadening the agenda to appreciate the interplay of the various components that determine efficiency in the credit market.

Ladies and Gentlemen,
The rate of a country's economic growth is driven by investments, which are largely dependent on the ease with which productive enterprises access funding to transform their viable ideas and opportunities into productive ventures. The goal of the Financial Services Sector (FSS) under the Third Medium Plan (MTP3) of Kenya Vision 2030 is to create a vibrant and globally competitive financial sector that drives high levels of savings to finance Kenya's investment needs. This goal can only be achieved by deepening our financial markets to enhance effective access to financial services and improving efficiency while maintaining financial stability.

Having an inclusive financial sector goes beyond mere access to financial services to include consumer protection and customer centricity. In addition, availability of sufficient information to assist consumers in making informed financial decisions is a fundamental enabler in enhancing financial inclusion.

Ladies and Gentlemen,
The deployment of digital technology in all facets of financial services has significantly enhanced and revolutionized financial service provision. The use of Fintech offers us the best chance of expanding financial inclusion and greater sharing of wealth in our nations. In order for us to draw maximum benefit from these developments, an effective credit infrastructure is required.

More importantly, a coordinated approach to the development of these pieces of credit infrastructure must be ensured. The relevant components include credit information sharing, collateral registries, insolvency regimes, and credit guarantee schemes. No doubt that efficiencies in these structures contribute to the ease of doing business and impact on economic growth.

Ladies and Gentlemen,
What should Governments be concerned about with regard to improving the CIS mechanism? *First* is ***depth of data:*** Ensuring availability of both positive data or negative data. The *second* is ***breadth of data:*** expanding the data set to include utilities and host of other credit providers that may or may not necessarily undertake traditional lending. *Thirdly*, is the issue of regularity of updates. Is my credit score near real time in terms of my credit patterns? *Finally:* How can we ensure regular monitoring of quality of data from non-regulated credit providers? How do we manage the regulatory arbitrage that compromises data quality where some players are not regulated? These are the four things we need to discuss as we review the CIS Policy and practice.

Since the formal launch of CIS mechanism in 2010, success has been recorded by the increase of data providers. However, we can improve the application of this mechanism in the following ways:

i) First, putting the customer at the heart of business. This means handling customer information fairly and ensuring data is accurate and continually updated.
ii) Second, with enhanced capacity to assess credit worthiness, borrowers with good information capital should benefit from competitive credit pricing. CIS is a key element in this determination;
iii) Third, for the CIS model to gain the necessary traction with market participants, transparency is key. At the very least, credit scores should be understandable to customers and market players.; and
iv) The fourth element is data protection. The CIS mechanism should be underpinned by a culture of integrity in the handling of customer data. CRBs should promote an ethical culture by ensuring data privacy and confidentiality.

Ladies and Gentlemen,
It is note-worthy that many countries in Africa have demonstrated remarkable progress in implementing various reforms in the Ease of Doing Business Indicators. In last year's Doing Business findings, economies of the Sub-Saharan Africa enacted 73 reforms in the 12 months leading to May 1, 2019. On average, it

now takes around 20 days and costs 33.5% of income per capita to start a new business in the region, substantially faster and less expensive than the 62 days and 305% of income per capita it took in 2003.

Despite these efforts, the Doing Business Report noted that the regional average ease of doing business score was 51.8 on a scale of 0 to 100, below the OECD high-income average of 78.4 and the global average of 63.0. This demonstrates a critical need to step up our efforts towards implementing various reforms. This Conference must therefore carefully examine the various impediments to successful implementation of various reforms, and I wish to bring out a number of concerns that require your input.

First, the Conference must look into the dilemma of balancing cost and benefits brought about by innovative lending approaches introduced by digital lending. We are delighted that Kenya has taken a big leap in easing access to credit through widespread adoption of digital lending, thanks to innovative payments infrastructure MPESA. Various concerns have however arisen on some downside effects, namely: data protection, fraud, listing of small ticket loans in credit bureaus, effective cost of credit, and other consumer protection concerns. I am aware that the Conference will review two interventions that have been implemented in the South African market, namely that Fraud Prevention Services and the role of the Ombudsman in contributing to consumer protection and enhancing credibility of the credit environment. It is impressive to note that our own Tatua Center run by CIS Kenya has been modeled as an Alternative Dispute Resolution Center that resolves dispute through intervention and mediation approaches.

Secondly, adequate focus must be placed on the quality, reliability and comprehensiveness of data that informs credit decisions. A number of data sources are unregulated. We should ensure that the data that is collected by credit bureaus and collateral registries is monitored for quality.

As I conclude Ladies and Gentlemen, I wish to point out some of the on-going reforms intended to improve the CIS framework in Kenya. In order to ensure sustained growth in the credit bureau coverage, the Government is developing a National Credit Information Sharing Policy, and will be rolling out a CIS Financial Literacy and Public Awareness Campaign. These two activities will ensure that we entrench Credit Information Sharing in Government policy in a way that informs all future legal reforms and also carries the public with us.

Finally, I wish to recognize the role of the Credit Information Sharing Association of Kenya (CIS Kenya) to these developments. The establishment of an industry body to promote credit information sharing is a unique initiative that has worked well in Kenya, and which we recommend for adoption in other countries in this region that seek to strengthen their CIS structures. I also wish to thank my staff in the Financial and Sectoral Affairs Department that have worked tirelessly to ensure that this Conference takes place.

With those few remarks, Ladies and Gentlemen, it is now my distinguished honour to declare this 5th CIS Africa Conference officially opened.

Thank you and God Bless You!

5TH AFRICA CIS CONFERENCE

PLENARY SESSIONS

3 Plenary Sessions

This section provides a summary of the plenary sessions, presentations and the key issues raised during subsequent question and answers.

3.1 Overview of Credit Infrastructures In Africa

Session presented by:
Luz Maria Salamina,
Lead Financial Sector Specialist,
World Bank Group

Credit infrastructure is one of the most important tools that we consider from the World Bank, that promotes the possibility of credit being granted in a responsible manner. With the right fundamentals and basis and there are three main pillars that we work on credit infrastructure. One is the main topic of this conference; which is credit information. The main barrier that credit information intends to tackle is the information asymmetry. The fact that you don't know me; so why should you give me credit? The more information that you can get at the lower cost will make credit available at the right price. Then there is secured transactions on collateral registries. There has been for the longest time a mismatch of what banks and financial institutions consider collateral worthy and what MSMEs and lower income entrepreneurs have as assets to provide as collateral.

And then there is the insolvency and the debt resolution regimes, where, if we don't pay attention, distressed companies will disappear. And what we want is for them to have a continuous and unsustainable life. So, let's start with the scope of the credit landscape, in sub-Saharan Africa. You know that the Doing Business is one of the most important tools for measuring the ease of doing business and credit infrastructure has two main components or indicators within this tool. Sub-Saharan Africa is still very low in the measurement or in the rating of these indicators. One is getting credit. And the other is resolving insolvency. But there has been a lot of progress still. Let's talk about credit information. This is my favourite topic really. Why does it matter? We talk about reducing information asymmetries but then also it contributes to implement borrower's discipline, that is, them knowing that the information is going to be made available; then they will make better use of their tools to pay in time. And this reduces overall over-indebtedness. It should reduce the cost of lending because having information available without having to go and knock on doors and trying to get the data themselves will improve that access to credit at lower cost. Also, that amount of data that talks about the performance of credit in the whole country gives the regulator tools to track that and to make decisions and make policies. And then of course this information asymmetry can take us to what the credit officers face every day. There are two possible errors that they can make in every credit decision that they have to make every day. The first one is that they could approve a bad loan. By doing that, there is a higher chance of already over-indebtedness, higher NPLs follow, and obviously then the cost of credit increases. The other mistake that they can make that will worry more of their shareholders is to deny good credit. And then there is less credit to consumers but then also less profit to their wallets.

Depths of credit information ranking from the Doing Business consists of eight basic indicators. There used to be six. There are two new ones.

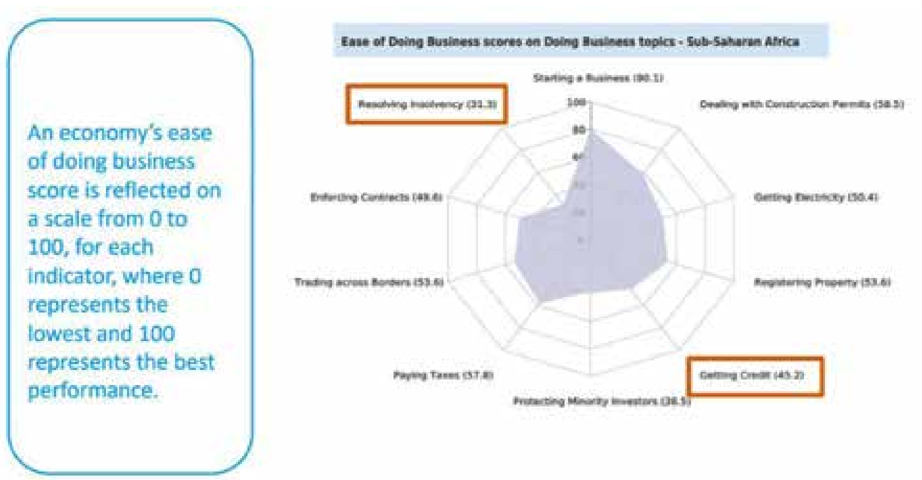

Figure 1: Ease of Doing Business Scores - Sub Saharan Africa

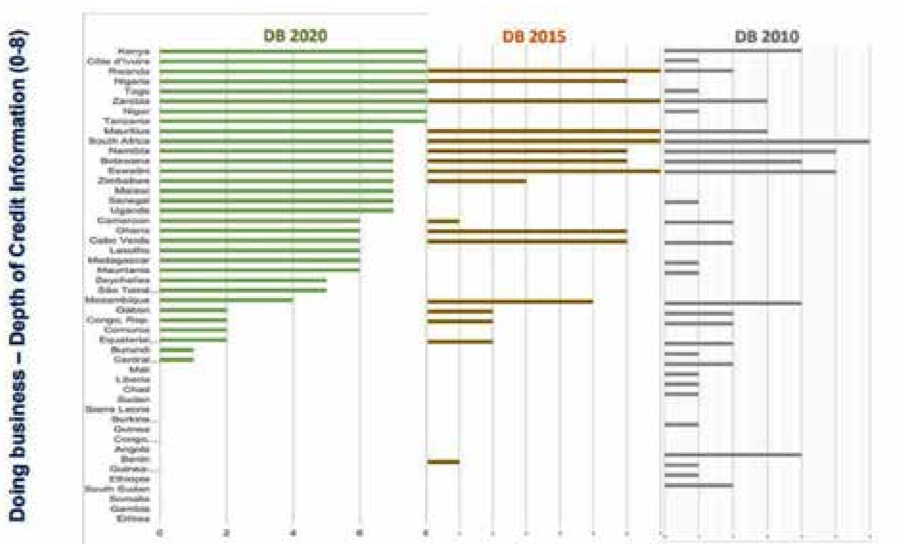

Figure 2: Depth of Credit Information

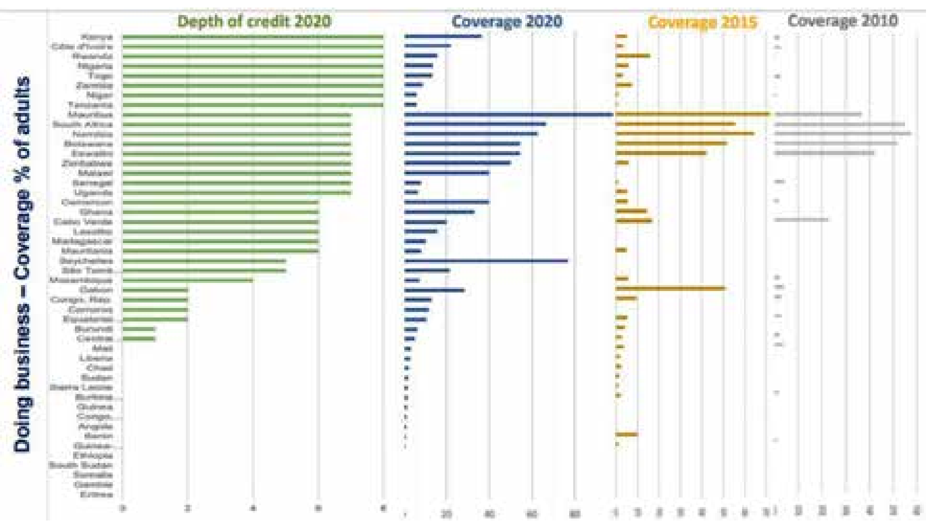

Figure 3: Coverage of Adults

One was to access online credit information and to have credit scoring. And this is how Sub-Saharan Africa and the various countries rate in the doing business:

There are about 48 countries from sub-Saharan Africa rated during doing business 2020. Around 8 have the full 8 points or indicators. Then about 9 have 6 and so on. There are still a few that do not rank and not necessarily because they do not have a proper credit information in place, but because there is this threshold of at least 5 percent of the adult population that have to be part of the database of these credit bureaus. So how was it five years ago? You can see that there have been important improvements in establishing the legal frameworks and the reforms needed to reach higher levels of these indicators. In 2010 there are some countries that got some ranking. But then from 2013 onwards it was eliminated; any one that did not get the 5 percent coverage of the adult population did not get any points for the doing business. We can say that we are beginning to have a mature market that is ready to promote credit through the use of tools that are made available through credit information.

The other important indicator for the doing business under the depths of credit is the coverage of the information in the bureaus. We still have a lot of work to do on this. The coverage in 2020 did increase and improve from what it was in 2015 and in 2010. There are challenges that we still need to address and we can classify them as operational or regulatory. One of the most important things to have, that I think is still a consistent a challenge in most countries in in the continent, is the need to have a unique identifier. If for instance, I have access to different ID's: my driver's license, passport and national ID, and I can get a loan with each one of those, who is going to know what the whole picture of my credit is? This ideally leads to over-indebtedness and higher NPLs. This is something that should be resolved.

Another challenge is data. There is so much data out there. There is the traditional data that credit bureaus collect from financial institutions that talk about the historical payments that we make when we actually have access to credit. But what about those that do not have access to credit yet? There should be data that can tell us this story so that we can understand and we can assess them and give them credit. But that data is fragmented; it is everywhere; it is digital; it is in the air; it is in our mobile phones. How can we, in a structured manner, have access to that information, and make sense of it? We are in the age of digital technology. So, this is one of the opportunities that we have now to work on that.

Data has to be complete and has to be timely because if I have information on you from six months back or a year then I'm not really necessarily making the best decision I should. The lack of digitized data. Everything about technology is having access to information that is leaving digital trails. If there is no use of these digital platforms then we cannot have access to that information. For the alternative data, the International Committee on Credit Reporting (ICCR) in 2017 was tasked to work on the policies that would promote the use of this information and this is based on this premise: that MSMEs and individuals are continuously generating vast amounts of data that leave a digital trace. So, if we can have access to those trails and make sense of it then there is the next evolution. There are new opportunities for making great strides towards providing access to that segment of the population that we have been trying to reach for so many years in so many ways and it's still full of gaps.

Also, alternative data provides very rich information that is not only on credit, but even about cash flows. It can really give us the tools to not only measure the willingness to pay which has been the traditional way we used credit information, but also the capacity to pay because if you can have access to the cash flows of a business or individuals then you can find out so much more with the same tool. The policy recommendations from the ICCR were divided into four categories: improving availability and accuracy of information; expanding credit information sharing; enabling responsible cross-border data (the next topic that you will be hearing a lot about); and, balancing integrity and innovation. The adoption of the unique identifier or some manner of uniquely identifying the individuals and the business is of utmost importance – without this there will always be a higher risk of over-indebtedness and high NPLs.

The promotion of using digital platforms has been supported widely by regulators. They want MSMEs to run their databases on cloud innovation for their benefit and ease. These policies were drafted by regulators with contributions from the private sector. It is the regulators representing many countries around the world that are promoting digital platforms. Such platforms will help them develop meaningful credit scores for their customers and adopt advanced computing and electronic payment systems. Access to all this data, will bring ease to the evaluation of credit worthiness for MSMEs

The World Bank Group is promoting the use of alternative data and digital tools in client countries as follows:

- Tajikistan – Use of agronomy data to build credit scores for farmers
- India – Trade credit and utilities
- Bhutan – Alternative Data
- Bangladesh – Integration of alternative data
- Vietnam – Incorporation of mobile network data into the credit bureau
- South Africa – Pilot with National Credit Regulator
- Morocco – Launching a psychometrics scoring model for the largest MFIs with regulator support

The World Bank Group further supports the following:

- Adoption of unique identifiers
- Promotion of digitization of public information
- Open data systems and standards
- Digitization of government services
- Regulatory reforms for fintech lenders and expansion of information sharing
- Generation of credit registries (new role)
- Cross border collaboration
- Harmonization of data protection and privacy laws
- Capacity building
- Consumer awareness and literacy.
- Consideration of regulatory sandboxes; and
- Promoting risk-based pricing

Adoption of alternative data will go a long way in promoting inclusion of marginalized groups of societies.

When it comes to Collateral Registry, our main concerns are:
How can the creditor know that the asset offered as collateral is not already pledged to another creditor? They need to search the database of a Collateral Registry, where the security rights for all movable assets taken as collateral for loans are registered.

How can the creditor make sure that other creditors will not take his collateral? When the creditor registers the asset in the collateral registry, a "time stamp" is recorded and the rule of "First to Register" applies. This guarantees the priority right of the right creditors.

In case of default, how does the creditor collect the asset in a manner that is simple, affordable and fast?

- Extrajudicial:
  - (i) repossession by the secured creditor
  - (ii) settlement agreement in an alternative dispute resolution (ADR) mechanism, such as arbitration, mediation or conciliation.
- Judicial:
  - (i) The law should include specific fast track judicial procedures for the repossession and disposal of movable collateral.
  - (ii) Legal framework should include ways of enforcing security interests in movable assets. Have a centralized web-based solution or public registry available to creditors or their agents.
  - (iii) Law should allow parties to agree on out of court enforcement

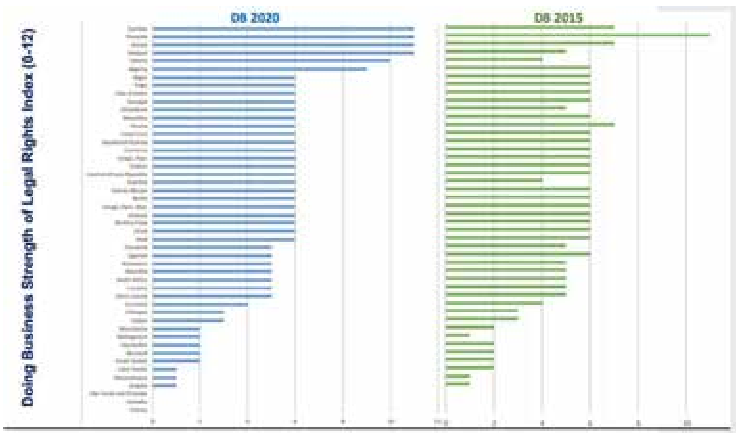

Figure 4: Strength of Legal Rights Index

Insolvency

A significant determinant of insolvency rankings in the DB report is the "strength of insolvency framework" index. This indicator assesses the countries' legislation in 4 major categories:

- Commencement of proceedings – Insolvency proceedings should be available to debtors and creditors and on the basis of both balance sheet insolvency and illiquidity
- Management of debtor's assets – The law should allow the debtor or IP to accept or reject ongoing contracts, avoid preferential or undervalued transactions and obtain post-commencement financing on priority terms
- Reorganization proceedings – The law should allow all creditors to vote on the reorganization plan and also provide equal and fair treatment to dissenting creditors
- Creditor participation – The law must require creditors to approve the selection of IP, the sale of crucial assets and also allow them to object to the admission of claims

The benefits of effective insolvency regimes include:

- (i) Lower credit costs
- (ii) Increased access to credit
- (iii) Improved creditor recovery
- (iv) Strengthened job preservation
- (v) Promotion of entrepreneurship
- (vi) Reduced failure rates for small businesses

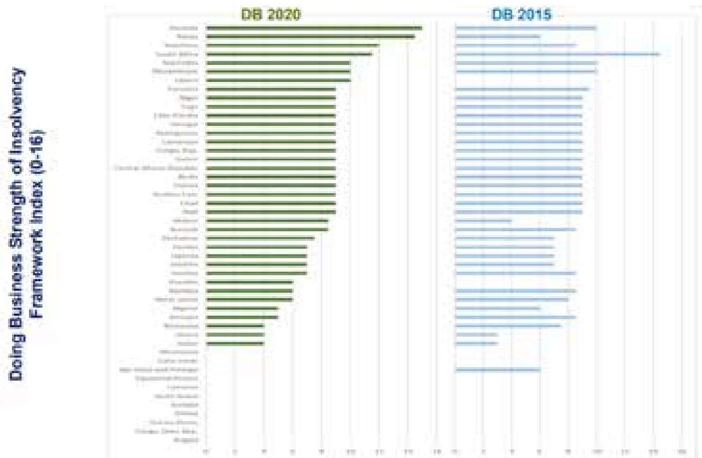

Figure 5: Strength of Insolvency Framework

3.2 Credit Infrastructure for Sustainable Growth

A: Overview For Lending Landscape In Africa

Keynote presented by:
Jared Osoro,
Director of Research and Policy,
Kenya Bankers Association

There's one question that we usually take for granted when it comes to painting the landscape for credit markets in Africa: Do we have appropriate institutions that represent credit enterprises, households and even governments? And if they're not appropriate or fit for purpose, are we on a journey to making them fit for purpose so that they can intermediate resources appropriately towards meeting our requirements. There's one thing that is not lacking: that is the fact that we have a broad outline of financial market players - commercial banks, SACCOs, microfinance, pension funds, insurance companies and others that allow the movement of resources to where they are required. What is clear is that even if we are have that broad alley of resources there's a sense of dominance on those that own the most assets in the financial system. Banks obviously dominate this space, and the question we should ask is, are we looking at mechanisms that ensure that such dominance does not entrench itself?

If you look at systems across the continent where there is bank dominance, you tend to see the system being arranged in what we call sub-regional hubs. For instance in East Africa, you see a number of Kenyan financial institutions now crossing borders and offering financial services in respective countries around the continent. The question that we need to ask ourselves in order to appreciate the credit landscape around which credit markets operate is, beyond establishing yourself in a regional context are you having an opportunity of making sure that there's actually a regional flow of resources. Because it's one thing for one financial institution to establish a certain number of deductions but it's quite another for you to start seeing that facilitating cross-border resource flows. And when you see cross-border resource flows that is what comes with a lot of information on the behaviour of the businesses and households that actually do cross border transactions. You can get to see how that duplicates itself across the continent. By way of example in Western Africa, you can see institutions from the dominant economy moving across from Nigeria, in Southern Africa the institutions branch off from the South African credit market, and in the mangrove region you can talk about Morocco, Egypt and others, the trend is the same - bank dominance in cross-border establishment of institutions, with limited flow of resources.

There's one angle that one needs to look at a bit more deeply when it comes to the resource allocation especially to households and small and medium enterprises. And that's really why that fits very well within this argument around credit information sharing and the quality of information because, we met quite a bit of strife as a nation as far as financial inclusion is concerned. The Chair of CIS Kenya alluded to some of the numbers in terms of the progress that we've made. But there are two things that come out: From an access standpoint, we've made huge strides overtime. When we now look at the institutions that play in that space, we now see a good mix coming in because the formal prudential regulated institutions have been gaining ground so far as financial inclusion is concerned, but we now also have other formal institutions that are not prudential regulated that are also coming into play in so far as offering financial services is concerned.

There are two one things that come out of that. One, is that in terms of the financial infrastructure, banks may not necessarily be the "only lenders" in town; and I think that's the reality that we are seeing now in terms of who's offering credit in the industry. Two, and most crucial, we are seeing informal financial market players shrinking over time. And that's a good thing because when you see informal lending taking the space of formal lenders in the market – it usually comes with some of the challenges that were highlighted earlier by the Deputy Governor and the World Bank, especially on predatory lending and other negative aspects. But I think pushing this financial inclusion agenda beyond this kind of access is going to be very critical. The enhanced usage of financial services and particularly credit is something that is going to be very critical if you have to make that financial inclusion be meaningful; it's one thing for you to have access to financial services and it's quite another for you to start seeing the proper utilisation of these resources - especially if you want to see it meaningfully impacting the wealth of people through resources trickling into businesses.

I know there are studies that are being done now around patient capital because it's one thing for you to get capital to do business overnight, yet the capital allows you to utilize your capacity better. It's quite another for you to get the resources that are going to be put into investments that are fairly long lasting. The challenge is for us to see how such capital embeds itself into what you can call information sharing system and how that can enhance the ability of not just availability of financial resources in the form of credit, but credit that's slightly more "patient".

B: Insight Into Nigeria's Credit Journey, Africa's Largest Economy And Most Populous Nation

Keynote presented by:
Jameelah Sharrieff Ayedun,
Managing Director and CEO,
CreditRegistry Nigeria

Before 2003, credit reporting was a widely unfamiliar concept in the Nigerian market. You would tell a lender that you are a credit bureau and they would think you are a forex bureau-de change. Even when they started understanding the gist of it, many people kept saying that there is no need for credit registry. But we continued with the fight to bring it on board. We began to do free software trials allowing the members to try the software. The first thing they did was to search for their own name. They wanted to know if they were in the bureau, but we did not have any real data at the time; we had dummy data. When they couldn't find anything, they became sceptical. The Credit Registry went back to the drawing board and populated the system with real data, so as to show the lenders what a good data sharing system looks like. They agreed to share about a million records on both individuals and small businesses. Fuller Adiola, co-founder of GTB, the current Deputy Governor of the Central Bank of Nigeria (CBN) and the founder of Zenith Bank, amongst others, were great mentors to the inception of our Credit Registry.

From the records collated, we had a high plethora of repeat serial borrowers, as early as the 1980s all the way up 2003 when we got involved. From 2004 - 2017 we converted more believers into the bureau system and the CBN begun to recognise the bureaus, because the banks were now asking if we were licensed and if their borrowers would sue them. CBN finally got involved and licensed us. By that time other entrants came into the market - XDS from South Africa, and CNS - a consortium of some of the banks that came in to put up a bureau using technology from India. By 2008, the CBN begun to license credit bureaus and enacted guidelines that stated the minimum requirements.

By 2010 the guidelines were further refined and we finally had a mandate given to the banks that they must use at least two credit bureaus and that they must submit all data to them as well. CBN also insisted that the banks monitor every loan customer on their books. This allowed bureaus to start generating some revenue. By 2011 - 2014 we introduced credit scores into the market. By that time, we had accumulated considerable amounts of data. We had grown our bureau database to about 10 million.

In 2017 however, we realised that 1.2 million Nigerians had left the country as reported by the United Nations, a number that kept rising every year after that. Almost half of the Nigerians we did a survey on were planning to leave Nigeria within the next 5 years. Our bureau was built on the mindset of connecting people, businesses and lenders, so they can trust one another to enable them do business together. There is no reason why a talented Nigerian should have to leave Nigeria to go have a better standard of living somewhere else. These numbers are striking but for the Nigerian government is also very rewarding because 23.6 billion US Dollars have actually come back into Africa as a result of the diaspora.

Needless to say, Nigeria is on the map - we are now providing full file data, yet Nigerians are leaving to go and have a better life somewhere else. Nigeria is doing very well when it comes to access of credit information, but we need to enable lenders to have confidence when it comes to lending. When we look at other markets similar to Nigeria, we find that we are far behind compared to Brazil (which has the same population size) and the UK (which has a third of Nigeria's population).

When it comes to lending outside the commercial banking space, Nigeria's increase is a slight difference of about 15 to 20%. That means that majority of our loan transactions are happening in the commercial banking sector. In Kenya this is more than double. That means that Kenyans do not only depend on banks for credit but that they have other sources of financial access / lenders.

When you look at GDP and populations, Nigeria is kind of stuck in the middle. There between Brazil and the UK. Nigeria's GDP is continuing to steadily rise. Nigeria needs to replicate what these countries do right, in order to thrive, and have less Nigerians leaving the country.

The progress of the Nigerian bureaus:
In 2003 only 3 lenders had subscribed to the bureau. By 2019 there were over 1000+ amongst lenders that had subscribed to use of credit information from all licensed credit bureaus. Nigeria is big country - there's plenty more institutions that can begin to use and share credit information. The number of monthly transactions have increased exponentially, from the 100 (that were searching for their own names and afraid to ask for credit reports in case they find themselves listed as defaulters) to well over 300,000 a month now. This is however still incredibly small. Kenya shares well over 3 times that amount, when it comes to credit transaction submissions. 90% of the transactions submitted in Nigeria are done manually and not through any electronic media. The business loans being reported have grown but consumer loans have grown significantly more. However, the loan amounts that those consumers are being granted have not necessarily increased.

Nigeria still has a significant possibility of growth in this market. But what is it going to take for Nigeria to catch up? We have to start submitting data electronically. We also have to start thinking statistically when it comes to making decisions and granting loans. Speed, precision, and decisioning have to be emphasized. Centralised systems in banks will enable banks to real time data in any branch across the country. There needs to be a focus on customer expectations. Kenya has done that really well - mobile money and other innovations have really taken off because people find it very convenient. Nigeria is still figuring this out and will have to resolve this in order to get the results we seek. Consumer behaviour is also changing. The loyalty you have in an institution may not be the same doing the road, because people now have access to various online lending applications. But some do not report to bureaus, and this impacts negatively on credit scores.

Supportive regulation: The CBN and World Bank / IFC continue to support this industry in various ways, but we need to get our market to be more efficient, and use innovation in tapping into multiple data sources, and even various other types of loans (Nigeria does not have a rich mix of credit products as in other countries - so we need to do some work there). We acknowledge the evolution of credit reporting. Some countries are yet to start using bureau scores, whilst other markets have already grown up the path of evolved credit structures and developed sophisticated methods of lending and decisioning. Nigeria is working toward that now. In conclusion, there is a national financial inclusion strategy that is currently underway, that will enable everything from the increase of number of people opening accounts to greater use of credit information in the country.

C: Challenges Brought by Innovations in the Credit Market

Panel Discussion - Moderated by:
***Shezaad Sunderji** (Chair) Manager:*
Financial Services Strategy, Genesis Analytics

Panelists:

- ***Suleiman Asman,** Innovations for Poverty Action*
- ***Anup Singh,** Partner and Regional Head Anglophone Africa, Microsave*
- ***Francis Gwer,** Financial Sector Policy Specialist, Financial Sector Deepening Trust (FSD) Kenya*
- ***Andrea Pizziconi,** Girls First Finance*

Session Chair's Opening Remarks: Today's panel discussion is about challenges brought about by innovations in the credit market and we will be exploring it from a demand side, supply side, and also from a regulatory aspect. Amongst the panel we also have digital lenders, advisors and consultants, and think tanks that are supporting regulators in the industry, as well as research providers conducting evaluations on various innovations in the market. By introduction:

Andrea Pizziconi, Founder and Managing Principal - Girls First Finance
They have provided a mobile based app supporting vulnerable young women to access credit and be able to finance their education. The product is being launched in Kenya now.

Anup Singh, Regional Director - Microsave Consulting
Heads anglophone countries, works with financial institutions in Africa, and supports regulators and donors in the same area.

Suleiman Asman, Regional Director - Innovations Food Poverty Action (IPA)
Is an experienced evaluator and has conducted numerous research in the area of innovation in the public and private sector.

Francis Gwer, Project Manager Regulation - FSD Kenya

Manages policy work supporting regulators to strengthen financial systems, whilst matching them to best practice standards globally.

Anup Singh:
Microsave has been here for 2 decades. In 2019 they published a report ***"Making digital credit truly responsible".*** It looked at the credit providers; at the innovations they have, how their products look like and how those products impact the lives of those using the, that is, is it leading them to over-indebtedness, is it leading to any issues around data management and so on. What they found out is that there are now over 50 providers offering digital credit services. Most of these providers match what Mshwari started with. Mshwari illustrated to the world how remote instantaneous loans could be granted to customers, using alternative data and credit scoring.

We have seen that most of these providers have "black box" credit cording algorithms – that is, nobody knows what goes in or comes out of it. We have seen that there are clauses around using alternative data. People have started to gain from the system, because they are users that have been on the platform long enough - they now know exactly how the credit limit increases work. The third parties coming up are quite a number. Out of 50 providers only about 10-15 digital credit providers are regulated. They are permitted to share data with credit bureaus - some are sharing full file, some are sharing negative only data, and others are not sharing anything at all. From 2014 - 2020 in terms of volume, digital loans have exceeded all the expectations of stakeholders. Between 2014-2015 there were about 41% of loans that were digital in nature. Right now, 91% of loans are digital in nature. 77% of Kenyans have one digital loan at least. This has also led to over indebtedness, multiple borrowing etc.

We have seen a lot of issues around customer protection as well. While there are requirements on capital reserves and data management, most of the time most institutions sharing data with third parties are doing so without consent of their borrowers. In terms of awareness, borrowers don't know what is going on behind the scenes. So if you borrow from a regular bank and they say you are negatively listed, they tell you that you have to go to a CRB to get your name struck off from the negative list - most of the customers do not even know why their name is on the CRB and what a CRB is. The awareness is therefore significantly low. The terms and conditions are also not very clear or detailed enough for users using it for the very first time. The terms and conditions mostly come in the form of website links - but imagine if I am using a phone that is not fully enabled online, and there is a link to the website on the terms and conditions, will I be able to view them? Again, the terms and conditions are in such "legalese English" that many do not understand them. In addition - how many of us have downloaded Apps on our phones and gone through the Terms and Conditions - over 95% of us do not. Most people just accept them as a "default action" so as to move on quickly. People in remote areas that may not have that technical know-how or understanding of legalese English will always fall victim to the consequences of default unknowingly.

In terms of affordability, digital lending was to bring affordability, scale and outreach. Has the greater effect of digital lending translated into the expected lower cost to the customer? It has not. Most reports from research are more negative than positive. As the Kenyan and wider sub-Saharan financial ecosystems, are we here to promote a negative sentiment about digital credit? That's the question I leave with you.

Francis Gwer:
The current regulatory hurdles are consumer protection, pricing, transparency and regulation. From my perspective, I think that some of the points brought out by Anup on digital credit are more of a factor of the features that are inherent to the nature of transactions. For one, its remote, there is no direct interface between the person borrowing and the lenders; so issues of identity theft can easily come into the picture, and when things go wrong the recourse mechanisms are not as strong. Its instant which is a good thing - but it also means when things go wrong, they can go wrong just as quickly and people can get into a debt treadmill. Its short term - which is the nature of the transaction but of course that has a bearing on price. Most credit decisions are underlined by transactional data. But as Anup raised there are issues when there is little oversight over how that data is mined, stored

and shared. But a significant part of the digital credit market is served by lenders who are already covered by regulation, which are the 10-15 banks mentioned earlier. I think that raises the concern, that it is not really an issue of the absence of presence of oversight, but more of the effectiveness of that supervision. We are beginning to see the Central Bank addressing these issues. From a digital lenders point of view, these insights are exactly what they are dealing with.

Andrea Pizziconi: From a lenders point of view, we would want our customers to embrace those terms and conditions, but the reality is that many of them can't understand them, and the lenders need to reach out to them better.

Many of you already know that currently, thousands of university students from low income families rely on government loans to pay for their education, but many more miss out due to cash shortfalls. Last month there was a warning that over 100,000 eligible students would go without loans in the remainder of the current academic year. So, in a view to bridge this gap, The Christie Company, through its African investment arm – Africa Integras – is spinning off Girls First Finance, a mobile app, to tap the unbanked college-going women in the region through digital student loans. Girls First Finance is a new student loan initiative targeting young women, also men but priority is on girls first who might be economically vulnerable but still need access to financing their education.

Through the student loan app, users will further access personal and professional development tools, including mentorship, wellness and financial planning. We'll launch it here (Nairobi) in March, around the International Women's Day (marked on March 8). We've decided that the population we're targeting will all start from the same place in terms of credit score. Most of such unbanked girls from low-income households have no credit profile whatsoever and it's precisely because of this that lenders often shun them. That's where we come in. Having no credit profile does not necessarily mean you're a bad borrower. After the March launch (of the student loan app) when we'll start receiving applications, it will then take six months for users to use a pilot monthly budget and prove their behavior of in building a credit history. So, we may not have a credit score from credit bureaus but we can look at how users have managed their budgets for the six months and establish whether or not they're responsible. The best part is that the app comes with several tiers of support, mentorship, wellness support, meet-ups, as well as support in getting jobs. When we give such borrowers a chance, we find that they almost always take a responsible stance from the get-go because they know they may not have any other options for this kind of financial access elsewhere.

The more we dig in to case studies and to anecdotes of other lenders, the more we get excited about lending to this population and have every belief, that we will have a default rate of less than 10%, because of these behavior credit enhancements. For example, many of you know the "sponsor structure" or the commonly known "sugar daddies". At the core of it is a sense of shame, especially in asking for money over and over, and it gets over their heads. In the long run they do not appreciate that it will affect their payment performance. Your income and expenditure will be seen in your statements - how you spend your money will determine whether you are a good borrower or not.

Suleiman Asman:
It would be interesting to see if other digital lenders can adopt the Girl's First Finance behavioral methods to curb NPLs. All of this sentiments and innovations are coming from familiar grounds, because I do research on lenders products to the consumer: are they making a transformational change in their lives? Are they causing more harm? Out of all this, the biggest hurdle seems to be consumer protection. IPA conducted a research of the impact that Mshwari had on consumers in the market (as the initial digital credit product in the country).

D: Responsible Lending in the Era of Exponential Growth of Credit

Keynote presented by:
Magauta Mphahlele,
Board Member, Micro Finance South Africa

Customer centricity is very weak in our institutions - the discussion that has just been held on behavioral lending is of great importance, because that's where we should be headed as an industry. We talk about consumer education all the time, but we never implement the strategies to the letter.

Responsible Lending: Should be observed by both lenders and consumers alike. Currently borrowers are owing 1.9 Trillion Rand to credit providers in South Africa. 50% of these are mortgages, which is encouraging. Because of having had a history of apartheid, the laws in South Africa mostly resolve issues on discrimination and inequalities that affect access of credit.

In South Africa there are 3 types of debt: secured credit (on assets, e.g. furniture et cetera), credit card debt, and unsecured credit. The unsecured credit is a huge problem in South Africa, because a person earning 12,000 Rand for instance, can get an unsecured loan of 250,000 Rand payable over 5 years. These large individual loans are creating huge NPL problems in the South African market. Developmental lending (credit toward the creation of small businesses) is very small. This means that there is a huge gap in credit products, because SME owners are now taking out the large unsecured loans in their personal capacity to grow their businesses, which is taking a toll on their repayments.

Banks lend 80% of the loans in South Africa while other lenders own 20% of the market share (micro lenders). In terms of the level of over-indebtedness we have 24.1 million credit-active consumers, which is a massive population of about 56 million people. They have 82 million accounts – this means that an average person in South Africa has about 4 or 5 credit agreements. Only 57% of these, are managing to repay their debt. 43% are either in arrears or have had to go through some form of legal action to repay their debts. When you look at these figures, we ask ourselves whether the provisions in the regulations are doing what they are supposed to do, because we are sitting on high levels of over-indebtedness.

The National Credit Act regulates provisions of credit in South Africa. All lenders therefore have to register with the National Credit Regulator. Two or three years ago there was an exception for smaller credit providers who were not required to register but still complied with the law. The purpose of the Act was to create access to credit and also to encourage responsible borrowing and avoidance of over-indebtedness. As a society we need to discourage reckless credit granting, and contractual defaults by consumers.

But the reality is that there are smaller credit providers who are not registered with the NCR. The communities they operate in protect them. They charge illegal interest rates and use unconventional collection tactics. If a low-income earner is in trouble and needs a loan, who should they go to? Will they go to a bank that wants pay slips, bank statements, and other documents for affordability assessment? Or do they want to go to an unregistered institution that is not too stringent and say "My child is sick. I need 500 rand - please give it to me."? Many will choose the latter.

These institutions exist, and serve a number of such clients. And when it comes to payment, they still use unconventional ways to collect, including withdrawing money from the customers bank account. Under the regulations, interest rates are kept at normal rates, processing fees, debt enforcement fees, and so on, are also prescribed. The problem is that all credit providers gravitate toward the ceiling provided by the regulator. So, competition is mostly on how fast you can get the loan, but the customers all pay the same interest rates.

On disclosure to customers, the regulations require all lenders to disclose the exact interest rates they will charge, how long the repayments will take, et cetera, to the consumers of credit products.

Marketing of credit products used to be very prevalent but is now prohibited.
Also, in the event that a consumer enters a credit agreement via phone or online, they have 5 days to retract their decision if they like without any penalties accruing.

Consumer education is required but the type of consumer education ongoing is not sufficient because it is very high level and superficial. Consumers are also mostly ignorant on purpose because when in need of a loan they don't care what the terms and conditions are - they only care when they default and get into trouble.

Reckless lending (giving a consumer money that when you know they are unable to pay) is prohibited and heavily penalized in South Africa. We also have relief systems in place for borrowers that are completely unable to repay their debt for some reason. A credit provider must give you an opportunity to engage with them about NPLs from a mediation point of view, in order to appreciate the real issues, before they can take you court.

The National Credit Regulator is responsible for licensing credit providers, credit bureaus, debt counsellors, payment distribution agents, et cetera. They all have to comply with the regulations with regards to how they collect, collate, and disperse information pertaining to borrowers. Alternate Dispute Resolutions agents are also included in the NCRs mandate, to avoid legal action at all costs.

A recent research stated that there are 40,000 informal lenders operating in South Africa. As a condition of registration, a credit provider is required to make a commitment that they will avert over-indebtedness and they will comply with the codes of conduct and affordability assessments that have been put in place; which are compulsory.

For most regulated lenders, Different types of credit agreements attract different types of fees. For secured debt like car loans and other asset finance loans, they are very competitive - the ceiling may be 18.5% and the minimum at 6.25%, but most will charge a prime rate of about 9.5%. For unsecured credit whose current ceiling is 27.5% interest, lenders all charge maximum rate due to lack of collateral, as they consider it to be high risk. For developmental loans, again the charge is slightly high at 23%; this is also treated the same as the unsecured debt.

Credit life insurance is provided for every loan under the regulations. The credit life insurance benefits are described in detail to each borrower. Some lenders, especially micro-lenders were unhappy about such disclosure because they had been making a killing from the facility in the past.

Affordability assessment: A credit provider is required by law to look at your income expenditure, and your obligations. Previously the consumers used to give false information to lenders about what they need for groceries or rent, etc. So, credit providers came up with "minimum expense loans". If you are in certain income category, they determine what your living expenses are. This has also created a problem because credit providers are not asking consumers any questions. They automatically place you in a category, yet households are different, and their goals are different. This goes to show that regulation can sometimes have unintended consequences.

If people declare income, they need to prove the income. So, the regulations require submission of bank statements and pay-slips. Some people took this up with the courts because they claimed that the regulations were discriminating against informal borrowers who have income but have no formal paychecks, and are not within mainstream banking. This requirement was seen to frustrate the achievement of financial inclusion, in light of such discrimination. The courts therefore changed the regulation to simply require adequate proof of affordability assessment by lenders.

There are a lot of court cases going on between credit providers and the regulator. But in terms of reckless lending, one of the big retail companies in South Africa (Shoprite) was recently found to have issued credit recklessly and were fined 1 million rand. In South Africa regulators do the investigations, and a National Consumer Tribunal can thereafter penalize or de-register lenders who do not comply with the law. If they get de-registered and continue providing credit to customers, the law states that such loans are unenforceable, and are thus referred to as "gifts". If a lender is found to be reckless the tribunal and/or the magistrate's court have the power to write off the debt in question or require payment of principal only without interest. The Alternative Dispute Regulatory Agents also have a right to investigate reckless lending and require lenders to write off debts if found guilty. The consequences of reckless lending are therefore taken very seriously in South Africa. The in duplum rule also applies within the lending regulations in South Africa, where the customer's interest arrears cease to accrue once the sum of the unpaid or accrued interest equals the amount of capital outstanding at the time.

3.3 Credit Bureaus

A: Trends And Challenges

Keynote speaker and session moderator:
Collen Masunda

Panelists:
- *Samuel Omukoko, Founder and Managing Director, Metropol Corporation*
- *Mike Malan, Regional Executive - Africa, Experian*
- *Billy Owino, Chief Executive Officer, TransUnion KE*
- *Chris Mwangi, Chief Operations Officer, Creditinfo Group*

Collen Masunda: This panel will touch on the credit reporting landscape, its impact, technology, how the changes in business models affect it, and its future

When credit reporting started the uptake was pretty low, had negative reporting only, and there were very few subscribers. But as the benefits of it gradually became embraced, we started to see full file reporting, as well as new technologies and innovations, which have been significant to growth of this competitive landscape.

Under new technologies we are speaking to biometrics, block chain, API, big data, and mobile lending platforms. These technologies and emerging trends have also introduced new social risks, challenges and opportunities. One of the biggest challenges that we have in Africa is the issue of being able to uniquely identify the data subjects. There are also issues arising on data portability and mobility. In addition, cloud computing brings about an over-reliance on third and even fourth parties, something that most regulators are obviously seeing as a challenge. But more importantly, is the opportunity to change the rules into platforms and systems e.g. Microsoft Office is offered software as a service where you just need to pay the subscription and then access it online. Are we going to get to a stage where Metropol for instance, offers such platforms, with no downloads, or servers? What is the impact of that on operational costs, and other factors? Cloud computing is the next technology, where things like biometrics will come in handy in assisting with identification. The question then becomes: is it going to assist us in cross-border information sharing?

Proliferation of big data: This is one of the biggest challenges in credit reporting. What we define as credit data in our industries today, can be extremely useful when assessing credit worthiness. This notion has given birth to the consideration of alternative data (social media account data, etc). As we use alternative data there are issues related to data integrity, e.g. what proof do we have that a person purporting to be the owner of some social media account is actually the owner. How can we tell for sure if the information they post is real? Most of these accounts also operate under pseudo-names – how do you verify who people are?

One of the biggest concerns of regulators is open data platforms. Bureaus like "cutting their data" but as we go to open data platforms, promoting all data as a public good, competition is going to cease being based on data, but rather what you can do with the data. As people are able to plug and play a lot of other utilities, it will be all about innovation.

Portability: Can I move with my credit report from Kenya to South Africa? Nigeria is forecasting that there is going to be a lot of migration but the biggest challenge I noted when travelled is that you cannot move with your credit report to another destination and have it treated as legit. So, is DLT going to assist us in cross border credit reports? Is it going to promote speed and security? The upside is that we are able to mine vast amounts of data. The downside is that the appetite for the data we want to process increases. And as it increases, are we breaching the perimeters of what should be credit data? Are we going to use that technology responsibly? On discrimination: In the US, when Apple launched its credit card, there was an article in ***The Economist*** which noted that there were about three or four billionaires who operated joint accounts with their wives. They were all offered the card – but they discovered that their wives credit scores were lower than the husband's – but they operate the same account. So, do we have a challenge where this API machine lending is used irresponsibly or with discrimination? Earlier today, there was a discussion around API being used to promote real time sharing of information, secure sharing of information, but the downside is cyber vulnerability.

The implication of the emergence of new players, and the key issue here is the shrinking margins. The new players try to reach the market that the traditional players have not been reaching. But the positive that we see is product innovation. One elephant in the room is the issue of arbitrage. For example, if you have an alternative scoring company that is not subject to the regulation that TransUnion is subject to, how do they deal with that.

In the future of credit reporting, we are first going to increasingly see vendors offering bureaus as a service - removing the need for somebody to invest in hardware and other capabilities, whilst offering a straight forward service to customers on the web. The second issue in terms of future business models, is that we may move from the current models to penny-shaped models where customers start owning their data and then they start deciding what to do with the data. So, we might end up having data vaults, where customers are assigned a vault, and when they want to take out loans, they request for permission to share data with a specific lender they want to deal with, after which their data comes back to them. This means that bureaus will not owners of data; they will have access on demand. This is ambitious and open for discussion. You may have central credit registries or central banks becoming data banks for the bureaus. Most of the bureaus are now going into KYC and Fraud space, and for survival purposes, they start offering the credit passports or credit vaults.

Ideally, the fundamental model of credit reporting is not going to change. It will be there in the foreseeable future. How its done is what might change. Secondly, we need to invest in infrastructure and the digital space. The third point speaks to regulatory support - issues to do with laws around globalization or cloud computing environment. In addition, the official definition of credit – what should be considered in a credit worthiness assessment and guidance on responsible usage of AI, machine learning and FEAT (Fearless Ethical Accountability and Transparency).

In conclusion, we need human capital development both in the private and public sector. We may also need to train data users and even the regulators themselves to enable better validation, precision testing amongst other things.

Sam Omukoko: I have a couple of points that I would like to share with our audience and also look respond to the future of credit reporting. From where I stand, I think that the CIS mechanism, as we understand it, is now well entrenched in the market in which bureaus operates. CIS is basically designed to address four key issues that every lender is always grappling with. First one is information asymmetry - you want to be sure that you have all the information that relates to the credit transaction that you want to engage in. The second one is the moral hazard - you want to be sure that the customer standing before you has good intentions of borrowing and repaying back that particular loan. And the third one is that your system's adverse selection ensures that you are extending credit to people who can pay back that credit. Also, the lending system should be used that deliver value both to the lender and to the borrower. To the lender, three questions have always been paramount: Will the customer pay me back, because if they don't, I lose my capital? Will they pay me on time, because if the do not, I lose my profit values? And lastly, will I make money? You are in business because you want to make profits. So those questions remain paramount.

When you look at how the bureaus do the business of credit reporting, a lot of challenges in the mechanism are data, and how data moves from the sources to the bureau databases, and also how the bureaus then transform that data into value for use by lenders. The environment in which the mechanism is being set up becomes an important factor to shape how the business will develop. We realise that the environment in Kenya is different from the environment in Uganda and therefore it does provide a constraint on what you can do and what you cannot do. Even in terms of ordinary things like internet access. When offering an online service, of course the quality of the services that you offer will depend on the I.T. infrastructure in that particular country.

So, environment is a major factor that shifts how the business of credit reporting is then done in a given country. By way of example, in Kenya there's a lot we know now about how the mechanism should work or how the mechanism is working, and the environment in the Kenyan situation is moving very fast. Transactions are happening in real time - in December 2019 one of the large banks had a product where they said "if you borrow in the morning, and repay in the evening, you will pay zero interest rates". In that sense, we have moved away from a 30-day reporting period to a one-day reporting period. Those are the developments that we see in the market today, and so on the part of the bureaus we've got to cope with those changes and be able to continuously provide answers to the questions that I posed before.

So, the question now is where is value flowing between the lender and the better off who is winning in this mechanism. Is it the borrower or is it the lender? I think we need to start looking at that as we move forward. The other thing is that there are a lot of emerging issues that come out of it. We are beginning to discover people's behaviours. We are studying trends and we're looking at how lenders are using information that is coming from bureaus. How are we managing the issues coming out of the credit information sharing system so that we can create more value or improve systems and ensure that the economy as a whole and the society as a whole, benefits from this mechanism. So, as we discuss the forward thoughts on the future of credit reporting, we must not forget the basic reasons why the CIS mechanism exists. Technology provides opportunities for how the bureau's do the business i.e. how they look into all manner of issues, identify opportunities, and provide the solutions to those opportunities. But more importantly we need to see a situation where the lender is beginning to derive more value from the data and information they have been provided with that they can be able to make data driven decisions that at some point in the future we can see a situation where decisions have been automated and lenders now focus on managing those decisions to derive more value.

Mike Malan: In terms of preparation for today I went and read the paper that you were quite likely involved in publishing in terms of disruptive alternative data sources etc. and the credit bureau space, which is now up there is a world bank publication. If I can maybe steal directly from there, as a starting point is that whether you talk about traditional credit bureau data or you talk about alternative credit bureau data - if you look at the sources of traditional credit bureau data in your model of what you've called 2.0 and we go directly to the banks as we discuss it even within the banking sector lies volumes of alternative data that hasn't yet been tapped - that only some organizations are starting to delve into where we might look at things like more traditionally in the mind is what is the credit card transactional volumes that are going through an account; what are the current account transactions that they are going through; do people have savings account and if they do, how actively do they use those accounts; what can one start to build from a behavioural point of view in terms of other indexes metrics that might be available just within the banking space that could be alternative.

Of course, one can then extrapolate that and say, what about ATMs or ATM withdrawals, ATM points of presence, all of that and more data in the world – call it Big Data, call it alternative data – with most of it quite structured. You can then say in that case I am moving away from the banks. The obvious one is the telcos, the MNOs, the mobile money transactions that are coming in, the payments that are made or the deposits that are made, and the rules that are made around them. So, all of that becomes different parts of alternative data. What it does is that helps you with understanding cash flow and it helps you with information on capacity to pay, in terms of that borrower's affordability and at the very end of the day is it helps somebody make a decision on "Can I create a starter loan, when we start talking about financial inclusion?". Now it's not just about giving a customer a savings account and saying you're "financially included". It's about how to get the first loan decision for that customer - whether it's through a mobile loan, or a starter banking loan, or it's through agricultural inputs – it doesn't really matter – the point is to get them into the system and recognizing that, that data should be recorded in the system in order to become the customer's new story. Before I move about getting data into the system, part of what you wrote in your research on structured data and Big Data - the likes of Facebook and social media etc., there's a lot of data out there that is unstructured, that is being used in test cases in sandbox type ways - In terms of, can one use say the number of contacts you have on your cell phone to determine your credit risk? Can one do personality profiling to determine your credit risk? Can one identify where you switch off your phone every night, to determine where you are, so that I can set a collection strategy? So, there are ways of using that type of metadata from phones, that's a lot more unstructured to to try and derive risk related strategies, whether they're about granting credit, collecting credit or making more offers to existing customers to up-sell or cross-sell. I think there's great scope within the traditional or more broadly understood environments, but I see alternative lenders also making today's agenda, because they all use powerful sources of data that are alternate in addressing real financial inclusion. If one can get access to this proprietary data, how do they, "do-good" with that data and make it available? Some may say they don't believe that they want to "do-good" because they are private sector businesses and they have commercial objectives. One might argue that but that's not the point I want to make. On the earlier point raised on arbitrage, the hard question is: Why are the bureaus regulated so tightly, having to go through massive cost infrastructure etc. and have to comply with regulations to ensure the highest security standards, yet some institution that is not a bureau, or in that space whatsoever, can go around and can collect data, and can sell data, and can make that data available etc.? I think it's a question that really does need to be raised and often pushed.

The future of credit reporting 3.0. did not however touch on relevant issues like alternate data, and the privacy that surrounds it. Within the bureau frameworks, we've got to be responsible around people's data. So my view on this whole thing is there are real solutions, there are opportunities, and there are ways to leverage the data that is out there, to put it into some type of "safe harbour parking lot" within the bureaus, in a way that central banks can regulate over, and that the data itself can be protected at a country level. We also need to address the issue of about cross-border sharing, and how do the bureaus can cover that same space.

Collen Masunda: On the cross border, Africa has just concluded setting up a secretariat of the free trade area, and one of the key issues that TransUnion will talk about is the readiness of the bureaus in playing the role of making progress in cross-border data sharing, and also the issue of having data as a "public good" where everyone brings their data to a data hub, and then people give service based on value added innovation.

Billy Owino: In starting with the issue of data for public good, one thing we have to appreciate as an industry is that there is adversity brought out in the changing times. When you can look at the key players in this space - it's really the lenders and the consumers. When you look at the consumer's side the reality is that the consumers of the world are becoming younger by the day. So as the banks are still trying to figure it out me and you, the new generations – the millennials - are becoming quite active and they are completely different types of customers because, for one they use the power of "now". So, their mindset is that they don't mind giving you their data, but it will also depend on how quickly you serve them – they are the kind of generation that would be happy to have a bank within Instagram. For our traditional lenders, they had the luxury of processing and extending loans within a turn-around-time of about 2 weeks, but the customers of money are more demanding today. They are also looking for personalised service. So, these lenders are now having to look for more data, depending on how available it is. They now have to move away from the credit-only data that they use for appraisals and seek behavioural data about consumers.

One very critical point that comes up, is how reliable the data is - is it believable data that can be relied on across the board? So whilst there has been some little push around "my dear is my competitive advantage", now it is more around "let's make the core data available, then the insights we can individually build around it in terms of innovation will be the product". We have had conversations with CIS Kenya around uniform data validation and data hubs – these are real value propositions at the moment because they set us for the next phase of service provision where you take away the discrepancies around many issues we have now.

On cross border credit information sharing, a lot of banks we work with, now have diaspora branches, and they always have the question on whether they can now leverage the data from one country to another. I can say the bureaus are definitely ready, in terms of sharing that data across borders. However, the challenge then remains regulation. Remember that in the markets we operate in, the data "belongs to the regulator", and the regulators are still very apprehensive when it comes to sharing data across borders. So now we have ready technology, and we have a high demand from the consumer for cross border data sharing – how do we ensure that regulation is also in-sync with this demand?

Collen Masunda: There is a lot of data available and people are interested in processing it. As a continent, are we ready, and do we have the right skills? I say that because for example in Kenya, there are a lot of digital lenders that have gone under, whilst using alternative data. What do you think went wrong? Is it a question of skills, or are their other exogenous factors? Also, what are your views on regulatory arbitrage – when you are regulated and have to trade with an institution that is not?

Chris Mwangi: On alternative data, and lenders readiness to use it – we believe they are ready. I think it is more of a question of getting to understand the data, and then drawing insights from this data that are meaningful in terms of what they intend to do. Are you looking at the data for purposes of lending? Are you looking at the data for purposes of collection management? That is a very critical aspect that they would need to look at. And at times it comes to your cost - what are you lending; how much are you lending? The data could be telling you the right thing, but you do not know much about the person you are lending to. So the data is available, and the lenders have found ways of getting it, be it psychometric, be it retail related data, be it telecom and banking data - this is information that is available to them in the eye. They are consuming it and they're getting to understand it.

Collen Masunda: Maybe Metropol can add some points on whether regulators are lagging behind in terms some of the new innovations on digital lending, and ambitions to realize cross border information sharing?

Sam Omukoko: I think regulators have objectives that they want to achieve specifically in terms of regulating the entities that fall directly under them. They have broader objectives of seeing a stable financial system. So sometimes the businesses want to move very fast, but that is not in line with the objective of the regulators, and therefore you find that the businesses get constrained to ensure that they adhere to what regulators want. What we know is that regulation is about law and whatever it is not in the law cannot be regulated. Regulatory changes usually come in provisions of the law. For example, in Kenya, we had the first CRB Regulations enacted in 2008, which were again amended to give birth to the CRB Regulations of 2013; and now we're looking at new amendments to come. This shows that the regulator is trying to understand the environment and trying to ensure that practices that the lenders and bureaus are engaged in, are in conformity with the changes that have occurred in the environment.

B: Alternative Credit Scoring Models

Keynote speaker and session moderator:
Patrick Walker, *Director of Research, Policy and Economic Research Council (PERC)*

Panelists:

- *Kevin Mutiso (panelist) CEO and co-founder, Alternative Circle*
- *Faisal Omar (panelist) Co-Founder and CPO, CARMA*

Patrick Walker: I work with the Policy and Economic Research Council, and we carry out economic research on credit data, credit bureaus, information sharing in general, and other issues related to data flows such as privacy and other data regulations. We've looked at a credit sharing and credit bureaus since around 2005. I want to begin with traditional credit reporting and putting alternative data into context, as we build up on what was discussed in the previous panel. Some of the alternative data is not really that different.

Research carried out by doing business, which most of us are familiar with, has now shown that the majority of countries (well over 80 percent) are now users of the credit information sharing mechanism. This can be either through a private credit bureau or through public credit registries. Around 30-35 percent of the world is now covered by a private credit bureau itself. Infact since the 1970s there's been an explosion in private credit bureaus. A couple of years ago - around 2016 - the majority of the world's population now has data residing in a credit bureau about them - so the majority of the world is now covered in credit bureaus. The big question now is not whether or not a credit bureau credit registry should be developed - in most places that's already occurred and most people are now already covered. So now we're moving to the details of credit reporting – and those include the three issues which were discussed a little bit earlier today such as data quality - if it's not predictive of outcomes of high-quality data then it will be useless; junk in junk out; What type of accounts are reported? Are utility accounts reported? Are bank accounts reported or nonbank financial institution accounts reported? And then what type of reporting occurs – is it full file or is it negative only? If it is full file, there is not a single universal definition of full file - the balance of accounts could be reported, or the interest rates of an account could be reported and so on.

So now we get into the messy details of not just whether or not a country has a credit bureau but how exactly the credit information sharing occurs. When a country actually gets a credit bureau initially, the credit bureau will not go from zero to 100 instantly - there is an evolution in any data sharing system. For instance, Stage one is the actual development of the credit bureau and the basic core data. Stage two is generating credit reports. Stage three the initial scores and so on and so forth and you could see Stage 7 is then developing big data solutions.

Stages of Bureau Development

Stage	Examples of Services
Stage 1	Database, Provision of Basic Data
Stage 2	Credit Reports, Alerts and Some Add-On services
Stage 3	Initial Score and Decision Tools, Initial Custom Analytics
Stage 4	Fraud & Identity Management, Marketing Services & Collections Management, Commercial Credit Report
Stage 5	Consumer Reports, Consumer Scores Credit Monitoring Consumer Education
Stage 6	Auto, Utility, Telco Solutions, Rental Screening, Employment Screening Healthcare, Small Business Insurance, Government Solutions Very mature scoring, Decision Tools, and Custom Analytics
Stage 7	Big Data Solutions, Peer to peer lending, Equity Financing Equity valuation, Secondary Market, and Macro Factors Based Models

Source: Adapted from the presentation "Going Beyond Financial Services" delivered by TransUnion at the IFC Credit Bureau Conference in Malaysia, May 2010.

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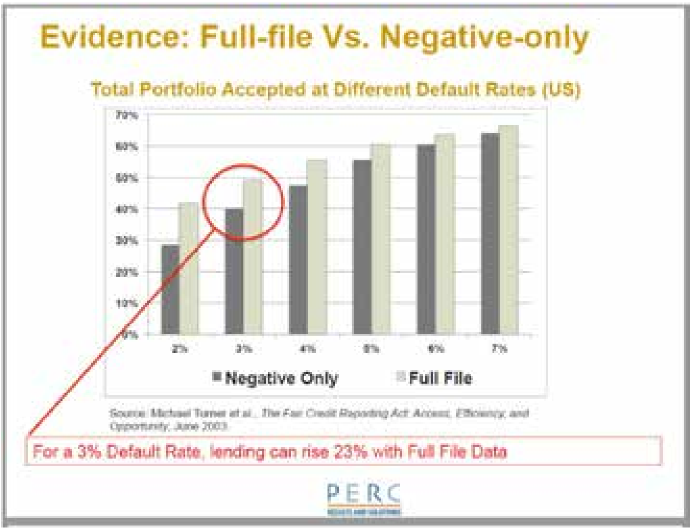
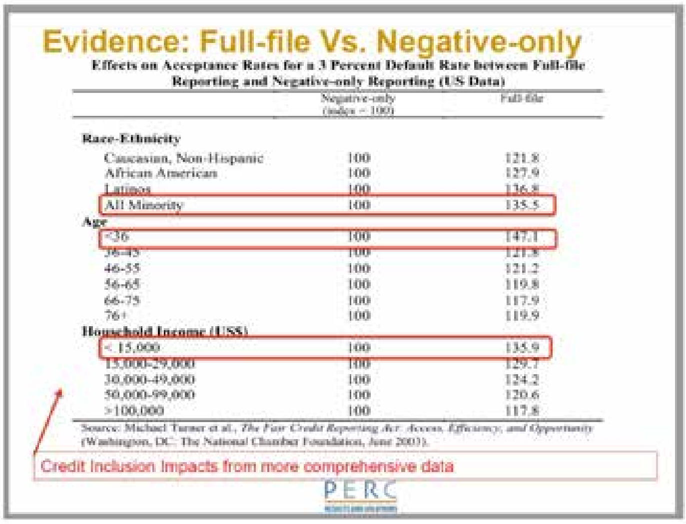
PERC RESULTS AND SOLUTIONS

This evolution is not written in stone. There's no clear formula to how long this takes, but it can take many years, given how fast institutions really move. The first evolution: credit reporting used to be a negative database essentially – when a person didn't pay their bills, that was recorded and then a vendor or store would not extend that person credit. The first big movement was to full-file credit reporting. The illustration below shows you the impact based on analysis with US data, on shifting from negative-only to full-file and what you can see is that with a 3 percent target default-rate for a portfolio, just shifting from negative only to full file, would result in a 23 percent increase in credit inclusion. Just because you're getting more of a 360 view of that consumer - you're not just seeing if that consumer had a bankruptcy or had a serious derogatory, but now perhaps you're seeing if they have had mild derogatory, or if they're building up debt which is extremely important in lending decisions.





Evidence: Full-file Vs. Negative-only

Effects on Acceptance Rates for a 3 Percent Default Rate between Full-file Reporting and Negative-only Reporting (US Data)

	Negative-only (index = 100)	Full-file
Race-Ethnicity		
Caucasian, Non-Hispanic	100	121.8
African American	100	127.9
Latinos	100	136.8
All Minority	100	135.5
Age		
<36	100	147.1
36-45	100	121.8
46-55	100	121.2
56-65	100	119.8
66-75	100	117.9
76+	100	119.9
Household Income (US$)		
< 15,000	100	135.9
15,000-29,000	100	129.7
30,000-49,000	100	124.2
50,000-99,000	100	120.6
>100,000	100	117.8

Source: Michael Turner et al., *The Fair Credit Reporting Act: Access, Efficiency, and Opportunity* (Washington, DC: The National Chamber Foundation, June 2003).

Credit Inclusion Impacts from more comprehensive data

PERC

That impact is disproportionately focused on lower income house-holds, ethnic minorities in the US, and the young. Those who are outside of the credit mainstream, are given additional benefit. In Australia, simulation also showed that the young borrowers benefit the most from the movement to full file data. The other aspect of full-file data where you have more of a 360 view of a consumer, is that its fairer. If you only have a small snapshot of an individual if that one snapshot is bad then that individual could have negative repercussions from that one instance. For instance, in a negative voting system in Australia the simulation shows that if you use a negative-only score with negative-only data, you would not have linked anybody who had any serious derogatory on their credit report. It is pretty simple – If there is any severe derogatory, you just don't lend to them essentially. But when you layer on positive data you can then balance out and say - maybe that person had 60 or 90 day delinquency a couple of years ago, but they've paid all their bills on time since then so they might be an acceptable risk and what you can see is although you're not lending to a large share of those individuals you are able to lend to ninety nine percent. Full-file sharing is therefore a much fairer system.

The major problem that many countries face including the US though, now that we transition to full-file, is that many individuals do not have traditional lines of credit already existing. This includes young individuals, and in emerging markets many people simply do not have traditional lines of credit. I would like to point out though that in the US which is awash with credit - probably too much if you ask most people - 20 percent of the population is not suitable by the basic FICO score. If you go to the low-income households, that number is 45 percent. Moving along the path of a traditional credit bureau that gathers traditional credit data is not the complete panacea. You will still have data gaps even if your society is awash in credit.

As per the discussions of the previous panel, that there are differences in alternative data. Most of the alternative data, for instance, gas payments, mobile phone payments, rent et cetera, are what we call proven payment data. I would like to distinguish that from the more exotic Facebook data, Twitter data, information on whether or not you fill out an application in "all caps" – there is more difficulty with using that data with regard to regulations. PERC focuses more on the proven payment data, which serves to expand credit inclusion in the country, plus it fit nicely with credit bureaus, as well as credit bureau regulations.

Again, if you're excluding half of a payment picture of an individual, you're going to exclude most of their actual payment history and you're going to be excluding in most countries the majority of the population. If you want to use information sharing as a tool for credit inclusion you must move beyond traditional credit data. For instance, adding utility and telecom data payments data in the US, we found that overall, credit access could increase nine or ten percent. That increase is due to two factors. First, you're adding more useful data to the system and so you're better able to sort individuals in terms of credit risk. Second, you're bringing in all of those individuals that had no credit history - so they could be young people, surprisingly older people, individuals from low income households etc. You notice the exact same pattern with the transition to full file data - it's the low-income households that benefit by far from the addition of the alternative payment data.

The one surprise that we found is that it was also older Americans that benefited from this data as well, simply because they may have retired from the credit markets and they no longer had data reporting to the credit bureaus. Technology has enabled more types of data to be collected – it used to basically be impossible to collect rental data. Now you can actually create online platforms individual's can pay their rent through online platforms for example, and then that data can now be reported. As we mentioned a little bit in the previous panels there's also Consumer Commission data, where individuals can give lenders direct access to their checking accounts, savings accounts and then lenders can see if consumers are paying their utility bills from that account, or if incomes are coming in, or they can just look at the consumer's cash flow.

The biggest problem that we see so far is data fragmentation. There are cases in the United States and other places where, for instance, utilities and telecoms will report to one bureau or MFIs will report to a single bureau when you get a fragmentation of the data - that is not optimal. The second sort of fragmentation on purpose, for example data fields where ***eBay*** or ***Ali Baba*** use their own transaction data but not share it with others. This could also be mobile operators. This can be the result of either bad regulation - for instance, sometimes regulators say you can't share this data for privacy reasons. It could also be the result of basic market power that a mobile lender or an ***eBay*** decides that they don't want to share their data to give their competitors an advantage and they would like to make the loans themselves. In closure, I note that the best way to improve credit inclusion and have the safest, soundest credit market is not only full-file reporting but full-file, comprehensive data across all segments, which includes non-bank lenders, as well as non-financial account data. Then lenders can eventually move into the more exotic alternative data.

Faisal Omar: Carma Chain is essentially a decentralized data exchange platform, which could be considered a credit bureau of some sort, because we are allowing lenders to share data amongst themselves in a real time basis, in a distributed manner, using block chain. We use rather visible means - we built a platform to facilitate the exchange of real time data about consumer information; not only between these lenders but also across the industry. And a lot of companies target the same customers that traditional and digital lenders do. But most of the data existing is in silos at the moment. Carma Chain allows them to start exchanging this information amongst each other, so that they can reach better credit assessments in onboarding their customers.

Kevin Mutiso: Alternative circle has an app called "Shika App" – the idea behind it is to create a lifestyle digital application that surveys digital financial services. The company is also a member of the Digital Lenders Association of Kenya. One of the big concerns we have in the industry is misinformation. We are told that we like to lend to people who bet – which is not true. We will not be making money if we did. One of the big challenges we have in our industry is that we are unable to see certain data sets, such as does a ***Shika*** customer have a ***Tala*** loan. A lot of that data is not real time. If my credit limit is Kshs

10,000 and another lender's limit is Kshs 10,000 - what our credit score limit says is basically that, that customer is entitled from a risk point of view to have Kshs 10,000 of loans. The other digital lender has a number that they have also decided on, and so when we both give that limit to that same customer, we over-indebt our clients. What that does, is that it creates risk to our portfolio, and the probability for default goes up. The Digital Lenders Association of Kenya was formed to solve such problems and we are working with people like CIS Kenya to solve those problems.

Patrick Walker: Do both of your organizations create credit scores, and if so, do you create them in a traditional way or do you use more exotic techniques like AI?

Faisal Omar: In our case, we actually stay away from creating credit scores. The objective of our product was basically to allow the exchange of data. What we realized very quickly is that each digital lender at a certain period of time, may have a different risk profile of customers that they want to do business with. A credit score that is common for them across the year, or across the month may not make sense for them. A credit score that works well with digital lenders may not make sense for a big lender, or solar company, or an MFI that is targeting a slightly different kind of customer, against a secured asset that they're lending. We intentionally developed our products to stay away from credit scoring. We want to leave that power to the lender to try and develop their own mechanisms. So, all we're providing is rich data sets for them to be able to digest into their credit scoring systems.

Kevin Mutiso: We use more exotic techniques on the other hand. Alternative Circle partnered with ***Credit Info*** Decision Analytics and we work with the scientists that look at all the data we collect from the absolute we collect from the App. We collect KYC data, credit bureau data, behavioural data, etc. and collate other data sets from different third parties. We then basically create algorithms that determine predictability. One of the best we've ever come up with is that, we noticed that customers who borrowed between 7 p.m and 7 a.m had a higher rate of default and that's behavioural data – we call that portfolio our ***vintage portfolio*** – our late-night borrowers. We finally decided to switch off all lending between 7 p.m. and 7:00 a.m. We found the result of this rather interesting – we imagined that our customer would be upset with this service cancellation. But the funny thing is they were not; mainly because we have two types of customers who borrow between 7:00 p.m. and 7:00 a.m. There is the trader who's planning the next day – these ones changed their timing and started borrowing early morning at 7am. Then there is the person borrowing because of some sort of consumption that is happening at that late hour. Over 90% of these loans are impulsive. The borrowers did not genuinely need the loan, and they hadn't even thought of how to pay it. This ideally led to a significantly improved portfolio quality - by just not lending during those twelve hours. Such data sets are what we use for scoring.

Patrick Walker: You earlier mentioned using block chain technology. Is it a consumer commissioned framework where the consumer says "I'd like to share this data or that", or is it a different platform? And do you would create different mixes of data for different lenders?

Faizal Omar: In terms of our product strategy, we definitely want to get the consumer enrolled in the journey because we believe that the data ownership eventually lies in the hands of the owner of the data. So today the main problem that we're trying to address is reaching the stakeholders of the lenders and the data owner, which could be another lender. The first evolution of the product is to allow these two parties to exchange data that the were holding in their databases. The second evolution is to try and get the consumer into that journey where we will have an App, so that the consumer can then consent to any movement of the data between any two parties. We envision it as a process where a customer is able to view what kind of data is being moved, and also if it has the ability to update their data with new information or with new KYC data that is required for that particular loan application. Moving into the future we will basically built the platform following the GDPR seven principles which includes things like transparency, security and all of that. And the platform is designed primarily to look after data, as it moves across. So as Carma Chain we don't have visibility of the actual raw data that moves between lenders; we only track the metadata on the block chain of what kind of information was requested, or who responded to that response across the peer networks. We also try to create the validity of the database - there may be some lenders that have more trustful data that they are sharing on the network. So as the data is being exchanged we validate that on the block chain and score them. The other advantage of block chain is that we can incentivize or let data providers monetize the data that they're providing under the network and block chain is a good platform for that to happen successfully.

Patrick Walker: And this is for both of you – Do you use your data or scores for things beyond just credit origination, because as the stages of credit bureaus showed I think in the US the majority of income received from credit bureaus is not in the traditional credit space anymore - it's also in all the different value add services, fraud detection, KYC etc. Do you use to data farm and scores for those purposes as well?

Faisal Omar: We initially started the product development specifically targeting the credit lending industry, but we quickly realized that there are a lot of other cases that our platform can be useful. One example is basically, when you put in your kids for a school admission, the school wants to know if you have the ability to pay the school fees on a regular basis especially if it's a private school in Kenya which is quite expensive. They can check ability to pay as well as, the willingness to pay - some people may have the money but will always delay regular payments that they can get away with. We have been approached by a school group that asked if we can allow them to do credit assessments of parents that want to admit a child to a private school. So, for us that becomes a data consumer that is able to use data from other lenders on the network. And we find this kind of cross information of data sharing is quite useful in the whole scheme of things about sharing data across the network.

Kevin Mutiso: At Alternate Circle, we are still at a nascent stage of data collection. One misconception about digital lending is that it is a 100-year-old business - it's mature and particularly in Africa. In the presentation there was a slide that said 20 percent of low-income households are still not within the credit bureau framework in the USA. So, you can imagine where we are in Kenya. Our data is mainly for credit origination. We are learning about a lot about value chains we had no insight on. I am sure you have all heard of the policy that says 60 days of credit and that we shouldn't have loans below 60 days. The reason why this is not a good thing for Kenya and Africa in particular is because most small-scale traders do not have a working capital that lasts them 60 days. If they did, they would be having a seamless supply chain, and banks supporting them and providing working capital finance. For MSMEs it's a purely cash business. They usually borrow digitally in the mornings, and pay in the evening, less the price we charge, and then they make their profit. Some traders take 7 days to pay, other take 3.5 days, and so on. Another one that most people may not be aware of is the peak demand for potatoes for making chips in Nairobi, based on the day of the week. This determines the amount of working capital required for different potato vendors. The alternative data we're getting has not yet enabled us to do more than credit origination, but I can guarantee that we will have very innovative credit products in the near future that will be designed for these unique value chains that we didn't know about.

Patrick Walker: With regards to the bigger picture, with all the new data that's coming online and new ways to analysis it with AI, you hear examples like the ones you have given today of odd correlations that you don't expect. The other half of credit reporting and credit bureaus that's useful in the whole credit system. You had that adverse selection initially trying to determine who's high or low risk and that's where those correlations come in handy weather and weather half is what was mentioned briefly in the last panel is the moral hazard. This is something that all lenders and society should want because it is good for everybody - People should pay their bills on time and keep their balances low. But one thing which is interesting with new data and A.I. is that you can get these weird correlations like if you fill out your application in "all caps" or if you own a dishwasher you might be higher risk – is there any fear that that may engender confusion in consumers? It may be good on the front end by determining risk, but it may disrupt some of the moral hazard features of having clear messages to consumers e.g. If you do these basic behaviours you will be considered a little lower risk by lenders.

Kevin Mutiso: I think every lender wants to make money. A good lender knows that it's about enhancing the value chain. Understanding a customer's business and seeing where to plug in, and then you sort of share the margins. That's the basics of digital lending. The GDPR and the Data Privacy Act 2019, don't necessarily request us to say what we are going to use the different datasets for. A lot of the times we don't even know what correlations we're going to find. So, we give a very general but clear statements for express consent. Consumer Protection is key, as we're trying to figure out what moral hazards, given the fact that our market is still so young. But we have to keep ourselves in check to ensure that, for example, we don't have a bias built into these algorithms. There was a case in the USA, which showed a particular race was not able to get the loans because of the fact that the system was built to "brand" them as a risk. That was just bias built into the algorithm. We're not going to make some of those mistakes that are being made elsewhere and hopefully the industry as a whole will also learn from those mistakes. But it's still too early to give a fix on the issue of moral hazard.

Faisal Omar: I think data science, A.I. and machine learning is pretty interesting because when we built our product we were looking at a very specific user set of borrowers that have never borrowed before - so data doesn't exist about them in many financial institutions. Therefore if they haven't borrowed they obviously haven't defaulted and they haven't missed any payments. How does a data science algorithm work against that kind of user base? It probably won't work successfully. But if there's a bigger set of data that is available not only from financial services, for example, how many cars does that person own, does he own land, how many kids does he send to school - that kind of information can then be harvested to determine if he is a good payer or if he is likely to default. Algorithms could be an advantage as well - the whole moral dilemma of lending to a customer and exposing him to more debt is actually the opposite. In my view that technology will allow people to reduce their debt burden rather than increase it.

Patrick Walker: The customers that gain access to credit the first time, would that new credit be populating the traditional credit bureau? In a way, your products can actually help populate credit bureaus.

Faisal Omar: I know Kenya has a fairly advanced credit bureau market. There are many markets in the world where credit bureaus don't even exist and others where some private credit bureaus that are now coming up. In those markets there's a real need for people to be able to track and store data about consumer transactions and payments. We find a subset of around 47 countries that our product can literally roll out on day one. We're getting a lot of inquiries from South America, and South East Asia from countries like Indonesia and Myanmar, where a lot of credit is being offered but it is not being used intelligently to make more credit assessments. We plan to move into those markets in the future. There's definitely a requirement to have more robust input into credit bureau networks. But I think the key driver for that is access to the correct and accurate data from the individuals that are collecting that data.

Kevin Mutiso: The first loan given to a customer is usually the riskiest loan because we don't know who you are or what your credit history, we have no idea what your behaviours are. When you look at first loans the default rates are really high, and it's made worse when the customer is not on the bureau. To that effect we do submit data on first time customers to the bureau. However, we should not list people have taken loans below Kshs 2,000 and particularly below a certain age. We should list them once their limit is above Kshs 2,000 and they've defaulted. I think that's a good suggestion we can explore, because in this market the public awareness of loan behaviour is fascinating. A research done last year stated that the number one reason that people default on loans is because they forget to pay. That's strange. But at this point we are now submitting both positive and negative data.

Paul Walker: Another big picture question. About 10 years ago a credit reporting expert said that the world was changing and there would be no such things as credit bureaus any time soon. But here we are today and things are always progressing in ways we do not expect.

Sometimes it's faster sometimes slow. We don't have a flying car as yet for instance, but we have super-computers in our pocket, so it's hard to predict. With that caveat, where do you think the information sharing industry is going to go in the short term (five years) and then over a much longer period like 20 years?

Faisal Omar: I think for me the answer is pretty obvious. Everything that we operate in today's financial environment is in a centralized nature. Even the internet to some extent is centralized - the way we store data is stored in centralized servers that everyone has to access to get information. Moving forward, the technology now exists where we can decentralize this information so that it stays in the full ownership of the borrower or the lender that owns that data, and access to that data is no as easy as used as it is by simply logging on to an app for a decentralized app and then getting access to that data. Data ownership will become more and more personal so that ownership will still remain with the borrower, and access to that data will still be easily accessible because the technology that supports this exists.

Kevin Mutiso: I share your sentiments Faisal on the fact that the borrower will eventually be in control their data. I'd like to add that in 5 years the credit bureau will not look as it does today. Financial institutions are going to get wiser. There are certain skill sets are also being created - data scientists, software engineers, etc. and a lot of solutions will be built into the financial institution itself. Credit bureaus need to rethink their strategies for the next five years. The reason why I see us developing our internal infrastructure in the future is simply because the cost of bureau services is in the long term something we would all like to reduce. The more information we acquire now about a customer, the less information we will need a credit bureau. We think bureaus are excellent at analysing credit data because having done this for a long time. The analytics service will be more relevant to lenders in the future. In ten years, and even further, lenders will look at data from a "club perspective". The credit bureau will have to plug and play at that point to give us analytics based on behavioural and other traits, regardless of the fact that the consumer will be owning their data. This is because lenders will not be the first choice for consumer trust – they would rather trust a perceived neutral entity like a credit bureau that is regulated.

Speaker 2: And in the US the credit bureaus are moving to the model where they're combining the core data with Consumer Commission data and then performing an analysis on it – something which everybody agrees will always continue to be useful.

3.4 The Role Of Regtech/ Suptech In The Credit Market

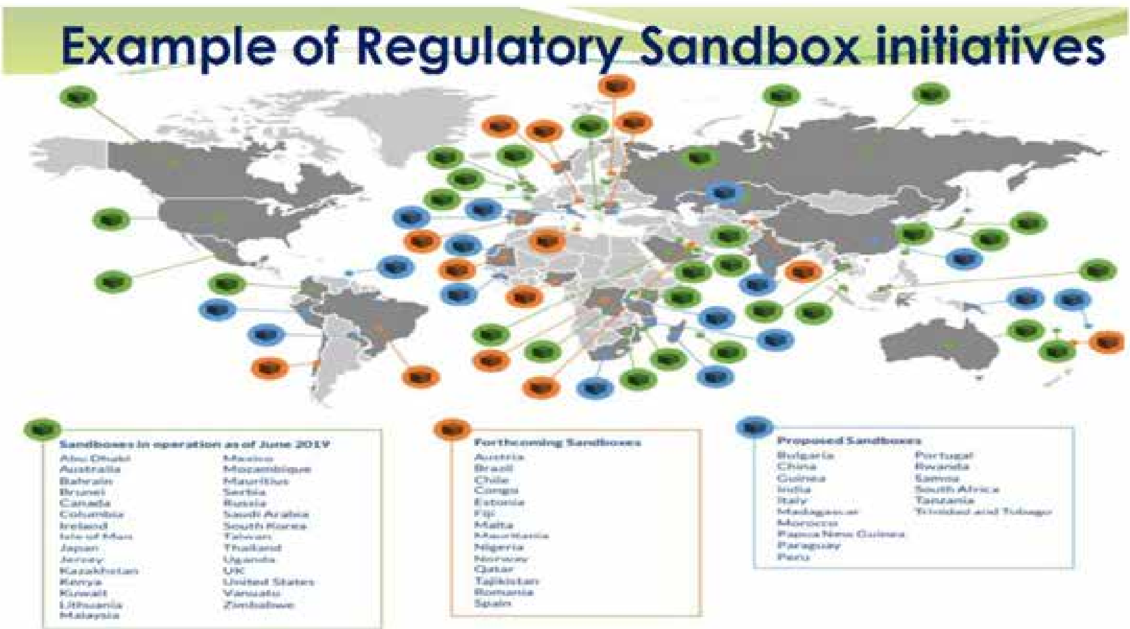
Session presented by:
Innocent Africa
Head of Risk and Compliance,
KCB Bank Rwanda PLC

Fintech hubs are growing everyday in Africa. For instance, Mpesa in Kenya has created jobs. Kenya's economy has developed significantly partly due to this application – through increased financial inclusion and an effective payment platform. This is why Fintechs are successful worldwide. It is fantastic how capital is moving and how people are investing in Fintech. In 2018 Fintech hubs had a capital of 111 billion dollars – a colossal sum that has impacted the economy positively.

But when it comes to Regtech things have fallen further behind. It always comes into effect "after the fact" – that is, because something has happened. The key question is: Is it really a good thing when the regulation always reacts to stimulus - when the economy has been impacted positively or negatively? How are risks being mitigated? How are people understanding the risks related to these Fintechs? How is data being shared across the industry?

The role of regulator should be to enforce compliance to expected standards. They should come ahead and sit with Fintechs as they unravel their products – there should be regulation before they launch their products into the market. We should be ahead and come up with regulations that accommodate concerns like transparency, government oversight of risks associated with the products, et cetera.

Regulators created something they call the sandbox - where people seated together and discuss the product, the risk, the transparency and come up with regulations. See chart below on the regulatory sandbox initiative



International markets Fintechs support: The European banking sector has been supporting Fintechs with regulation around money laundering, fraud and so on. In the United Kingdom they have a business advisory unit that helps stakeholders understand the market. They also have a regulatory sandbox that discusses issues on risk, transparency, sharing of data, etc. within a regulatory environment.

Regulators have a big role in Fintech operations. They use Regtech to improve their supervisory processes. They:

- Facilitate developments in the industry
- Supervise technology providers
- Foster collaboration across the Regtech ecosystem
- Create rules and processes to encourage and guide innovation and engagement
- Facilitate the competition of fintech company through regulatory framework

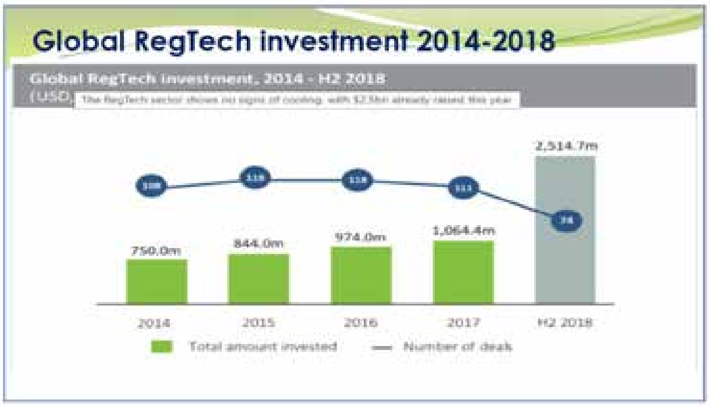
Regulation is good but we should also ensure that the regulations are not hindering growth in the economy. The regulator is mostly concerned about the management of data protection, bank secrecy, cyber security and data management from the aspect of the "3 V's": High velocity, large variety, big volumes of data, especially on internet and social media (protection against cyber crime is necessary). The regulator also regulates how firms enforce customer consent when any type of data is shared.

Some Regulations have already been published in accordance with Fintech development:

- Cyber security (attacks)
- General Data Protection Regulation ('GDPR'),
- Money laundering and terrorist financing operations (remote KYC).
- Consumer Protection.

When you look at cyber security, Kenya has been faced some negative impact in the recent past. We need to implement some regulation on cyber security in Africa. We need to make sure that our financial institutions are well protected from cyber attacks. Those institutions also need to invest in high standard systems and technologies to ensure their own protection.
Europe has already implemented the GDPR, but how many countries in Africa have implemented this regulation? We are sharing data but how is it protected? Who is responsible for sharing it? Is it acceptable? We are "supporting" a lot of money laundering in Africa. Big commercial banks are risking their businesses supporting dirty money trafficking. We know that somebody is dealing with illegal money and we keep quiet. How is this being addressed in Africa?

Fintech demand or push for regulation is good for the industry. The regulators also have to ensure they meet their objectives through technology. In Rwanda, they have introduced what they call ADF – Automated Data Flow. It helps the regulator to readily meet the KYC of the clients. So, the regulator can access your system directly (this hinders cyber crime to some extent because they are now integrated within the system). They can spool your data, the balance sheets, the information on your customers etc. They use it for reporting, statistics in order to understand the economy, the loans you grant to customers, repayment rates, etc. This also helps with transparency because some report submissions were previously manipulated to exclude certain NPLs, which was not helpful in ensuring adherence to regulations. When you look at investment in regulatory technology, in 2014 it was at US$ 750 million, and today its above US$ 2.5 billion. This goes to show that regulators are indeed supportive of supervising financial products in a bid to ensure economic growth and avoid harm to both consumers and providers.



Most people or banks or financial institutions fear the regulator and regulatory penalties. When you look at people visiting the regulator's website, most of them are focused on the new regulations that have been enacted. Most reports are also focused on credit more than other reports. It is realistic to put focus on credit though, because when you look at the crisis of 2007 and 2008, it was a result of bad loans granted. The Basel Committee came in to mitigate financial risks to the economy. They defined the following pillars as the greatest risks: capital, credit/debt, market risk and operational risk.

In linking credit and the role of the regulator in credit, I summarised it as follows:

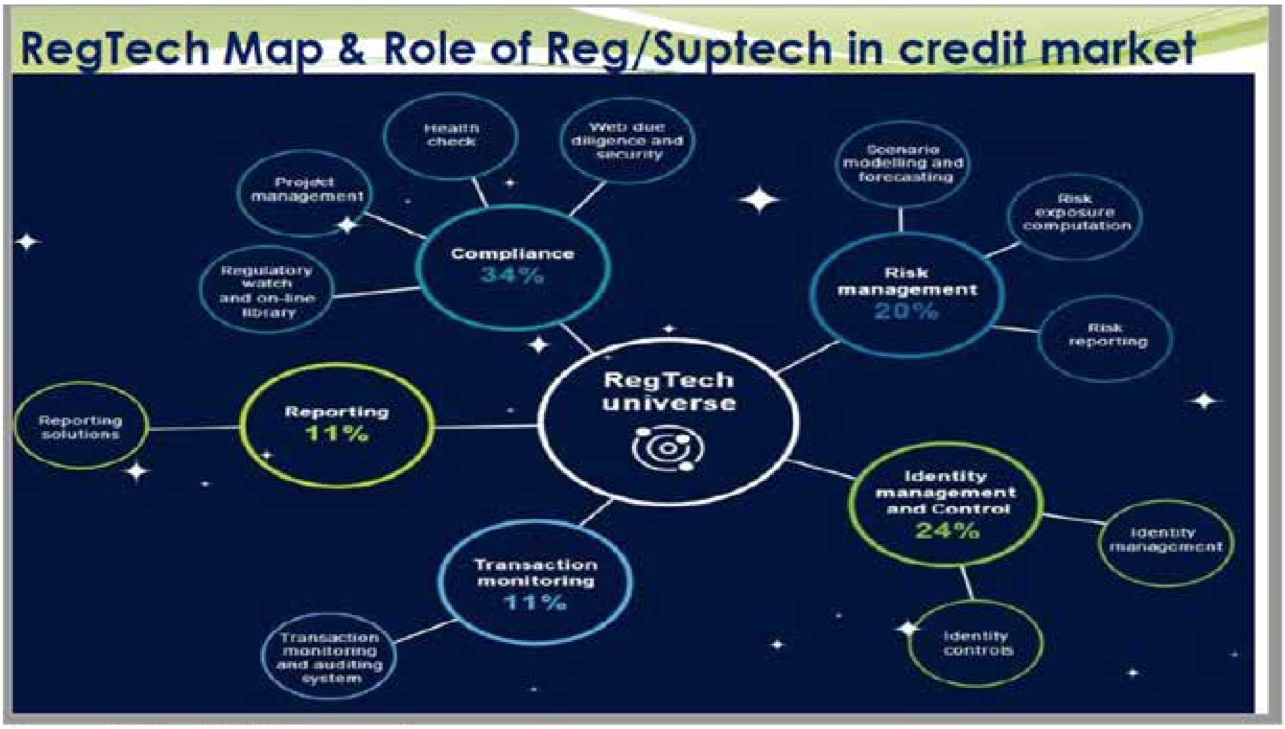


Figure 6: RegTech Universal

The first component is mostly on compliance. Regulators have an appetite to see players adhering to compliance. Any breach of compliance brings about penalties, which also hinders lender reputation. We also have to focus on risk management, control, transaction monitoring, reporting, information sharing confidentiality and consent issues, data and consumer reporting, cross border concerns, integrity of players, money laundering etc.

The regulator therefore has a big role to play in an economy, especially on information sharing because they need to ensure that the economy is not being hindered and to make sure that people get correct information that can be used for decision making. They have to ensure that everything being done in a financial institution is being executed and managed at acceptable levels.

The future talk from the regulator: Basel 3 has brought about an element of focus on liquidity. Do we understand liquidity and how credit is hindering the liquidity? If somebody takes a loan today, is no longer banking with you and has defaulted on the loan, it is liquidity being hindered. How are regulators handling this? When a mortgage is provided and valuations done, when defaults happen and banks have to sell the property and maybe recover 30% of the loan, do regulators understand what the banks have gone through or what they have lost? Regulators should consider protecting financial institutions from fake valuations if possible, especially in Rwanda. When you look at the securities market, and you do counter valuations, in court, the customer will say the counter valuation is fraudulent. The court will stop the whole process, and the bank will wait over three or four years to get you a value. They end up losing their capital in the process. It is a big challenge in some African countries. I believe that the regulators should better understand how the banks are addressing the issue of capital, liquidity and so on. Other requirements of Basel 3 include information protection, sharing information, compliance management, and so on.

3.5 Collateral Registry: Its Contribution to Improved Access to Credit

Keynote speaker and session moderator:
Elaine MacEachern
Senior Financial Sector Specialist, Finance, Competitiveness and Innovation Global Practice, World Bank Group

In earlier presentations we heard about credit information and credit reporting reform going on in Pan Africa. We've seen a number of countries and the changes that have been happening across the continent over the last five to seven years, especially in the secure transactions and collateral registry space. This means we would see the same growth trajectory across the years. It's important to recognize the fact that these two things (credit worthiness and collateral) complement each other. By that I mean, as a financial institution people want to know one thing - if this person is credit worthy and if the person has the collateral, and if at all it has been offered for another facility or encumbered by any other financial institution. That's the relationship between credit reporting, secure transactions and collateral registry.

When we're talking about secure transactions collateral registries, what we really mean is the legal and institutional framework that allows for movable property - and it is only movable property we're not talking about land fixed assets or buildings it's movable property - which can be a wide range of things from accounts receivables, inventory, motor vehicles, plant and equipment, and any number of things that can be used as collateral in exchange for a lending facility.

What's the relationship between the collateral registry part of this and the credit report? Those are 2 decision making tools that are important when it comes to credit risk pricing. You need to look at the credit worthiness of the individual and you need to look at whether or not that particular piece of collateral has been encumbered by another financial institution. So the presentations that you're going to hear from this panel, will be addressing the collateral registry reforms that the panelists respective jurisdictions have been through.

There is a critical mass of reform happening across the continent both on the credit reporting side and on the secure transaction side. In secure transactions, we've got about 10 countries now who are operating in best practice context, and more coming on board. Amongst them, according to the Doing Business Indicator, is Zambia ranked at eleven out of twelve, Kenya ranked at eleven out of twelve, and Sierra Leone ranked at around six or seven out of twelve. This means that there's a real drive towards meeting international best practice and modernizing the laws and the regulatory environment. This goes back to Africa's point about sharing data across jurisdictions because these laws that are in place in these respective countries speak to cross-border trade. The reason that we do these reforms is to unlock the dead capital that's sitting in these countries because this collateral cannot be used for any other purpose because the legal framework isn't allowing for that broad scope of assets to be used.

Imagine you have a financial institution and SME sitting here in Kenya, and they want to do business in Botswana. And that collateral is moving back and forth with inventory here and there. You would want to know the rules of engagement in terms of lending against that particular collateral (which is movable and risky at best). How is it going to be treated if the SME defaults and the assets are sitting over in Botswana? What legal rights do I have to go over and see those assets and bring them back?

There are big lessons around cross-border trade, but it is directly related to what was discussed earlier about the legal framework in the respective jurisdictions and trying to create a level playing field that everybody understands and sharing data across borders in order manage lending and mitigate risk.

Yusuf Dalhatu, *Bank of Sierra Leone:*

In 2005 there was a survey conducted by a global research company on doing business in Sierra Leone. Among the most problematic factors for doing business we had access to finance, corruption, and inadequate supply of infrastructure. Top among the list was access to finance especially to the MSME segment. In 2014-2015 another survey was conducted and it pinpointed the same results - 85 percent of small and medium enterprises said that their biggest challenge was still access to finance. Most financial institutions will ask for collateral first – the 5C's of Credit: Capacity, Cashflow, Character, Condition of your business and Collateral – in that order. Collateral should never be the first. But in the case of banks they ask for collateral first - mainly immovable assets. This means that SMEs were left out because most of them had movable assets for collateral.

Financial institutions have therefore been reluctant to accept movable assets as collateral to obtain bank finance. At the time also, the regulatory framework was not supportive of MSMEs. There was no collateral registry either. Financial institutions could not even check if those immovable assets were encumbered by another financial institution. As human beings sometimes we are afraid to move into the unknown. In the same way financial institutions were also uncomfortable with moving into the unknown. Why were financial institutions reluctant to accept movable assets as collateral? There was a lack of adequate Legal and Regulatory Framework that govern lending in moveable assets. There was also a lack of a system that registers security interest in moveable asset. High default rates (NPLs) were prevalent, and generally there was a lack of interest in moving into the unknown (e.g. taking movable assets as collateral).

In 2014 the Bank of Sierra Leone in collaboration with the World Bank enacted regulations to deal with some of these challenges. The passage of the Borrowers and Lenders Act 2014 paved the way to address some of these challenges. The Act, among others, augments existing legislation governing credit delivery and also seeks to promote a Secured Transactions Regime (STR).

Section15(1) of the Borrowers and Lenders Act, 2014 (ACT No. 13 of 2014) empowers the Bank of Sierra Leone to establish and maintain a Collateral Registry within the Bank. In addition to the Borrowers and Lenders Act 2014, the Borrowers and Lenders (Collateral Registry) Regulations 2016 was also enacted to enhance the Borrowers and Lenders Act, 2014 by making special rules regulating the Collateral Registry.

Features of the Sierra Leone collateral registry system: It is a web-based application hosted in the Bank of Sierra Leone data centre and can be accessed on line on a 24/7 basis. One can sit in the comfort of their village or home and access the information they need. All you need is a good internet connection. Back up is done on an hourly basis in a remote location known as the Disaster Recovery Site. This way in case there is a problem, the financial institutions all have a fall back. The System runs on Microsoft SQL server.

Repeal of the Borrowers and Lenders Act, 2014: With the passage of time, some gaps were identified in the Borrowers and Lenders Act, 2014 with respect to secured transactions standards and international best practices. This prompted the Bank to overhaul the entire Act by replacing it with a new statute. Individuals were not allowed to register their properties in the Collateral Registry. Only institutions could – and this was not best practise. They also never recognised that more than one party could own the same collateral and use it to obtain collateral at two different institutions. By law these institutions have the power to take the property upon default of the loan. In the event that this happens, they either inconvenience the other owner, or hit a quagmire when two institutions claim the same property for different loans.

The purpose of the Borrowers and Lenders Act, 2019 is to broaden the scope of the Registry to include the registration of immovable assets (one stop shop), as well as movable assets and also enable individuals who are not licensed and supervised by the Bank of Sierra Leone to be able to register their security interests.

LESSON LEARNED:

1. The project team should understand the concept of secured transactions from the onset including international best practices. It is appropriate for the software vendors to know what is expected of them. Otherwise there will be too many issues going back and forth.
2. There should be a dedicated project team (operational and technical) charged with the implementation.
3. There should be a buy-in from the management of your institution.
4. Selecting a competent software vendor is crucial to the overall success of the project.
5. Effective sensitisation and awareness raising on the legal framework and the operations of the Registry is key towards a successful implementation of the Collateral Registry project.
6. Continuous training of stakeholders / users of the Registry.
7. Mandatory use of the Registry for credit risk assessment process.

Shezaad Sunderji, *Manager: Financial Services Strategy, Genesis Analytics*

FSD Kenya, in partnership with the World Bank Group, Kenya Bankers Association (KBA) and Business Registration Service, has commissioned Genesis Analytics to conduct an assessment of the new system involving an end-to-end user journey assessment of the Movable Property Securities Rights Act (MPSR Act, 2017), Regulations, and particularly, the Electronic Registry, since the launch of the new system in May 2017.

The review's objective was to identify the main constraint and pain points from a user perspective that hamper optimal or effective use of the registry, and make appropriate recommendations for its improvements.

	Kenya	Ghana	Malawi	IFC recommended best practice
Type of registry	Notice-based	Notice-based	Notice-based	Notice-based
Set-up	Combined with other agencies (e-citizen)	Standalone under Central Bank	Standalone under the Department of Registrar General (DRG)	Standalone, combined or unified centralized registry
Users	All lenders and borrowers (individual/ business)	All lenders and borrowers (individual/ business)	All lenders and borrowers (individual/ business)	All lenders and borrowers (individual/ business)
Search criteria	Debtor ID or motor vehicle chassis number	Debtor ID, serial number of collateral and registration number	Debtor ID, serial number of collateral and registration number	Debtor ID, serial number of collateral or registration number

	Kenya	Ghana	Malawi	IFC recommended best practice
Search fees	Yes: KES 570 (USD 5.7)	Yes: KES 90 (USD 0.9)	No: Only charge fee for certified search report KES 300 (USD 3)	Yes: Less than KES 500 (USD 5) or Free
Registration fees	No	Yes: KES 180 (USD 1.8)	Yes: KES 700 (USD 7) for new registration and KES 300 (USD 3) for registering renewal	Yes: KES 400 (USD 4) to KES 2500 USD 25)
Payment & Billing	Prepaid available through e-agent Mobile Money only (Mpesa, Airtel money, Eazzy pay, e-agent, KCB Cash, Equity cash)	Post-paid & prepaid options Payments are usually paid in advance	Post-paid & prepaid options Payments must be prepaid	No cash. Most common are prepaid accounts, electronic transfer, credit/debit cards. Must offer flexibility

Figure 7: Lessons from other jurisdictions

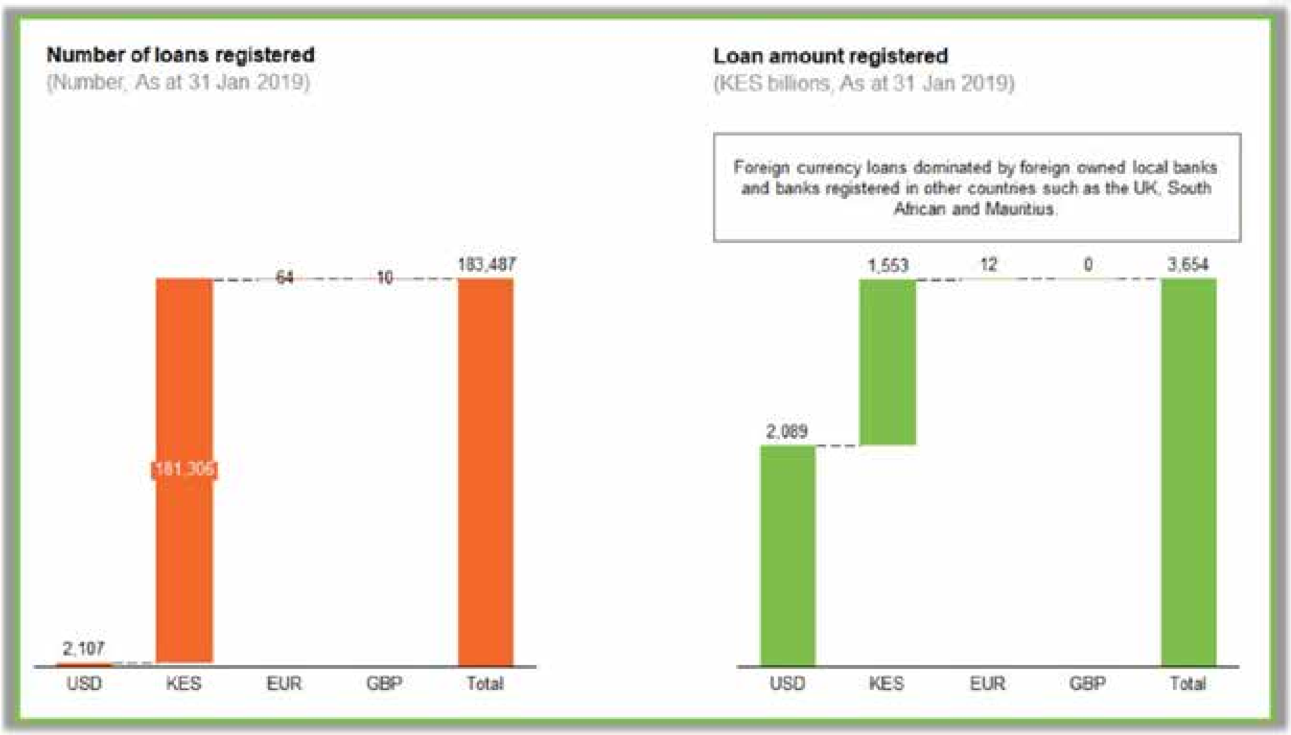


Figure 8: Registry Use

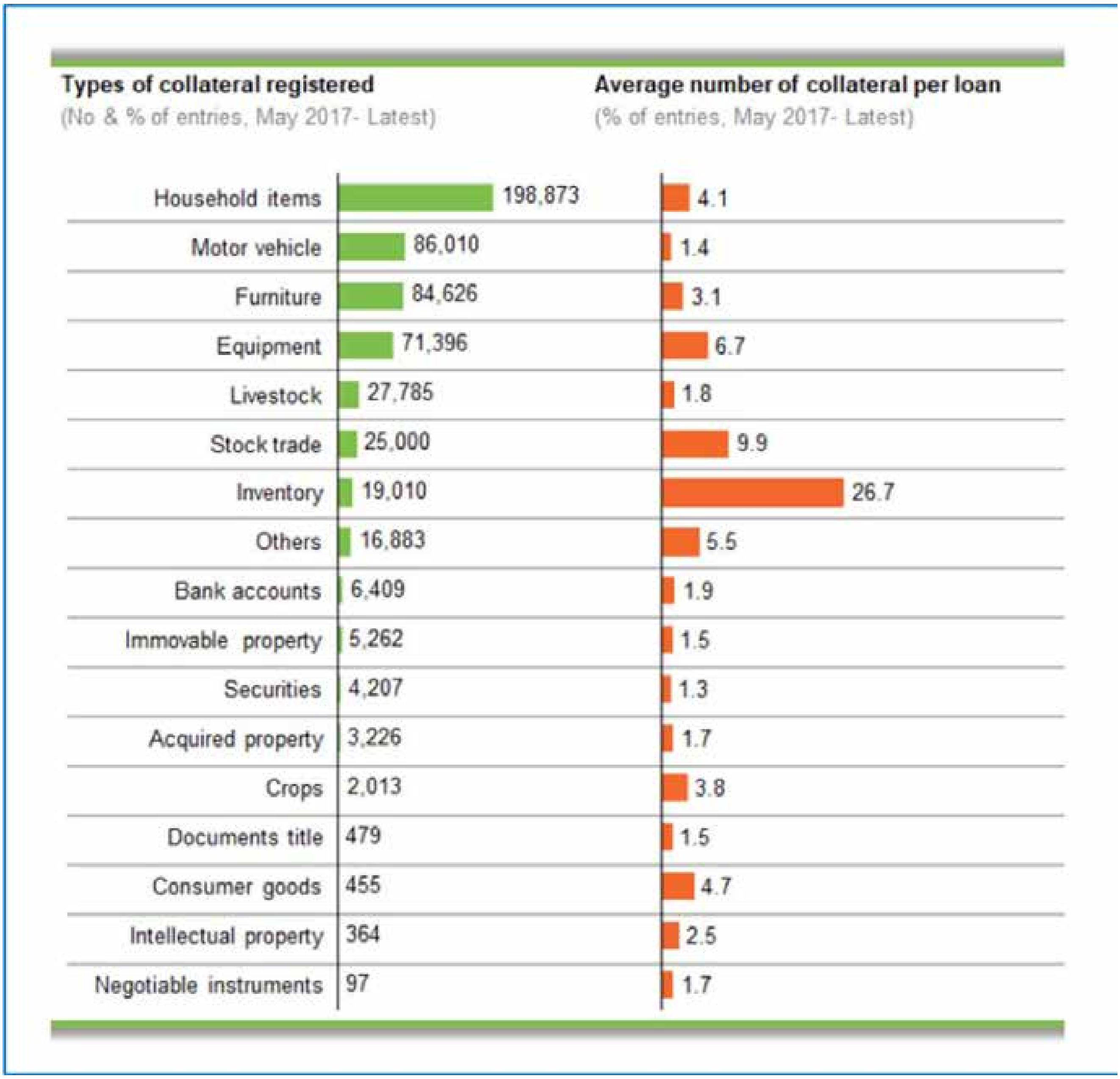


Figure 9: Usage of Alternative Movables Still Remains Low

Recommendations

- Operational recommendations –e.g. accepting multiple payment channels
- Legal recommendations –e.g. companies act and MPSR act requires double registration
- System and technology recommendations – integrations with other databases and so on
- Security and customer service recommendations –e.g. navigation and functionality

Lloyd Musonda *Inspector, Patents and Companies Registration Agency (PACRA), Zambia*

The Zambian Collateral Registry has been running for the past four years now. We have learnt a number of lessons from past mistakes, and we are doing as much as possible to ensure that those mistakes are also addressed. The registry became operational in October 2016 and it was officially launched on the 17th of November 2017. It was established under the law called the Movable Property Security Interest Registry, which is an online registry and it is a notice-based registry. This is because we do not register deeds, as is the case with the Lands and Deeds Act. It only registers names and notices. That's why it's called a notice-based registry.

The collateral registry was established in cooperation with a number of stakeholders, that is, the Central Bank of Zambia, the International Finance Corporation, and Financial Sector Deepening Zambia, and other stakeholders that were financial service providers. The registry was the brainchild of the Central Bank of Zambia. It was then passed on to an institution called PACRA. PACRA registers companies and business names in Zambia. It also registers industrial property rights. The collateral registry's legal framework is based on the Movable Property (Security Interest) Act No 3 of 2016. SI 73 of 2016, the Movable Property (Security Interest) (Fees) Regulations, 2016 was thereafter issued, followed by the SI No. 77 of 2016 The Movable Property Security Interest General Regulations, 2016.

The model law is not based on one particular law but borrows heavily from secure transaction laws in Canada, Malawi and Australia. Also informed by United Nations Commission on International Trade Law (UCITRAL).

Some of the salient provisions and objectives of this Act include the following:

- The Act deals with creation, perfection and priority of security interests;
- It ensures certainty as to priority vis-à-vis competing claims over collateral;
- It also eases enforcement in case of default;
- It ultimately seeks to enhance access to credit

Some of the lessons learnt are that in accordance with section 2 of the Movable Property (Security Interest) Act No. 3 of 2016, the existing security interest had to be perfected within 6 months after it came into effect. The time period was also too short for the Collateral Registry Office and Financial Service Providers. Despite the establishment of the collateral registry, the usage of the Registry has not met the desired expectations as evidenced by the World Bank data analysis report of 2019. It was also been observed, that only 20% of the financial service providers have adopted and used the Collateral Registry.

There are a couple of measures we have undertaken to increase the usage of the collateral registry. First, we are conducting massive sensitization and awareness campaigns on radio and holding training workshops. Secondly, we have embarked on the provision of financial literacy and are sharing experiences on the use and benefits of the Collateral Registry with the Financial Service Providers. Thirdly, the Central Bank of Zambia has also included use of the collateral registry as part of prudential regulations.

Beatrice Osicho, *Senior State Counsel, Business Registration Service*

The Government of Kenya is committed to improving the business environment in order to support the private sector to promote growth and job creation. The Vision 2030 (Kenya's economic blueprint) outlines improving access to credit by decreasing the share of population without access to finance from 85% to below 70%.

Borrowers complain about high interest rates, hidden charges, non-disclosure of pertinent information and unfair denial of access to credit. Lenders are worried about high default rates, difficulties on fore-closing on collateral through the courts and the misapplication of funds by the borrowers. With these conflicting views, the Kenyan economy continues to miss out on the huge potential that MSMEs have in driving economic growth.

At the same time there were challenges in the legal and regulatory framework for secured transactions. We have multiple laws governing different security devices and applying to different types of borrowers e.g. Companies Act, Hire Purchase Act, Chattels Transfer Act etc. Some of the laws were outdated and presented a number of legal risks. We had a paper-based manual system and inefficient and cumbersome registries. We also had time-consuming registration procedures.

The Chattels Transfer Act was enacted in 1930 but has since been amended to accommodate certain market changes (fees). Agreements entered into under this Act required registration, and in the absence of such registration, the instruments were void against third parties. The Act required submission of the agreement documenting the transaction as well as a schedule of the collateral. The lender had to register the document within 21 days failing which a court order should be produced. Registration is valid for 5 years. Details of the loan amount, name of borrower and lender were entered in the Register of Chattels, within a manual process.

In the Companies Act, some sections govern the registration of charges over a company's movable assets. A charge on the movable assets of a company have no effect against the liquidator or other creditor if it has not been registered within 30 days (new Act), commencing on the date of the creation of the charge. Charges under this Act include floating charges and charges to secure debentures.

The Hire Purchase Act regulates transactions in which the legal ownership of a title to the goods is vested on the hirer upon payment of the hire purchase price in full. The Act establishes a transaction registration system in which agreements must be registered at the Registrar of Hire Purchase Agreements. Failure to register (within 30 days) results in the legal impossibility to enforce the hire purchase agreement in case of default. For a lender to register an agreement, they must first obtain a license to engage in the hire purchase business. The main feature of hire purchase agreement is that the lender retains ownership until the price is paid in full. This makes the product unattractive to many financial institutions. There is also a limitation on lenders' enforcement rights, i.e. no repossession after payment of two-thirds of the principal loan amount.

There are number of reforms currently underway. The Constitution of Technical Working Groups was initiated and it is made up of stakeholders such as Central Bank, Kenya Bankers Association, Kenya Law Reform Commission, National Treasury, Office of the Attorney General, Financial Sector Deepening Trust (FSD) and the World Bank. A scoping mission on the current status of the various laws and the registries in existence has now been commenced. Presentations are made to key stakeholders regularly on the results of the scoping mission. There continues to be benchmarking visits to various jurisdictions that have implemented the reforms successfully, so as to borrow a leaf on best practice. Stakeholders workshops continue to be held with sector organizations including: Law Society of Kenya (LSK), Kenya Bankers Association (KBA), Leasing Association of Kenya, Association of Microfinance Institutions (AMFI), Kenya Association of Manufacturers (KAM), Kenya Private Sector Alliance (KEPSA) and the Micro and Small Enterprises Authority (MSEA), with a view to hasten the reforms. County stakeholder forums have so far been held in four Counties in the country - Nakuru, Kisumu, Kakamega and Mombasa. Participants in the Counties were drawn from various MSEs registered by MSEA

With regards to the aforementioned, some reforms have already started coming to fruition. The Movable Property Security Rights Act, 2017 was assented to by the President on 10th May 2017 and came into use from the16th May 2017 vide LN No 77. The key objective of the law is to facilitate the use of movable property as collateral for credit facilities, to establish the Electronic Collateral Registry and to provide for the registration of interests in movable property.

The development and establishment of the Electronic Collateral Registry was originated in 2017. It is exclusively electronic and accessible in real time. Registration is immediate and searches are made possible through ID numbers and serial numbers of some assets (e.g., car registration plates). It is free to register and a minimal search fee applies. The registry however does not verify legality or accuracy of the information in applications (notices) for registration. It nonetheless ensures that all mandatory information has been provided. The responsibility for errors remains with the registrant. Rejection of registration only applies on limited grounds, that is, missing information and failure to pay a fee.

These reforms are seeking to address the following main policies:

- Increased access to finance, and overall financial inclusion
- Simplification, modernization and unification of the legal framework
- Less legal complexity i.e., minimal requirements for agreements and registrations
- Reduced cost of financing i.e., an inexpensive registry
- More transparency that reduces risk i.e., registration for all property rights in movable assets
- More certainty through clear priority rules

The expected benefits of these Reforms include the following:

- Greater participation of MSMEs in the economy by enhancing and facilitating access to credit by addressing challenges
- Inability to capitalize on business opportunities and thus expand their businesses
- Lack of bankable collateral which made financial institutions unwilling to extend them credit.
- More attractive and less risky for lenders to give loans to MSMEs due to:
    - o Registration of security rights online
    - o Clear priority rules for registering security rights
    - o Clear and enforceable foreclosure laws in cases of default
- Enhanced transparency in lending, through:
- Establishment of an electronic register, accessible online to both incorporated and unincorporated entities, and to the members of the public
- Discharge of collateral once the loan has been fully paid up.
- Support of the achievement of Vision 2030, which seeks to promote the development of a strong and competitive financial sector as a key component of an enabling environment for business.

In Conclusion we hope that the Movable Property Security Rights Act and the Collateral registry will result in significant progress towards creating an enabling environment that will facilitate lending on the strength of movable assets as collateral.

3.6 Risk Based Pricing

Session presented by:

Arun Ramnath
Chief Business Officer,
Care Risk Solutions

Why is Risk Based Pricing Required? Banks need to be compensated for risk that they're taking by lending to borrowers, especially the riskier borrowers – the compensation for that needs to be adequate enough. At the same time there are borrowers who are the AAA kind – very high credit rating scores. We need to reward these kind of borrowers – they are good borrowers to have on in the lending business. crippling any gains. They can be rewarded with better interest rates compared to what the competition is offering. When the default rates drop, automatically profitability goes up and at the end of the day we are all striving to achieve profitability and lower default rates. Risk based pricing also allows the Bank to factor in all costs related to loans advances. It further promotes credit consciousness and discipline.

Scorecard and Rating Models:

- Application Scorecards/Rating Models – Bureau /Rating Agencies
- Behavioural Scorecards/Models
- Shouldn't be a black box
- Constant Monitoring – Back testing, model Validation
- Model Recalibration

There are a lot of things that were discussed in terms of a bureau score. There are other things that are also required to ensure better scoring within a lender's pricing systems – they include scorecard and rating models. The first of these is the **application scorecard**. If you do not have a credit score, you can begin with a judgment inbuilt scorecard – a first time onboarding exercise without having knowledge on how the borrowers would actually behave. Once the relationship with your customer is in place, you factor it in and build a **behavioural scorecard**. The behavioural scorecard has the necessary parameters in place to start penalizing the borrower for a wrong deed, and incentivizing them for their good deeds. That's what I would say the mechanism is when it comes to be viewed in the scorecard. Behavioural scorecards can be as simple as possible and can also get as complicated as possible.

Essentially, we realise that we cannot conclude on anything because we sometimes do not know or understand how the core we are using came about or what factors went into its determination. Such a score is a black box. We need to know the parameters that have led to it, the readings assigned to each of the parameters, the mechanisms in place, and how the final score was arrived at. We should ensure that the models we use are not a black box.

Now that we have the model should we hold on to it? That should not be the case. It needs constant monitoring due to constant dynamic changes that are happening in the economy as well. We need to test and validate these models in order to ensure their relevance. If we feel that there is a change required, how do we conclude that there is a need for change and how do we go about it? This is where we have the newer techniques of artificial intelligence and machine learning, which are made to allow recalibration of scores in a bid to get more precise results. We always concentrate on scoring a borrower rating a corporate borrower - we need to factor in rating of the loan facility requested as well. If we look at the borrower only, and ignore the product specific facility, we may go wrong. There is therefore a need to use a two-pronged scoring rating mechanism, which is also mandated by Basel.

Risk Based Pricing Computation: *Risk based pricing computing involves the minimum interest rate to be applied based on the trade-off between transaction level RAROC and hurdle rate, which represents the minimum RAROC that must be achieved from the loan.*

Interest Rate =
*[(Hurdle Rate * Incremental Capital) + Cost of Funds + Operating Expenses + Expected Loss]*
Total Value of Loan

Hurdle Rate *is the minimum rate of return on a loan at which the bank will extend loans or make an investment. Weighted Average Cost of Capital (WACC) is usually considered as the Hurdle Rate. Alternately, benchmark rates such as treasury bond rates can be considered as the Hurdle Rate instead of WACC.*
Incremental Capital *is the additional capital which will be required to be set aside for the loan to be given under the regulatory capital computation requirements. Credit Risk Weight Asset amount is considered as the incremental capital amount.*
Cost of Funds *is the cost of funding the loan amount which the bank encounters. Cost of Funds can be computed at tenor level, product level and business unit level based on the structured and policy of the bank. Cost of funds is derived using the Marginal Cost of Funds (MCoF) computation.*
Operating Cost *is the share of common operating expenses which are attributable to the loan which is being advanced to the customer. Operating Cost can be computed at a product level or business unit level based on how the relevant expenses are maintained/recorded at a bank.*
Expected Loss *is the amount of loss the bank may encounter as a result of advancing a particular loan. There are 2 main approaches for considering Expected Loss in the Risk Based* ***Pricing Computation:*** *Credit Risk IRB Expected Loss and IFRS 9 Expected Credit Loss. In absence of the above two, asset provisions based on prudential guidelines are used.*

This calculation of Risk Based Pricing, ensure that your pricing mechanism must cover all your costs of funding. It must also be sufficient to cover administration costs (cost of origination and monitoring the loan). It must provide adequate compensation for the credit risk, liquidity risk and interest rate risk. There could be a situation where an institution is sourcing funds at a lesser rate – this would mean that the institution's weighted average cost of capital would come down drastically. This would also mean that my appetite for premium risk is much higher. But then I cannot offer more than, say 12% due to the competitiveness in the market. If your cost of funds is lower, then you will be able to take on more risk.

We should not therefore be tied to looking at the credit aspect of things only, but you also need to look at the overall balance sheet, your cash flows from an asset liability perspective, pricing as a mechanism, all whilst ensuring that each unit within the banking network is a profit unit. Risk based pricing incentivizes lenders to source funds at a lower rate. It would also be wise to seek specific maturity profile of products which would mean that you need to a one to three-year horizon deposit, rather than a three to five-year horizon deposit. The pricing mechanism is highly critical in the overall scheme of risk-based pricing.

So that was a different angle that I wanted to bring in when it comes to risk based pricing. If you want to get a little more granular, you can go for maturity-based sources of funds and there are extra costs to that. There's need to set capital aside because of the risk that you take So for the incremental capital that you set aside, you need to be compensated. So that needs to be brought in into your risk-based pricing mechanism as well. There are a lot of costs that may not be directly attributed to the activity of credit purchase; you still need to factor that in. This combines the cost of the activity between borrower seeking for a loan and the bank granting the facility. How do we go about doing that? It needs a comprehensive allocation mechanism that the bank follows. It is based on cost drivers in place, which look to allocate all the costs that are not clearly attributable, and ensure that they are also factored in your overall pricing mechanism. The expected loss is very critical. We've been looking at expected loss mainly from a credit perspective. But new regulations are coming in provisions are changing. We need to consider at forward-looking measures. Economic factors in the industry, such as GDP, inflation and others, need to be factored in when arriving at the expected credit loss. These factors do not play their roles equally. A housing portfolio or a housing unit index can have a higher influence than other macroeconomic factors.

3.7 Fraud Prevention Strategies for Lenders

Session presented by:

Manie Van Schalkwyk
CEO, Southern Africa Fraud Prevention Services (SAFPS)

Take a case where there are countries where credit bureaus don't exist, where maybe it is mainly a cash society and consumers need to operate with cash to buy cars, homes, and all other things. When credit bureaus start operating in those countries, slowly but surely lenders start to feel more comfortable about lending out money because they can determine the risk. Once they can determine the risk, they can give out money and they get repaid. With the growth of the credit fraternity, fraud then starts to creep in. People can steal somebody else's identity or misrepresent themselves to get access to finance, mostly never with the intention to pay it back. People start changing their payslips as proof of income, to make it look like they earn more money so they can get their hands on more money. They start looking at manufacturing bank statements for use in the credit process.

In sharing our experience in South Africa – I will beat on two drums: The first drum is that this initiative started 20 years ago in South Africa and has proven to be a very successful industry initiative. The second drum beating, which is in line with what I have heard in previous presentations by the World Bank and by the Deputy Governor of the Central Bank, is the digitalisation of consumers. We are launching a product in April about digital onboarding by using voice and face biometrics, in seeking to identify who your customer really is.

On the first drum, I speak of the Southern African Fraud Prevention Services, and this presentation speaks more to CIS Kenya because initiative should be centralized some way within Kenya. It needs to be a Kenyan driven operation and we can assist if necessary, in the process. The main reason why we exist as the Southern African Fraud Prevention Services, is that we want to give you "the user", the ability to know who you are dealing with - are you dealing with the genuine person? Are you dealing with a victim of fraud? Are you dealing with a fraudster or a criminal or an impersonator? And that does not only go as far as your customers, but also your employees or your suppliers. Who are you dealing with?

Just in terms of a history, SAFPS started as a non-profit organization 20 years ago. It was started by two banks: Standard Bank and First National Bank, who were looking for a platform to list confirmed fraud - not suspected fraud and not convicted fraud. Suspected fraud would appear as red flag in your system. You would then send it to a forensic department for them to conduct an investigation, and you would thereafter see the evidence that the idea is stolen or that the pay slip has been altered, or the bank statement has been altered, or any other misrepresentation. Once you've got the evidence you can list it on the database. The next step will be to take it to court if you want to. That court process is usually very long, and by the time you wait for data on convicted fraud, the person has already defrauded several other companies in the process. We are solely funded by our members. We operate on a centralized database. We are registered a credit bureau with the National Credit Regulator. We share confirmed fraud for 10 years; if you found yourself to be listed on this database, you'll be there for 10 years. On the main fraud database, we list individual fraud, syndicate fraud, employee fraud, business fraud, financial fraud and internet fraud.

There is also a Victim's Database, because what happens is people steal your identity and they will go and open account impersonating you. Your information will be listed on the database, but you are actually the victim here. So, we take your information through a process to prove that you are a victim and that information will be on the database. This is a free of charge database to consumers. The third database is the Protective Registration. It exists to protect consumers who feel that their information was compromised in some way or form because they lost the I.D or their laptop and they might become a victim. We load them on this database so that they get protection against identity fraud, free of charge.

All the major banks in South Africa are members of the SAFPS. It's not only banks that are members we've got large lenders of microfinance, clothing retailers, furniture retailers, and all other kinds of retailers because one can buy all these products on credit in South Africa. We also have motor vehicle finance companies, cell phone companies, insurance companies and some healthcare companies. I think more importantly is our public sector partners - the South African Revenue Service (our tax man) makes use of services for financial intelligence and to investigate financial crimes. The South African Reserve Bank, and the Department of Home Affairs also use the SAFPS database on a daily basis.

How it works in reality is that the consumer will apply to the bank for credit, then the bank will go to the credit bureau first and check if the consumer can afford the credit, and then they will come to us for a fraud inquiry. If at all the consumer is listed on any of SAFPS databases, then the whole credit process pauses for a period. Within the inquiry process, the file will be sent to a different queue where a supervisor will look at the information. If it's a protected registration, the victim will have been issued with a letter that has a reference number. The consumer will then be asked for that number – if they provide the correct number, then the credit process carries on. If the consumer is on the fraud list, the credit process stops there and then.

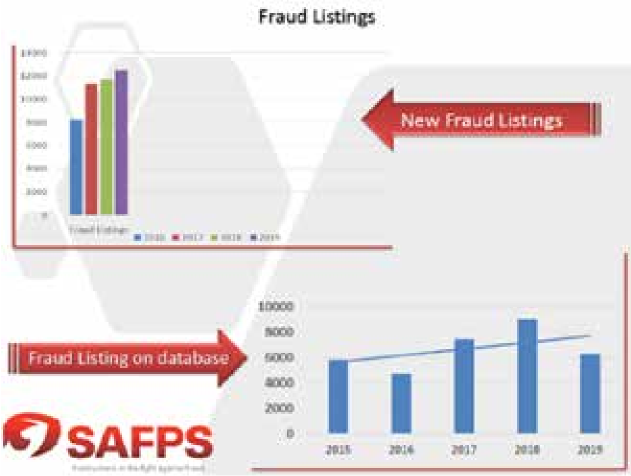
The SAFPS system is therefore basically just a depiction of consolidated data, which is then given back to the industry, based on the three databases: fraud, protective registration and victim information. The information is used extensively in credit extension. Human resources, collections departments, forensic departments, insurance and healthcare are all users of these databases. The broad categories of fraud (which also have sub-categories) are about impersonation, forged documents, misuse of account through fraudulent conduct with somebody opening an account, employee fraud, insurance fraud, internet fraud and business fraud.

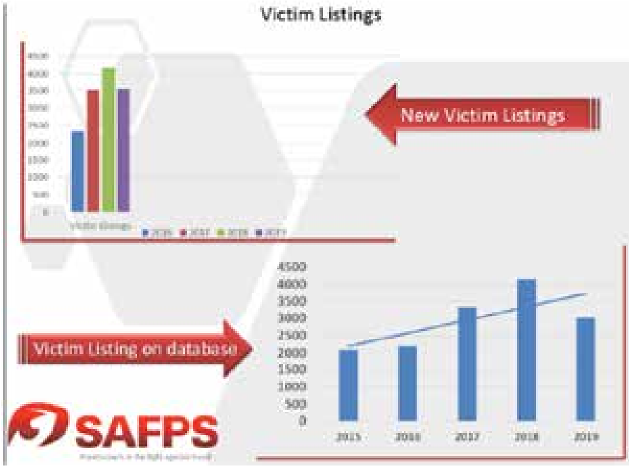
What we quickly realised is that we can't take up the fight against fraud alone. We therefore started three major sector meetings: the first one was bank asset finance and unsecured lending. The second one was retail furniture and clothing and the third one was telecoms mobile and fixed line. We get the competitors around the table every three months, so that they can discuss the current modus operandi which the fraudsters are using at the time. We share it among each other and to a global forum which we started about two years ago - the Global Financial Crime Prevention Network. The members of this forum are SAFPS, Insurance Crime Bureau, Ciphers which is the U.K., and the Financial Crime exchange which sits in Australia. We share that modus operandi and the approach to use with them. They too do the same thing with us because they have similar groups. Fraudsters can sit in any country. Wherever they are they will find that same modus operandi and they will tap into it, clean, and they will move to the next country for a new fraud. We therefore need to keep warning each other on a global basis.

In terms of fraud trends as per last year's data, the kind of fraud where they fabricate I.D. and names (i.e. the person doesn't exist at all – just made up) is coming down. And the reason why it's coming down is because they are now using real I.D.'s and real names – in other words they are now stealing your identity and my identity, and then they use that information to open accounts in your name. From 2016 to 2017, the figures nearly doubled, and between 2017-2018 they actually doubled. In 2019 it started to stabilize. These figures are out of control. The next one is the false employment details – it went up by 25 percent in 2019 for false payslips, non-existing employees.

Trends 2017 - 2019			
	2017	2018	2019
Fraudsters use fabricated ID's and names	-	-34%	-36%
Impersonation by using real ID and names	+89%	+101%	-12%
False Employment Details	-	+16%	+25%
Forged Payslips	-	+17%	+25%
Non Existing Employers	-	+16%	+25%
False Qualifications	-	-5%	-14%
Combination of Forged Documents	+46%	+47%	+33%
Misuse of Account through Fraudulent Conduct Evading liability Money Mules			+207%

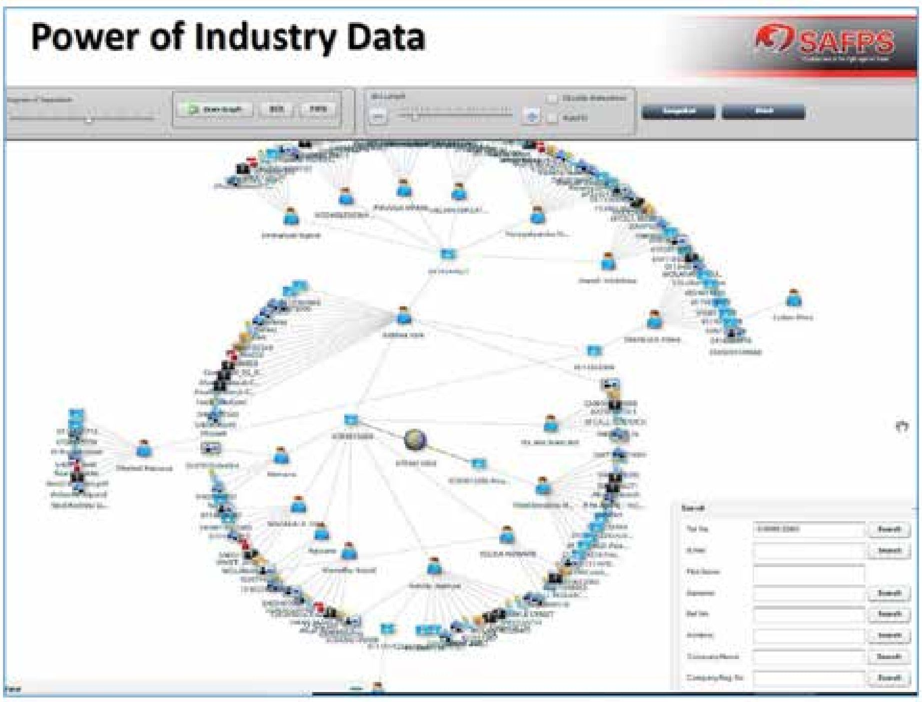
Some of the time you will phone somebody to confirm if they are an employee of a certain company – someone will answer the phone and confirm that it is indeed the company you seek, and that the person definitely works there and earns this amount of money. The truth is that the employee does not exist. It's a syndicate sitting behind a home phone "confirming" employment. It's a call-centre operation. This kind of fraud syndicate has grown 25 percent in the last year, on top of another 16 percent the previous year. There are people who are using a combination of fraud documents: the I.D., payslip, bank statements - all false. This has grown 46 to 47 to 53 percent. I think what's concerning to many banks, and the banking association is money mules. Money mules is one of the biggest issues in the UK currently. A money mule is when you have got a centralized database of identities which is linked to a fingerprint; because it becomes very difficult for fraudsters to open bank account nowadays, they go and target the guy on the corner of the street - the homeless guy – and tell him to open an account in his name, then they will pay him. This makes banks open an account giving access to a fraudster. Ciphers UK have done extensive research on that and they can link the money mules directly to terrorism and to human trafficking. Money mules grew 207 percent last year in South Africa alone. It is a terrible trend and the only thing we can do is to make consumers aware of the dangers of doing that. It's very difficult when you don't have any money, yet somebody is prepared to pay you just to open a bank account, which is then used for all sorts of fraudulent transactions. There's always a long sob story behind it when investigations commence.





In terms of new fraud listings as illustrated above, they are climbing every year. Victim listings are also climbing every year.

Protective registrations - where people feel vulnerable for having lost their ID's, their laptops, and seek some protection – this is also rising. Data breaches spark protective registration. We just had a data breach yesterday. Data on about 1.7 million clients of Net Bank was compromised. Name, I.D., address - the full information. The fraudsters take that information and try to open a "counselling unit". This is why we need to protect the consumer. The savings are reported directly by the members. What they say to us is that we would have granted credit if it wasn't for this information because we had this information, we stopped it. Last year the saving was 2.5 billion Rand, reported by 11 companies. I think it's significant in terms of the return on investment. That is why we're sharing this success story with you, so as to see if there is possibly a need within Kenya to start a centralized database of fraudsters.



The banks and the retailers have individual solutions to fraud in terms of what they use. The solution we would like to demonstrate is not replacing those solutions. It is complementing them. In the illustration above, we've entered a cell-phone number in to a database and you can see how that cell phone number links with various people using the same cell phone number, and/or address, and/or bank account details. If you were a company on your own collating your own data, you would never see this kind of exponential links and the power that collective data has.

We are now trying to move the business to a point where it verifies and validates information before it becomes fraud by using biometrics. The medium-term plan, having analysed all our data within the credit bureau side, is to backtrack all behavioural data for a year, for every single fraud on our database. We will also have the behaviour for a year for every single victim and every single protective registration person. When you start looking at the detailed data, in terms of when the loans are granted, how do they pay, and when do they start becoming fraudulent, it all begins to make sense. At this point we add Artificial Intelligence across it and use machine deep learning to eventually give you some fraud prevention models. You can have generic models, or you can have customer specific models, or you can have industry models that provide you with intelligence on what to be careful of.

We are launching a product in April 2020, which we call Secure Citizen. It is a South African driven initiative that uses biometrics. It can also be launched in other countries, where we would have to look at, your circumstances, what data sources you have, et cetera. But the moral of the story is that we taking the hands of 90 percent of good consumers and say let's fight fraud together. Give me a written application that you can download on your smartphone and provide me with your voice, your face and your address. We validate all the information and you become a secure citizen. It will quickly work because it will apply to photo loan apps where we can then make a positive match. We also do the voice verification and the address verification. For future enhancements you can take a photo of your fingerprint, and it verifies against a voice or face a problem. The only problem with this is that you really need high spec phones with high speed cameras to be able to do that. So, it's not part of our launch product but it can be done later. We verify a consumer's information against Home Affairs, and also a proof of address. If you don't have a very formal address (which we don't have in South Africa as well), we have brought into the app a behavioural movement validation. So, we will ping that app five or six times a day and monitor your movement. Within a period of two weeks we can understand where you stay - and we've got the coordinates for that. If it's different to the address that you provided us, we will ask you the questions: Why is it not the same address? Maybe renting it out. Maybe you've got a new girlfriend. Maybe you've got a new wife. There are various reasons but it's fine as long as we know, we will not judge. We just want to know - where do you sleep. There is active consent on that - if you don't want to consent to it, you can say no. You can provide some proof of address. The last thing is we have device data collection - when you have the app and we've verified you; we now know that the phone device belongs to you.

Our clients which are the major banks and retailers say they have offices in the rest of Africa, and they want the same service that SAFPS is offering in those countries, both from a centralized database, and also from a Secure Citizen point of view. Consumers will capitalize on the biometric database, especially where they don't have I.D. because the biometrics become your unique identity. You only have to validate somebody once against the home affairs database. Them your voice and your face become your access to finance – your password. You can travel wherever you want using this unique identity. The database will reside in every local country so if Kenya gives an indication, they want for centralized database it will become a Kenyan product - you get to decide on the rules of the database. A centralised body like CIS Kenya is, I think, perfectly positioned to drive this country in this initiative, on behalf of the industry. A centralized database won't work for two people. You can start with two banks and then it will grow but you need it as an industry initiative. Ultimately, we reduce fraud volumes together and contribute to economic growth of the country. The corporates really save a lot of money and time by eliminating fraudulent applications and dealing with people who are trying to defraud them.

Discussions:

Issue 1: In the African culture and some religions, polygamy is allowed and this can cause confusion on the proof of physical address. What measures can be taken to resolve this issue?

Manie Van Shalkwyk: It may be a real conflict; South Africa is influenced by the same cultures too. There is no real conflict with that, for as long as the credit provider knows where you are and that you are contactable. You can provide more than address if you wish.
This is a full spectrum product. If you as a digital lender want to just use voice as a biometric. That's perfectly fine. You can incorporate this into your application. Some clients in South Africa are using it in-store for the application process of credit.

Issue 2: I think the information that you are collecting is quite a lot in invasive. What are the regulations or the laws that allows for this?

Manie Van Shalkwyk: In terms of the centralized database, for the victims it is fine because it's based on personal consent and the victim decides how long they want the data and overprotective registration. It's a voluntary enrolment database and people decide how long they want it to be listed; and it is free. Where you collect information about the fraudster that becomes a problem for the fraudster and we utilize our data privacy legislation which makes provision for fraud prevention data to be shared. Kenya adopted a data privacy legislation in November 2019, which says the same thing. If the information is for fraud prevention, it is okay to share it.

Issue 3: Have you had any challenges with the fraud information reported? In Uganda we have that challenge, because the information is not yet proved beyond reasonable doubt. Also what kind of information do you give to the institutions who subscribe to SAFPS services – is it just a simple "yes or no" or do you give them detailed information?

Manie Van Shalkwyk: We have had several legal battles as you mention, and we have won every single case because it's all based on evidence. The law says we cannot list information if there is doubt. You must have evidence that false facial recognition data, or that fake ID, or the forged bank statement or payslip, et cetera. The document that was used to defraud the lender is enough evidence - it doesn't have to go to court. The courts also recognize it. We just won a significant Supreme Court of Appeal case, and that court legitimized what do we do in a very big way. It said that fraud is fraud – if it goes through a court process, it just becomes convicted fraud. But it is still fraud - it doesn't make the fraud less serious or less real.

Issue 4: Do corporate fraudsters appear in the database? There is a lot of information sitting at our regulator's Banking Fraud Investigation Unit, especially on the serial defaulters who are also fraudsters. How can that information be availed electronically to lenders, for consumption?

Manie Van Shalkwyk: For the first question, yes, there is a category for business or corporate fraud that gets loaded onto the database. But the volumes is not as high as the consumer fraud database.

Jared Getenga: For the second question, the existing data in the banking fraud department, is there courtesy of a partnership between the central bank and the police unit. Today, if the banks wanted that information they would have to go to the Central Bank and the police unit. That may not be easy to get, but it is worth trying, through the Kenya Bankers Association. But our thinking is that if we were to adopt such a model, and we were to engage the central bank through this model, we would like to have such data in the fraud database; most probably through the banks that submitted it, or from the from the banking fraud directly depending on the conversations that would take place.

Manie Van Shalkwyk: Also, it is a totally voluntary database. The Golden Rule is that you need to sharing information, to see information. If you go out to dinner, it's wonderful just to eat, but for this one you need to bring your own meat, to eat. If you don't share the data, we've got dedicated people that monitor how institutions share that information, because sometimes we bring a steak and sometimes, we just bring a sausage. If you have little data that's fine. But you need to be sharing information because that's when everybody benefits.

Issue 5: In Kenya's current CRB 2014 data submission template, we have the fraud activity file. It's not mandatory - it's voluntary, but isn't that a step forward for lenders to start sharing fraudulent activity information, in as much as the regulator insists that we need to prove the fraud in a court of law? Once a fraudster commits a fraud and is not convicted or caught, it is highly likely that he or she will commit it again. To avoid the second or third hit, it would be great to start sharing this data. There is a template already, which CIS Kenya has done a commendable job in creating. It's only for us lenders to fill in the data and start sharing. So maybe if SAFPS can partner with us here, then we can do it together.

Manie Van Shalkwyk: I agree with you. We need to recognise there are three categories of fraud. There is suspected fraud and that is where the credit bureaus play a big role – they give you big red flags, even though it is not confirmed yet. It is just giving a red flag and we say leave it to the credit bureaus; they're good at that. Once you've done an investigation and you see the evidence, that's when we pay it off and list it as confirmed fraud. The conviction is a different story - People do not go to court for 5000 rand or 50000 rand cases - it's just too expensive and it's too torn up. If we rely on convicted fraud, we will never win this war. Kenya's data privacy legislation opened up that opportunity – and you don't have to convict to report. Once you've got confirmed fraud you can you can use that information.

3.8 Credit Guarantee Schemes

Keynote speaker and session moderator:

Gabriel Davel,
Institute For Credit Market Research & Development

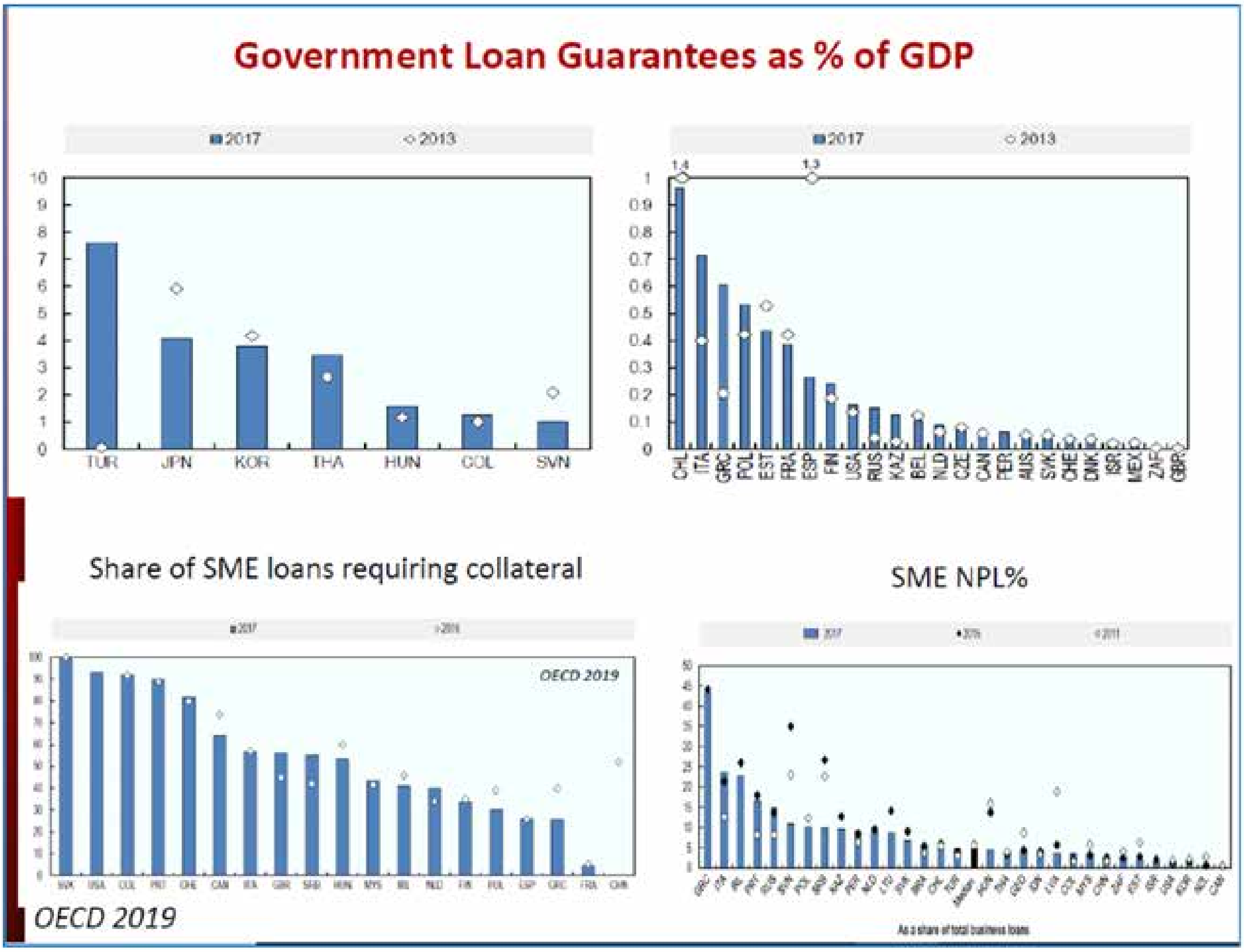
Partial guarantee schemes and SME lending: SMEs are critical for economic growth, and increased employment opportunities. SME growth is an engine for employment. In South Africa alone, fifty two percent of all employees belong to the SME sector. SMEs are also incubators for new businesses and innovation. They promote exports and increase tax collection.

Bank finance is a critical factor for SME growth, both in terms of working capital finance and finance for expansion. Credit contraction in adverse economic conditions is a major obstacle to SME survival and growth. Banks generally accept SMEs as important and profitable client bases, with high potential for growth. However, there are significant challenges in financing the SME sector, i.e.:

- Collateral quantity and quality ¬
- Financial Statements
- Management Changes
- Credit Information
- Swings in the business cycle
- Registration capital and provisions (Bsel II / III + IFRS 9)

Look at a lender who got financial statements that they cannot trust. The collateral provided is dodgy and when you try to sell it you get half of the valuation needed. Or the executive manager of an SME leaves or dies and the business goes under. Now you see why lending to SMEs can be difficult.

Internationally, guarantee funds are a preferred policy instrument to support SME Finance. Partial Credit Guarantee Schemes have a long history in OECD and developing countries (Japan – 1937; USA – 1953; Germany – 1954; Canada – 1961; Italy 1960). They help in averting risk, as well as in contract enforcement and information exchange. They are traditionally government initiatives but are now obtaining a big commercial interest. Guarantee fund sizes range from US$ 10 million to US$ 30 billion. Some are even much larger than that. Different guarantee fund products exist mainly due to sector or population targets, disaster relief efficiencies, and industrial developments.



	Number of guarantees issued in 2009		Outstanding guarantees in 2009		Average value of guarantees issued in 2009	
	Number	Per million people	Amount in US$ Million	% GDP	Amount in US$	Scaled by GDP per capita
Canada	10,000	300	2,000	0.1	100,000	2.5
Chile	60,000	1,800	1,000	0.6	10,000	1.0
France	80,000	1,250	10,000	0.4	60,000	1.4
Hungary	31,000	3100	2,680	1.9	76,500	5.5
India	100,000	100	1300	0.1	10,000	10
Korea	200,00	5,000	50,000	5.0	125,000	7.0
Malaysia	14,000	400	2,000	1.0	66,000	9.4
Netherland	3,200	200	1,500	0.2	230,000	5.0
Taiwan	220,000	8,000	12,000	3.5	50,000	3.0
United States	50,000	130	30,000	0.2	150,000	3.2
Average	62,000	2,100	13,500	1.37	100,000	4.0

WBG

Figure 10: Outreach of Guarantee Schemes in Benchmark Countries

These are the countries that are pushing these funds into small businesses. In developing countries it's much smaller and much newer but should be embraced. And I would say we not keeping sufficient policy support. In developed countries, over 50 percent of SMEs do not need collateral because their country's credit information system is so efficient, they can approval of a loan of thousands of dollars in minutes. In our developing economies, we need to push a policy instrument that can push these balances and enforce the growth of credit guarantees, otherwise we will not see the growth we seek in the near future.

By way of example, in Taiwan, two hundred and twenty thousand businesses are guaranteed. Work by the way the population of 25 million. Africa has the lowest cases of guarantee funds. The partial guaranty funds are pretty straightforward. When a business has low collateral, let's say 5000 rand. The bank can say they will give 2500 loan = 50 percent. What we advocate for however is the banks can give bigger loans against the smaller existing collateral that are helpful to SMEs with the inclusion of guarantee funds. The goal is also to have higher SME loan approval rates.

There needs to be a systemic impact over business cycles. SME growth gives a counter cyclical impact and prevent credit crunches in economic downturns. In Chile for instance, they had exponential growth between 2009 and 2010. This came about because they embraced risk-based pricing, strong commercial foundation, and an appropriate risk management framework. Taiwan also had a countercyclical effect after credit contractions through improved guarantee terms and qualifying criteria. In addition, the guarantee schemes reduce the risk of bank failure and improve economic and financial sector stability.

The core concept of a guarantee fund is that it is funded with public money. It provides increased access to credit, increased employment, greater economic impacts, and also takes into account a concept called social profitability. Even though it costs money from the public sector. The paybacks, and those paybacks are much bigger than the amount that the government provides, are indeed more beneficial than not having a guarantee fund.

A typical guarantee fund is established or owned by governments, or the banking industry through a joint capital of 7% to 25% of the debt portfolio you seek to achieve. This is mostly achieved through government fund allocations or bank contributions. It could also constitute of donor funds, SME association contributions, guarantee bank funds, private guarantee company funds or reinsurance capital institutions. A special law on the recognition for bank capital requirements may have to be enacted. The key aspect of guarantee funds is to prevent moral hazard and equitable selection.

The target markets need to be understood. Are you lending only new loans to excluded clients or are you lending to current clients only? Some may go to the extent of sectoral targeting – do you want to segment your lending further to say, gender targeting, individual targeting, corporate targeting, and so on?

Coverage, premiums & claim payments need to have a 30% -80% coverage, after recovery of collateral. You can either embrace standard or risk-based pricing, though the latter has more benefits to the economy in the long run. There also needs to be a decision on whether the banks apply for the guarantee, or the borrower does. SMEs have to be trained to adopt independent (professional) management. Performance monitoring is encouraged once the loans are granted. Sound rules and effective risk management brings about net loss ratios below 3% - 4%. Risk based pricing gives financial value to the lenders. With the guarantee fund having reduced the premium cost of lending,

Where guarantee schemes are implemented and used appropriately, the financial impact on SMEs is huge. There will definitely be an increase in SME margin growth from 3% to +10%, after cost of credit insurance.

When an economy dips, SME struggle with their own customers payments, then they struggle with suppliers that want payments quickly, then the bank cuts their funding. This destroys the sector completely. What the leading-edge countries do is when the financial crisis hits, they push up the guarantee fund. They make the guarantee easy to get to create a buffer and to create an ability for the financial sector to go through the cycle.

The guarantee funds also somewhat take away the risk the banks, so that the banks can have an incentive to continue maintaining that level of lending.

Guarantee funds should give you capital relief as a lender. You are able to do slightly bigger loans and earn the income on those likely bigger loans. If you play your cards well you might even pass on some of the benefits via risk-based pricing to your customers. The net result of all of this should be in the bank managing more SME loans and able to make to recover more than the cost of the premium. However, they should also be aware that no guarantee fund subsidizes the cost of capital of the rate of interest on lending.

Currently the majority of international guarantee funds are government owned. We are nonetheless moving towards a world where we can start to think of each industry having its own capital for guarantee funds. Lenders can use credit information as part of your risk management tool to provide loans without security. The real breakthroughs are going to be in this space, when there's an integration between your institution's capital and guarantee funds. Risk transfers can be done to international reinsurers, subject to regulatory requirements. Interfaces with fintech applications will also further assist with information integration, risk assessments, monitoring & administration.

Panelists:
Joshua Obengele,
Risk Manager, Africa Guarantee Fund

African Guarantee Fund is an international private Guarantee Fund that was established in 2012 and started operations in 2012. The take up in the beginning was a little slow, but as we went by and by, as the market started becoming aware of our existence of our product and the benefit that it provides, especially to the financial sector, we saw our outreach level picking up very fast. This has thus far been highly beneficial to not only to the financial sector, but to wider society and the economy as well.

In terms of our model, we mobilise capital from various parties. Our ownership or shareholding structure is a mixed or blended one. We have certain classes of shareholders, where first class is left to the government and a couple of donors. We have a second tier of ownership where we invite the DFIs and several other donors too. Then the third tier is left for the private sector like financial institutions and high net worth individuals. These are the people we can call partners because these are the people conscious about making a return. So, we mobilise capital and we use that to unlock and channel private capital from financial institutions to SMEs. Our key partners are financial institutions. We share risk through partial guarantees with the financial institutions to enable access to finance from mainstream financial sector to SMEs. You will understand that one of the key problems that if it means find is accessing credit from the mainstream financial sectors. This is because of various issues, but one key one is the perception of high risk. Certain feasibility studies were done before we set up which found that this perception is real. It is the key element that prevents financial institutions to aggressively go into the SME segment.

That's where AGF comes in to provide various products of guarantee funds and drive impact. Our ultimate objective is to contribute to poverty reduction as well as ensure sustainable economic growth. We build capacity within the financial institutions we give guarantee funds, in terms of gaps that exist in terms of skills, or knowledge around lending to SMEs, the processes and policies that are inherent and being used by the banks or financial institutions to lend to SMEs. We also check if they have the correct lending systems. We can use this fund to then help build the capacity within the financial institution, which eventually leads to a lower risk in offering loans to SMEs. In turn the lender can then consider pricing based on the results that come out of our capacity development interventions or initiatives.

We have private Guarantee Fund or credit guarantee scheme, and we also offer public credit guarantee schemes. There are pros and cons for each. We know the history of credit guarantees schemes in Africa and of course also in other parts of the developed world. In Africa especially, there's been a lot of failures of credit guarantee schemes and understandably Africa came into the game a bit late – in the 1960s is when Africa really woke up to credit guarantee schemes. The initial schemes that came in at that time, did not have the benefit to understand how the entire guarantee scheme framework works. Therefore, we had a lot of failures but bottom line the key thing was the differentiation between public and private. The schemes in Africa were public or government owned, directly owned – some through private entities or government owned entities. The success rate was thus quite low. Even today the kind of schemes we have in Africa - If you look across the regions in Africa – we have schemes that are still owned by government and are still struggling for various reasons.

One key advantage of a guarantee scheme is that as opposed to a direct line from an investor or funder, you can leverage as a bank. For one dollar of fund that you receive directly from a financier, a credit guarantee scheme can be able to make you lend eight times that amount. In Africa we currently leverage four times our capital - and that is only 50 percent because our risk cover or our coverage ratio for all guarantees is a maximum of 50 percent - so if we double that it becomes 8 rather than 4 dollars. Financial institutions can therefore have more impact on credit guarantee schemes than accessing direct funding. Some of the guarantee products we have on the market include:

1. Bank Fund Raising Guarantee – it helps financial institutions to reduce their resource gap and access long term financing either directly though borrowing from other financial institutions or DFIs, OR through bonds by the financial institutions. This guarantee helps a lender pass on borrowing to the SME segment. Long term financing to SMEs has more impact than short term financing because it enables them to invest in key assets and human resource.
2. Loan Guarantees (portfolio and individual) - to reduce the collateral gap and perception gap. When you have insufficient security in the loan portfolio or many individuals guarantees we'll have the collateral gap as well as the high-risk perception gap.
3. Equity Guarantee - to reduce the resource gap and perception gap. This is a unique one because it helps access equity capital from private equity funds to invest equity into the SMEs.
4. Capacity development to PFIs to reduce the information gap, skill gap and perception gap
5. Capacity development to SMEs to reduce the information gap, skill gap and perception gap

Credit guarantee schemes are critical to contributing to the development of the economies within Africa. In 2012 our guarantees were implemented in nine countries. Today we are in 40 countries across Africa. Our mandate is to cover the entire Africa. Our guarantees have managed to partner with 137 financial institutions across Africa, and we have enabled access to finance to 21,000 SMEs in the continent. We have also issued guarantees of up to a billion dollars today. We have made available credit of a billion dollars to the SME segment in Africa, making the total available credit equal 2 billion dollars. Out of the 2 billion 1.5 billion has already been drawn down. For the estimated number of jobs that our guarantees have created is estimated to be about 125000 jobs. 20 percent of the SMEs supported under our credit guarantee are women owned or women led. This is a critical component of impact, where we have financial additionality and economic additionality. We started with tenures below 24 months. Today our tenures are about 55 months. We also have a capacity development arm which has an impact of between 2200 financial institutions. 60 percent of the guarantees that have been issued are to youth led or youth owned SMEs. 11 percent of our portfolio is green - we have a unique guarantee called the green guarantee which we developed. 84000 out of the green guarantee have been connected to solar and this has helped minimize or reduce carbon emissions to the tune of 8 million dollars.

Ronald Inyangala, Deputy Director, Financial & Sectoral Affairs, The National Treasury - Kenya

The draft Kenya Credit Guarantee Scheme: In Kenya, we have a policy framework that we are currently developing. This begun in 2009 at the National Economic Council. Around 2012 there was the development of a policy, a Bill and the formation of an authority. The Permanent Secretary of National Treasury was part and parcel of the development of these documents, and as such seeks to ensure that this is implemented by June 2020.

In 2015, there were many challenges in terms of stakeholder involvement. In 2017, we proposed to start a Kenya National Guarantee Credit Company. There will be no authority formed, but the policy remains.

The purpose of the CGS policy is to:

- Leverage CGS to unlock surplus liquidity available in financial sector for MSME credit. At the National Treasury we believe that the best way to intervene in the market, is not necessarily through the funds, but through an instrument that can unlock funds in the financial sector.
- Enhance participation of MSMEs in the economy by facilitating their access to finance. There are about 14.9 million MSMEs
- Support achievement of Kenya's Vision 2030 through a strong and vibrant financial sector
- Guide involvement of the Government in risk sharing initiatives to avoid market distortion
- Promote a positive business culture including: honouring financial obligations by businesses, prompt debt payment, good business management practices and use of business development services by MSMEs
- Formalization of businesses
- Foster graduation of businesses from micro to small, small to medium and medium to large enterprises
- Ensures that women and youth-owned MSMEs businesses shall be able to access credit

The optimizing principles:

- Optimizing financial liquidity through leveraging and targeting
- Enhance economic growth through access to quality and affordable credit
- Balance outreach, additionality and financial sustainability
- Institute appropriate corporate Governance framework that ensures adequate risk management and internal controls
- Leverage on use of emerging technologies and data management for efficiency
- Facilitate adoption of credit referencing as an integral part of the credit appraisal process.
- Foster partnerships, collaboration and linkages across all participating institutions – sort of like a PPP model.

The proposed policy framework includes the following:

- Legal and regulatory framework
- Corporate governance and risk management
- Funding and the management of the Fund
- Operational framework, and
- Monitoring and evaluation

The legal and regulatory framework will be guided by the following policy strategies:

- Establishment of the Kenya Credit Guarantee Company Limited (KCGC) Ltd
- Appointment of Central Bank of Kenya as a supervisor (not a regulator) of KCGC
- Development of regulations/guidelines to operationalize the company
- Promotion and development of CGS framework in the country
- KCGC mandate shall be supported by clear strategies and operational goals
- KCGC shall have a corporate governance recruited under a clearly defined criterion
- The Board of KCGC shall operate on a fixed rotational term
- The KCGC Chief Executive Officer shall be competitively recruited
- Sound internal control framework to safeguard the integrity and efficiency of its governance and operations
- KCGC shall employ an effective and comprehensive enterprise risk management framework to identify, assess and manage risks in its operations
- KCGC shall be audited by a Certified Auditor in accordance with International Accounting Standards

Funding and Management of the Fund - Proposed sources of funds include:

- National Government (20% equity shares)

- Participating Financial institutions
- Bilateral/Multilateral agencies
- Development Partners

Safety, sustainability, growth and liquidity of the KCGF will be achieved through:

- Diversification and clear sources of the fund
- Provision of adequate funding to the KCGC to enable it achieve its policy objectives
- Prudent management, investment and adequate protection of Company resources
- Utilization of insurance/reinsurance
- Utilization of artificial intelligence to carry out its functions
- Investments to be limited to Government securities

Operational Framework

- The Company shall adopt clearly defined and transparent eligibility and qualification criteria for MSMEs, PFIs and credit instruments
- KCGC shall apply portfolio approach as the primary credit guarantee delivery method
- Guarantee offered by KCGC shall be partial to incentivize PFIs and compliance with relevant prudential guidelines regarding credit risk
- Fees levied by the KCGC shall be paid into the KCG Fund
- The Company may set up difference schemes to cater for specific needs
- KCGC shall adopt transparent and consistent risk-based pricing policy
- The claim management process shall be efficient, clearly documented and transparent, providing incentive for loan loss recovery

Monitoring and Evaluation:

- KCGC shall be subject to quarterly and annual reporting mechanism and shall publicly disclose nonfinancial information related to its operations
- A detailed M&E framework for the Company shall be developed to implement its strategies
- Predictive early warning systems utilizing machine learning will be adopted by the Fund
- The Performance of the Company shall be independently evaluated at least every 3-5yrs with regard to its outreach, additionality and financial sustainability. The findings shall be publicly disclosed.

The National Treasury is working together with participating financial intermediaries in the execution of this kind of an assignment. In our task force, we have KBA and AMFI on board. We seek to have Central Bank supervise this agency, and banks are supposed to be shareholders. The borrowers should not interact with the company that is guaranteeing the funds. The bank system remains as it is.

In conclusion, The National Treasury proposes to establish a Kenya Credit Guarantee Fund company under a PPP arrangement which will have National Government as a minority shareholding while Participating financial institutions will be majority shareholders. We are in discussions with development partners also – USAID and others are very ready and willing to support this initiative. We have also undertaken a feasibility study, supported by FSD. The report is now out, and we are now developing a business model for this company. From Treasury's point of view this will be up and running by June 2020.

3.9 Financial Literacy and Public Awareness on the Role of Credit Infrastructure

Session presented by:
Madalitso Chamba,
Chief Examiner Consumer Protection and Financial Literacy, Reserve Bank of Malawi

What is the best time for a consumer to see his or her credit report? When looking for a loan, or before? Being a part of the regulator, I agree, that they should see it before they make an application for a loan with the bank. That way they can prepare themselves to negotiate with the bank for a good credit facility, with favourable terms and conditions. How can we help a financial consumer to get a clean credit report and have more control? My background is in financial literacy and consumer protection. As a central bank in Malawi, we also handle consumer discipline and complaints. Most of the complaints are from consumers who have been denied access to loans because they have a bad credit report. Some are not even bad borrowers. They just changed their bank account from bank A to bank B, without closing the one at bank A. The banks report accrued bank charges.

The Malawi financial literacy program was established in 2012, It has to date been informed by Financial Literacy and Capability Baseline surveys 2008, 2015, and 2018. The surveys revealed low financial literacy and capability levels of Malawians. This low financial literacy levels were leading to low uptake of financial services and products, and in addition, to low access to credit. Formal Credit was at 0.7% in 2014; in 2018 it was at 3%. Mortgages were at 0.04% in 2014; and in 2018 they were at 0.7%. There still remains a negligible voluntary access and analysis of credit reports by financial consumers.

The program's objectives are:

- To empower Malawians with financial knowledge and skills for informed financial decisions
- To promote access to financial services and products by all Malawians, specifically low income and other vulnerable segments of population
- To promote economic and social transformation of Malawians

The program's governance has a high-level steering committee which constitutes of The Governor, Reserve Bank of Malawi (Chair of the Committee), and the Bankers Association (Vice Chair). Membership is determined by interest and willingness to support and implement financial education initiatives. The membership's composition includes the Reserve Bank, all industry associations, Ministry of Education, and Malawi Stock Exchange. The committee provides strategic direction and oversees implementation of financial education initiatives across the country. Within the main committee, there is a technical committee and a secretariat. The Technical committee develops and executes financial education initiatives, and reviews which ones are best for the country. The secretariat is headed by the central bank's consumer protection and financial literacy division. They co-ordinate and support implementation of the financial education initiatives. Other stakeholders of the program include the Ministry of Finance, the Institute of People Management, the Credit Refence Bureaus (2), the Bankers Association, the Institution of Bankers, the Malawi Microfinance Network, the Malawi Union of Savings and Credit Cooperatives, the Consumer Association of Malawi, and representatives from many other institutions. We believe that together we can do more.

Malawi's national financial strategy, was a 5-year road map that contained five strategic priorities. The integration of financial education in secondary school curriculum; an initiative which started in 2015. It also introduced rural community financial literacy program in 2018. It still has ongoing media programs and workplace programs for employees. It also focuses on targeted awareness weeks e.g. for credit awareness, insurance awareness, investments awareness, and so on. The credit awareness weeks mainly target employees, MSMEs, religious leaders, the youth, and other groups that stand to benefit from financial education.

The drivers of credit awareness programs include the low uptake of formal credit despite existence of many lenders. The programs are important because very few have seen their credit reports to date. There is also a high rate of informal borrowing and a high rate of over indebtedness and NPLs. The flip side also presents loss of securities to lenders due to defaults. Bottom line, the proportion of Malawians using credit reports is very low. In some cases, many consumers look for credit reports when applying for loans, and not before.

The core financial literacy messages of our program are:

1. Understand your rights and obligations when accessing credit;
2. Benefits of accessing, analysing and using credit reports from credit reference bureaus;
3. Tips on how borrowers can avoid falling into credit traps or non-performing loans and realize the most from personal or household or business credit.

There are a number of activities that have been implemented since the commencement of the program's implementation. Some of them include:

1. An official launch, where the Governor and other high-level stakeholders gave a press briefing on radio, tv and print media, on the objectives and core messages of the program.
2. Workplace training sessions, where we developed a standard presentation depicting the core messages in local and English languages. We also developed brochures/posters/leaflets. We trained 30 facilitators and formulated small groups of facilitators – 3 per group – who visited and made presentations to employees of 120 large organizations. The workplace awareness sessions were for a maximum of 1hour 30 mins and an average of 50 employees attended each session making a total of 6,000.
3. Town Hall Meetings were conducted separate townhall meetings for MSMES and religious leaders in the rural areas. 1,000 MSMEs and religious leaders participated in the sessions. The religious leaders were selected for replication of the messages in their congregations. All sessions were covered by the media for increased outreach. A total of 7,000.000 were physically reached

A total 7,120 employees, MSMEs, religious leaders were physically reached through 1 hour 30 mins seminars per group of 50 participants. The general public was reached through the media -mainstream and community radios, television and newspapers. Out of the 7,120 people physically engaged, less than 50 had heard about credit reporting and credit data bureaus. Malawians are legally allowed to view their credit reports, at no cost, once a year. However, only 20 out of the 7,120, including the facilitators had seen their credit reports. In terms of access to loans, many people complained of high processing fees and interest. Delayed disbursement of loans by formal lending institutions also made many opt for informal lending institutions. Many also complained of inadequate transparency and the lack of disclosure on credit terms and conditions.

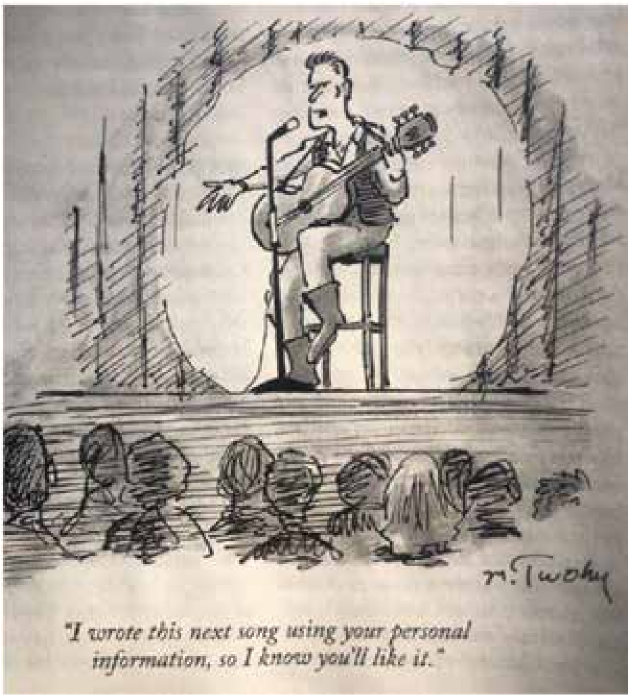
The challenges that have been faced in the program so far included unconfirmed appointments with some of the targeted workplaces. In addition, some participants, especially civil servants, were demanding allowances. There were also limited resources – both financial and human capital. The solutions that the stakeholders brought forth were to ensure continuous engagement for increased understanding and political buy in, and to ensure adequate collaboration and effective coordination of the program to leverage stakeholder resources and expertise. They also suggested that submission of funding proposals to potential development partners like the World Bank be shared so as to ensure the program's sustainability.

In conclusion, the National Financial Literacy Steering Committee has adopted the Credit Awareness Program as a standalone program, under the National Strategy for Financial Literacy, 2020-2024. The Credit Awareness Week program shall be repeated in 2020 to new target groups: civil servants, women MSMEs, and Farmers. The program's impact evaluation shall be conducted in 2021.

Panelists Discussion:

- *Patrick Zulu, Bank of Zambia, Principal Examiner*
- *Peter Warutere, Development Economist, Apex Porter Novelli*
- *Levy Kalilombe, Policy Officer, Financial Sector Deepening Zambia*

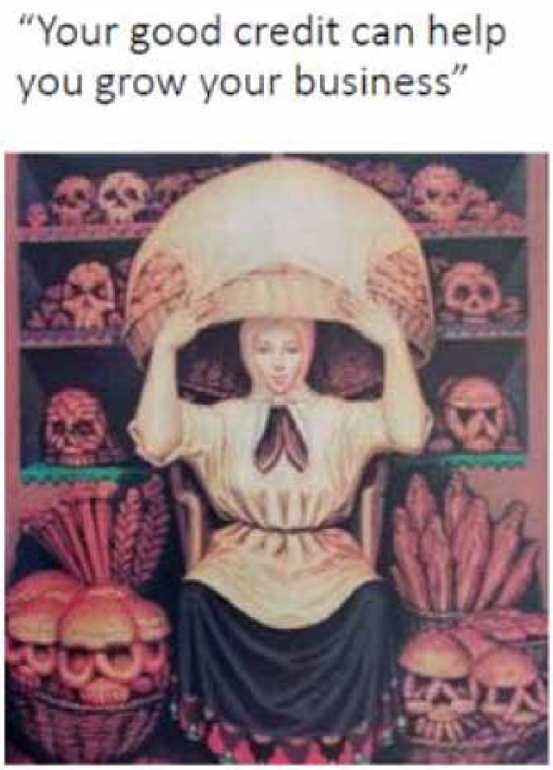
Pauline Delay
Financial Sector Analyst, International Finance Corporation (IFC)



"I wrote this next song using your personal information, so I know you'll like it."

Credit information is truly personal. This cartoon really speaks to that. It can elicit different reactions! In this context, public awareness on credit information is vital. It's really important for us as a public and for borrowers to really understand what this data is that credit bureaus have, because it's their data it's their personal information, how it's used and how it can benefit them. The most important tool is the credit report in that regard. When you see your own credit report you can see what data is available on you, and what other people are seeing. You can verify if it is accurate.

Many of you have actually seen your own credit report, which is better data than I usually get in other forums. However, less and less take it regularly or every year. This session is about making people aware that a credit reporting system exists and also about the challenges that we face in doing so. One of the main challenges is the target audience. When you're trying to promote something - if say, I am your customer and a Coca Cola is your product, it's pretty easy to make a sales pitch for that. But if a customer is saddled with debt, and you're trying to sell them to check their credit report, the sales pitch experience will not be the same. Another example, if we produce an advert that says ***"Your good credit can help you grow your business".*** One customer sees skulls in the picture, while



another sees the opportunity. What's really important is that perception matters. When it comes to public awareness, how you frame your message is critically important. Understanding our audience and designing the right message is the first and most important step to a successful awareness campaign. When it comes to financial literacy there are different stages of learning: financial awareness, knowledge, skills, attitude, and behaviour. All of these are necessary for somebody to be empowered to make sound financial decisions.

What a one customer chooses to see on the advert, versus what another will see

At implementation, you should start with basic financial terms and concepts like saving, borrowing, on-time repayment, interest rates, et cetera. Then you can start to get a bit more in-depth by explaining more complex concepts. Then you can finally address skills and attitudes that are needed to actually take control of your own personal finances in the short term and in the long term. And that includes, of course, knowing about the credit reporting system, and also checking your credit report.

Why does this matter, and why do we engage in this space? As the World Bank Group, we support this because it contributes to an individual's participation in financial economic and social life. This in turn increases a person's financial well-being and supports financial stability amongst low income populations. It also protects those who would have been more vulnerable to scams or fraud. It also encourages people to take up various forms of financial services. Everybody eventually becomes a stakeholder in the credit information system. We should all take the lessons we have heard on financial education to heart, and also play our part as consumers or lenders of credit.

5TH AFRICA CIS CONFERENCE

RECOMMENDATIONS AND CLOSURE OF CONFERENCE

4 Recommendations and Closure of Conference

We have learnt a lot from each other during this conference, and it has emerged that we still need to share much more after this. Apex Porter Novelli, have by way of example acquired a lot of information from the Malawi financial education experience, which will be of great benefit in finalizing their strategy for public awareness in Kenya. Expert to expert knowledge sharing at this event has indeed been very good.

On our part as CIS Kenya, we approached FSD Kenya to allow us to invite students from the universities, on a cost sharing basis. We appreciate FSD Kenya's acceptance - we had 30 students attending this forum. The students have hopefully benefitted from the conversations held over the last two days. They will continue to network with us and will participate in a research organised by FSD Kenya around credit information. This way they can begin their journey on financial literacy and knowledge sharing, so that in the future we can have experts that can challenge our thinking on the opportunities within the financial sector. We have heard complaints about the youth borrowing recklessly – we believe the enlightenment they have received at this event will disseminate even further to their peers, and the economy will start to see more responsible borrowers.

Risk based pricing is a discussion of utmost importance to us at CIS Kenya. When CIS Kenya started, there were no licensed bureaus, there was no legislation, and there was very minimal knowledge on the ground about credit reporting.

We have now realised that the mandate of CIS Kenya grows with every achieved milestone. As soon as we get excited about helping about legislation, or launching consumer awareness and a dispute resolution mechanism, we still get tough questions from stakeholders – so how is this helping us? How do we go about risk-based pricing? As a customer, how do I benefit from my good credit score?

Having come this far, CIS Kenya will now delve into implementing risk-based pricing within Kenya's credit market. The Kenya Bankers Association, which sits in the Board of CIS Kenya, has already requested for capacity building on risk-based pricing. In light of this, we will start engaging with the banks, on what areas they would specifically like included within the curriculum. CIS Kenya will ensure that the knowledge shared will be applicable and relevant to each institution's business. We know most of Kenya's banks have in-house training and are working aggressively to respond to the market demand for risk-based pricing. We however want to develop a solution for the industry, where we can roll out a truly objective risk-based pricing environment for the market.

Going forward, we want to make a contribution on the fraud space. We invited the South African Fraud Prevention Services because over the last several years we have been doing some informal research on fraud solutions in the industry. By bringing SAFPS on board, we would like to test whether their solution, or a variation to their solution would be useful for our market, because you can't have a growing credit market when you are also growing fraud. It is a cancer to the development of credit markets. As part of synergy and comprehensiveness of the innovations in the credit market, we have to tackle the issue of fraud. One may ask if this is CIS Kenya's mandate – the answer is that our mandate is too narrow, and we are bigger than that mandate. We cannot have CIS as an isolated solution for the credit market. We have to engage with solution providers, for challenges that have for the most part, stemmed from the implementation of the CIS mechanism itself.

We are very concerned about public awareness, and we give special thanks to Pauline Delay and her colleagues at the World Bank Group, for the support in ensuring that the panel discussions around financial education were inclusive. On the policy side again, the Government of Kenya wants to do a policy document on credit information. This will be a great tool for the industry. The National Treasury has agreed with this and has already drawn up the Terms of Reference to bring on board a consultancy on this, with the support of the World Bank Group. We already have stakeholders that will also want to engage with us on the policy of credit information sharing. Some of the challenges that we have identified during this forum, can be addressed through a national policy. We are happy to see the government eager to develop the policy, finalize it in the next few months, and have it discussed in Cabinet, so that it can inform the reforms that are needed. We have a very skewed credit information space in Kenya, where the main players are commercial banks, and a few other lenders. We need SACCOs and Microfinance Institutions to feel at home within the CIS mechanism as well. The National Treasury is very supportive on this – they want a policy that is inclusive and comprehensive.

My final remarks would be on how we at CIS Kenya intend to keep the conversations we have had at this forum alive. Through our website and/or the conference microsite, we shall introduce a communication opportunity platform, where we shall share the 5th Africa CIS Conference 2020 Report. We shall then introduce a chart-board for all delegates to contribute to. We can further discuss the topics you would like to see introduced or expounded in the next conference. We will also keep you informed on progress with the policy, the public awareness launch, the fraud issues, the risk-based pricing capacity building, amongst other things that have been discussed. The website will be linked to CIS Kenya's e-learning platform – we encourage you all to visit the site and make use of the information we have already uploaded on the platform.

One of the things that we are really proud of is a tool that we developed for data submission validation from credit information suppliers to the bureaus. We may have to modify some of the approaches that we had thought were appropriate, and ensure that it is in line with current developments. CIS Kenya members (all commercial banks, microfinance institutions, Development Finance Institutions, SACCOs, Digital Lenders, amongst others) are going to get the tool that we have developed free of charge. The first phase of the benefits of that tool will be data validation. We will hang on to the data submission side of it until we are properly guided by the Central Bank. For the data validation tool, institutions will be required to submit their data as they currently do, and benefit in cleaning up the submitted data. Those of you who are interested in becoming members of CIS Kenya can do so by contacting us to register – this way, you too can benefit from some of the tools that we have.

CIS Kenya highly appreciates the partners and sponsors of the 5th Africa CIS Conference 2020.

The 6th CIS Conference will be held in Mombasa, Kenya in March 2021.

5TH AFRICA CIS CONFERENCE

VISIBILITY SUPPORT: MEDIA COVERAGE & INTERVIEWS

5 Visibility Support: Media Coverage & Interviews

The 5th Africa CIS Conference drew a lot of interest from the media. Conference coverage included a number of news reports released by various media outlets. The Conference also received extensive coverage in social networks. Official event hashtags were announced ahead of the opening, and were actively used by conference participants. Key stakeholder interviews were also conducted internally. Some of these publications are illustrated below.

Summary of Number of Stories	
Print	3
Radio	6
TV	13
Online	2
TOTAL	24

5.1 Print Coverage

People Daily
Page: 14
Date: Friday, January 14, 2020
Headline: Kenya leads African peers in credit information sharing
Summary: Kenya is ranked first in Africa as a re¬gards sharing of credit information, a new survey by the World Bank shows. Kenya, Ivory Coast, Niger, Tanzania, Togo, and Nigeria have the most ro¬ bust credit information sharing sys¬tems on the continent
Link: https://media.reelforge.com/player/index.php?storyid=327435427&encryptid=rc01nzsvh9m8b3qjx627fpdy5kt4wg


WB survey: Kenya leads African peers in credit information sharing

by Lewis Njoka and John Otini
@PeopleDailyKe

Financial sector

Business Daily
Page: 5
Date: February 17, 2020
Headline: Financial market players push for reforms to cut cost of loans
Summary: Financial Sector players have called for credit information sharing reforms to improve loan pricing and transparency. CBK says there should be a stable and inclusive financial sector for economic development of a country
Link: https://media.reelforge.com/player/index.php?storyid=327444074

Infrastructure financing

NAIROBI: Treasury PS Geoffrey Mwau during the 5th Africa Credit Information Sharing (CIS) conference themed Credit Infrastructure For Sustainable Growth at Windsor Golf Hotel and Country Club yesterday.

Business Daily
Page : 5
Date: February 17, 2020
Headline: Financial market players push for reforms to cut cost of loans
Summary: Financial Sector players have called for credit information sharing reforms to improve loan pricing and transparency. CBK says there should be a stable and inclusive financial sector for economic development of a country
Link: https://media.reelforge.com/player/index.php?storyid=327444074

Financial market players

Magdalene Wanja

Financial sector players have called for credit information sharing reforms to improve loan pricing and transparency.

They said last week that the proposed reforms should include establishment of strong credit reporting systems, collateral registries, legal structures and a regulatory framework.

They spoke when they attended the fifth Africa Credit Information Sharing (CIS) conference in Nairobi.

CIS Kenya chief executive Jared Gatenga said current challenges include high cost of credit and bankruptcy. This, he said, has been mostly due to the mushrooming of online money lenders.

Business Daily
Date: MONDAY, FEBRUARY 17, 2020
Headline: Financial market players push for reforms to cut cost of loans
Summary: The reforms push comes after Kenyans many found themselves in bad books with online lenders after they forwarded their details to CRB for loan defaulting. Central Bank of Kenya Deputy Governor Sheila M'Mbijjewe said there should be a stable and inclusive financial sector for economic development of a country.
Link: https://www.businessdailyafrica.com/economy/Financial-market-players-push-for-reforms-to-cut-cost-of-loans/3946234-5457936-2qh5j8z/index.html

"The credit score is useful to institutions such as banks to determine what the lending institutions can give in credit," said Mr Ringera.

He noted that through the proposed reforms, collateral registry will be automated and will fasten the way lenders access information reducing the cost of credit.

The reforms push comes after Kenyans many found themselves in bad books with online lenders after they forwarded their details to CRB for loan defaulting.

Central Bank of Kenya Deputy Governor Sheila M'Mbijjewe said there should be a stable and inclusive financial sector for economic development of a country.

Business Daily
Date: Tuesday February 18 2020
Headline: Suicide that jolted CBK: Inside plan to rein in digital lenders
Page: Smart Company Insert Magazine headline
Summary: Financial sector regulator reveals shocking news of a man who took own life following harassment by one of the myriad digital lenders in Kenya
Link: https://www.nation.co.ke/lifestyle/smartcompany/Suicide-that-roused-CBK-digital-lenders-law-regulation/1226-5459554-15sjb5o/index.html

"In November last year, a lady came to the Central Bank to explain to us that her husband had committed suicide after getting involved with one of these lenders," she said.

CBK Deputy Governor Sheila M'Mbijjewe revealed the incident, which was reported to the regulator by the distressed family of the victim.

The aggressive nature with which online lending firms deploy to collect what they advanced has become so alarming that no less than the CBK wants new laws to stop cyber shaming by these cloud-based facilities.

"What this lender did is that when her husband was unable to pay the debt through the contact list of her husband, [the lender] started sending messages to all of them, including his mother, his grandmother and his aunt," she said.

5.2 ONLINE COVERAGE

Africa Sustainability Matters
Date: February 17, 2020
Headline: New York Firm to Launch Kenya's First Mobile Student Loans
Summary: https://africasustainabilitymatters.com/new-york-firm-to-launch-kenyas-first-mobile-student-loans/

The Star Online Newspaper
Date: February 13, 2020
Headline: Push for credit reforms gains momentum
Summary: Proposed credit infrastructure reforms include establishment of resilient credit reporting systems, collateral registries, legal structures and regulatory frameworks for fintech development.
Link: https://www.the-star.co.ke/business/kenya/2020-02-13-push-for-credit-reforms-gains-momentum/

5.3 TV COVERAGE

Date: Thursday, February 13 2020
Headline: CBK drafting digital lending charter
Publication: CITIZEN TV
Time: 21:52 hrs
Length: 02 min(s) 57 sec(s)
Summary: Digital lenders in the country could soon be brought under the ambit of the Central Bank of Kenya. Deputy Governor Sheila M'Mbijjewe says a strategy is already in place to fix huge interest rates charged by the lenders locally.

Link: https://media.reelforge.com/player/video.php?storyid=327434499&encryptid=yq1wpxfzd2jb83trsckvh946gmn705

Date: Thursday, February 13 2020
Headline: There is need to improve credit infrastructure in Kenya
Publication: KTN
Time : 21:38 hrs
Length : 02 min(s) 04 sec(s)
Summary: Kenya's economy is heavily reliant on Medium, Small and Micro enterprises with are in turn reliant on accessible credit.

https://media.reelforge.com/player/video.php?storyid=327434371&encryptid=vdn0kh62tmb47gxj18wrzfq3ys5c9p

Date: Thursday, February 13 2020
Headline: Govt need to grow its infrastructure needs
Publication: KTN NEWS
Time : 15:47 hrs
Length : 02 min(s) 05 sec(s)
Summary: Kenya's economy is heavily reliant on the medium , but does the country have the infrastructure to support its credit needs .
Link: https://media.reelforge.com/player/video.php?storyid=327437926&encryptid=fswnq6r3tkhcm4p7dg15jx82vy9b00

Date: Thursday, February 13 2020
Headline: Push for credit reforms gains momentum
Publication: k24 TV
Time : 21:50 hrs
Length : 02 min(s) 35 sec(s)
Summary: Central Bank of Kenya deputy governor Sheila Mbijiwe has reiterated the importance of having a stable and inclusive financial sector for economic development of countries.
Link: https://media.reelforge.com/player/video.php?storyid=327434560&encryptid=807zysx9vqrng2p4t3dkhf56wmcb1j

Date: Thursday, February 13 2020
Headline: CBK working on framework to regulate digital lenders
Publication: Metropol TV
Time : 19:02 hrs
Length : 04 min(s) 28 sec(s)
Summary: The CBK is working on a regulatory framework to crackdown on predatory digital lenders.
Link: https://media.reelforge.com/player/video.php?storyid=327434630&encryptid=75cyt02zn4q1g8xwkdf69rvjshmp3b

Date: Thursday, February 13 2020
Headline: CBK working on rules for digital lenders
Publication: Metropol TV
Time : 13:01 hrs
Length : 01 min(s) 59 sec(s)
Summary: Ms. Sheila Mbijiwe, Deputy Governor, Central Bank of Kenya (CBK), reiterated the importance of having a stable and inclusive financial sector for economic development of a country.
Link: https://media.reelforge.com/player/video.php?storyid=327433176&encryptid=sfbpx8q30gj52htkvmyr69z1c7d4nw

Date: Thursday, February 13 2020
Headline: HELB recovers 400 million shillings in student loans
Publication: Metropol TV
Time : 19:06 hrs
Length : 02 min(s) 02 sec(s)
Summary: HELB says it has recovered 400 million shillings in students loans that were at risk of being defaulted.
Link: https://media.reelforge.com/player/video.php?storyid=327434647&encryptid=8cw9h0jbrkyns5dzqft63vxp21m4g7

Date: Thursday, February 13 2020
Headline: LIVE UPDATE: 5th Africa CIS CONFERENCE
Publication: Metropol TV
Time : 09:25 hrs
Length : 1 hr(s) 25 min(s) 37 sec(s)
Summary: Africa's financial sector players have today called for implementation of credit infrastructure reforms for improved financial inclusion in the region. The financial experts are attending the 5th Africa Credit Information Sharing (CIS) Conference under the theme 'Credit Infrastructure for Sustainable Growth: Entrenching Dynamic Assessment of Risk' to discuss how the infrastructure around credit information sharing can provide a more inclusive credit market in Africa.
Link: https://media.reelforge.com/player/video.php?storyid=327433150&encryptid=91kdvngprhbzy65w742jxmtq38csf0

Date: Thursday, February 13 2020
Headline: Nairobi hosts 5th Africa CIS conference
Publication: Metropol TV
Time : 06:39 hrs
Length : 20 min(s) 34 sec(s)
Summary: The biennial 5th Africa CIS Conference 2020, is taking place in Nairobi.
Link: https://media.reelforge.com/player/video.php?storyid=327433264&encryptid=5y2fz7jpd03wbcq9m1rgtvxnhk4s68

Date: Friday, February 14 2020
Headline: LIVE LINK: CIS Conference
Publication: Metropol TV
Time : 13:05 hrs
Length : 03 min(s) 05 sec(s)
Summary: The 5th Africa CIS Conference is organised by CIS Kenya.The conference will provide unique meeting point for Africa's financial sector players to share emerging developments on Credit Information Sharing and related aspects.
Link: https://media.reelforge.com/player/video.php?storyid=327437403&encryptid=bd8cm7z9jps32wth4vrf6qg001n5ky

Date: Friday, February 14 2020
Headline: HELB says it has recovered Sh 400 million
Publication: Metropol TV
Time : 13:03 hrs
Length : 02 min(s) 02 sec(s)
Summary: Helb chief executive Charles Ringera has said that the board has recovered over 400 million shillings in student loans that were at risk of being defaulted.
Link: https://media.reelforge.com/player/video.php?storyid=327437395&encryptid=sqzvn2tp95bc47j1wxhr0dmfg6k8y3

HELB says it has recovered Sh 400 million

Companies Mentioned : Higher Education Loans Board , Credit Information Sharing Mechanism

Date: Friday, February 14 2020
Headline: CBK working on framework to regulate digital lenders
Publication: Metropol TV
Time : 06:36 hrs
Length : 03 min(s) 52 sec(s)
Summary: The Central Bank of Kenya (CBK) is working on a regulatory framework to crackdown on predatory digital lenders.
Link: https://media.reelforge.com/player/video.php?storyid=327436597&encryptid=50d2kg38rmwyhpjc1t4nxs9zf6qb7v

CBK working on framework to regulate digital lenders

Companies Mentioned : Central Bank of Kenya (CBK) , Credit Information Sharing Mechanism

Date: Friday, February 14 2020
Headline: Nairobi hosts 5th CIC forum
Publication: Lolwe TV
Time : 13:10 hrs
Length : 01 min(s) 39 sec(s)
Summary: The fifth Africa Credit Information Sharing forum is currently taking place in Nairobi.
Link: https://media.reelforge.com/player/video.php?storyid=327436763&encryptid=2fyv59tr1wn4p6mcxbd0sqg3jh8z7k

Nairobi hosts 5th CIC forum

Companies Mentioned : Higher Education Loans Board , Credit Reference Bureau Africa , Credit Information Sharing Mechanism

5.4 RADIO COVERAGE

Classic 105
Date: Thursday, February 13 2020
Time: 13:05 hrs
Duration: 00 min(s) 20 sec(s)
Headline: Financial players in Africa call for credit infrastructure reforms
Summary: Africa's financial sector players have called for the implementation of credit infrastructure reforms and improved financial inclusion in the region. CIS Kenya CEO Jared Getenga says a robust credit infrastructure is key in solving some of the financial challenges.
Link: https://media.reelforge.com/player/video.php?storyid=327432571&encryptid=063ys5zpfrxjmtk491gv7bc2dn8hwq

East FM
Date: Thursday, February 13 2020
Time: 15:43 hrs
Duration: 00 min(s) 20 sec(s)
Headline: Push for credit reforms gains momentum
Summary: Africa's financial sector players now want the implementation of credit infrastructure reforms to improve financial inclusion in the region
Link: https://media.reelforge.com/player/video.php?storyid=327435098&encryptid=5xmg6yqth0jknvd8z9rwb732sfc14p

East FM
Date: Thursday, February 13 2020
Time: 16:40 hrs
Duration: 00 min(s) 20 sec(s)
Headline: Push for credit reforms gains momentum
Summary: Africa's financial sector players now want the implementation of credit infrastructure reforms to improve financial inclusion in the region
Link: https://media.reelforge.com/player/video.php?storyid=327435342&encryptid=5xmg6yqth0jknvd8z9rwb732sfc14p

East FM
Date: Thursday, February 13 2020
Time: 17:36 hrs
Duration: 00 min(s) 20 sec(s)
Headline: Push for credit reforms gains momentum
Summary: Africa's financial sector players now want the implementation of credit infrastructure reforms to improve financial inclusion in the region
Link: https://media.reelforge.com/player/video.php?storyid=327435351&encryptid=5xmg6yqth0jknvd8z9rwb732sfc14p

Muuga Fm
Date: Thursday, February 13 2020
Time: 14:33 hrs
Duration: 01 min(s) 18 sec(s)
Headline: Push for credit reforms gains momentum - CBK
Summary: Ms Sheila Mbijiwe, Deputy Governor, Central Bank of Kenya (CBK), reiterated the importance of having a stable and inclusive financial sector for economic development of a country. Delegates are meeting to discuss how the infrastructure around credit information sharing can provide a more inclusive credit market in Africa.
Link: https://media.reelforge.com/player/video.php?storyid=327433514&encryptid=jry3gpw95427bdsqv6cz1nk8t0hmxf

Ramogi Fm
Date: Thursday, February 13 2020
Time: 19:29 hrs
Duration: 01 min(s) 50 sec(s)
Headline: CRB set to create awareness in all parts on their obligation
Summary: The CRB is set to hold a campaign around the country to create awareness on their obligations.
Link: https://media.reelforge.com/player/video.php?storyid=327434711&encryptid=jqg7y28xnd06ct9vpkh3rb5m4fzs1w

5TH AFRICA CIS CONFERENCE

ANNEXES

6

Annexes

6.1 List of Participants

SPEAKERS

Innocent Africa	KCB Rwanda
Andrea Pizziconi	Girls First Finance
Anup Singh	Microsave
Arun Ramnath	CARE Risk Solutions
Beatrice Osicho	Business Registration Service
Billy Owino	TransUnion
Charles Ringera	Higher Education Loans Board
Chris Mwangi	Chief Operations Officer
Collen Masunda	World Bank Group
Debarl Inea	Master of Ceremonies
Elain MacEachern	International Finance Corporation(IFC)
Faisal Omar	Carma Chain
Francis Gwer	FSD Kenya
Gabriel Davel	Institute for Credit Market research & Dev.
Innocent Africa	Non-Financial Risk Management
Jameelah Shaerrief-Ayedun	CreditRegistry Nigeria
Jared Getenga	CIS Kenya
Jared Osoro	Kenya Bankers Association
Joshua Obengele	Africa Guarantee Fund
Kevin Mutiso	Alternative Circle
Kevin Mutiso	Alternative Circle
Levy Kalilombe	FSD Zambia
Lloyd Musonda	Collateral Registries PACRA - Zambia
Luz Maria Salamina	International Finance Corporation(IFC)
Madalitso Chamba	Reserve Bank of Malawi
Magauta Mphahlele	Micro Finance South Africa
Manie Van Schalkwayk	South Africa Fraud Prevention Services
Mike Malan	Compuscan/Experian
Patrick Walker	Political Economy Research Centre (PERC)
Patrick Zulu	Bank of Zambia
Pauline Delay	International Finance Corporation (IFC)
Peter Warutere	Apex Porter Novelli
Ronald Inyangala	The National Treasury
Sam Omukoko	Metropol CRB
Sheila Mbijiwe	Central Bank of Kenya
Shezaad Sunderji	Genesis Analytics
Suleiman Asman	Innovation for Poverty Action(IPA)
Vishwanarth Gurav	CARE Risk Solutions
Wachira Ndege	CARE Risk Solutions
Yusuf Dalhatu	Bank of Sierra Leone

DELEGATES

Abdul R. Kiawu	Institute for Development Studies -UON
Adams Karanja	Postbank Kenya
Adedoyin Ayedun	CreditRegistry
Ahsan Habib	ASA Limited
Alex Gabriel	Al Photography
Alice Kuria	Century MFB
Alice Muigai	OKASH
Amon Muchiri	University of Nairobi
Andrew Lukuyani	Bank of Baroda
Andrew Mutiso	Otieno & Amisi Advoctaes
Andrew Mwai	ECLOF Kenya
Andrew Njeru	KCB Bank
Angelicah Mutisya	Postbank Kenya
Ann Njoki	Kenya Revenue Authority
Anne Okello	Institute for Development Studies -UON
Annrita W Kuria	Institute for Development Studies -UON
Anthony Kamau	Co-op Bank
Anthony Njoroge	CIS Kenya
Babra Karendi	KCA University
Bartol Letica	World Bank Group
Beatrice Muraguri	Equity Bank
Beatrice Mwangi	TransUnion
Beatrice Thumbi	M Oriental Bank Ltd
Bernice Githinji	Yehu Microfinance
Billy Owino	TransUnion
Boniface Machuki	Standard Chartered Bank
Bruce Riungu	Faulu MFB
Carol Thuo	Metropol CRB
Caroline Nzioka	Bank of Africa
Carolyne Nyarango	Apex Porter Novelli
Catherine Magua	Metropol Corporation
Catherine Nyambura	Jiji Ventures
Charles Kanyari	ASA Limited
Charles Kanyuga	U & I MFB
Charles Karuri	ABSA
Charles Oliech	Bank of Uganda
Charles Omuseni	Credit Bank
Charles Owiny Okello	Bank of Uganda
Chris Mwangi	Credit Info
Chrispus Muhia	ABSA
Clara Irene Mwaka	Mwanyota Events
Cliphonce Tyson	Global Voices
Connie Macharia	I & M Bank
Daniel Karuri	Shammah Distributors
David Nyamai	Safaricom
David Nyamu	Okash
Deborah Muricho	The National Treasury
Derick Malongo	Longitude Finance
Dickson Aika	Progressive Credit

Dinah Katema	Kishagha Katema Adv
Doreen Kendi	U & I MFB
Dustin Kahler	M-Kopa Solar
E. Richard Madisa	Ministry of Finance
Edna Mulwa	Metropol Corporation
Edward Juma	Ardhi Sacco
Edward Makori	Gulf African Bank Ltd
Effie A Odhiambo	Kenyatta University
Elicipha Njuguna	Total Kenya Plc
Ellan Madisa	Botswana
Emmanuel Kiprono	Kenyatta University
Emmanuel Mbithi	Habib Bank AG Zurich
Eric Ombui	ABC Bank
Esther Marugah	Metropol CRB
Eunice Maraga	Institute for Development Studies -UON
Eustace Ndirangu Kibutuu	Mwalimu National SACCO
Evelyne Silong	KDIC
Faith Kasendi	Strathmore University
Felix Mutule	Musoni MFB
Felix Omoli	The National Treasury
Flaviah Wambui	Bank of Africa
Frances Van-Hein Sackey	Bank of Ghana
Francis Karanja	Genesis Analysis
Francis Kariuki	Diamond Trust Bank
Frank Wanjau	Co-op Bank
Geoffrey Omanje	Metropol CRB
George Maina	MRM
George Nganga	Credit Bank
Gitau Mburu	FSD Kenya
Godfred Cudjoe	Bank of Ghana
Grace Kiambati	OKASH
Grace Muthoni	Jiji Ventures
Grace W Mukui	Kenya School of Law
Hadijah Mohamed	Kenya Deposit Insurance Corporation
Hannah Kinyanjui	Habib AG Zurich
Hannah Ndarwa - Karuri	CIS Kenya
Hesborn Nyakundi	Kenya Bankers Association
Humphrey Ngotho	I & M Bank
Husaini Mohamed	Cental Bank Nigeria
Irene Galgallo	The National Treasury
Ireneus Gichana	Maisha Microfinance
Isaac Mugo	Kenya School of Law
Isaiah Kibaro	Boresha Sacco
Isaiah Omae	Bank of Baroda
J Ngoma	Global Voices
Jackline Maina	Jiji Ventures
James Kashangaki	FSD Kenya
James Kwezi	Access to Finance Rwanda
James Ngao	Bank of Africa
James Wambu	DIB Bank Kenya Ltd
Jane Maina	PIU
Job Mariga	CIS Kenya
Joel Kiptum	Boresha Sacco

Joel Meitekini	Stima SACCO
Joel Ullembe	ABC Bank
Johannes Ebert	Gravity Earth
John Kabera	Transunion Rwanda
John Ngaruka Wathuo	Faulu MFB
John Nyakiti	Higher Education Loans Board
John Ocholla	Kenyatta University
Joy Khalayi	Kenyatta University
Joy Sanyu	Metropol CRB
Joyce Chirchir Muriithi	Meraki Consultant
Joyce Kaburu	Ocean Freighters Sacco
Judy Mwaura	Mwangi Mbithu Holdings
Julia Gachwe	Citibank
Julius Cherutich	Kenya Deposit Insurance Corporation
Julius Kamau	ECLOF Kenya
Juma Dallu	Yehu MFI
Justus Bundi	National Treasury
Kagwe Kibugu	Equity Bank
Kanyi Mwangi	Okash
Kasimu Mumo	Institute for Development Studies -UON
Kelly Mwendwa	Bank of Africa
Kendi Kibui	U & I MFB
Kenneth Gichuhi	O. Ogutu Advs.
Kenneth Kinuthia	NCBA Bank Kenya PLC
Khalid Adam	Institute for Development Studies -UON
Kinyua G. Wambui	University of Nairobi
Kiplangat Josea C	Kenya Bankers Association
Lawrence Maingi	The National Treasury
Leah Kiwara	World Bank
Lemuel Mangla	CIS Kenya
Lilian Ndegwa	All year Supplies
Linda Opiyo	NCBA Bank Kenya PLC
Loyford Gitari	Institute for Development Studies -UON
Loyford Mutuma	Institute for Development Studies -UON
Madrine Wambui	KWFT
Malongo Derrick	Longitude Finance
Mamy Njatoson RAKOTOMALALA	Ministère de la Justice, Madagascar
Maranga Ondieki	Institute for Development Studies -UON
Marangu Kimathi	BIMAS
Mark C Mwanje	Compuscan / Experian
Mark Kiambo	Consultant
Martin Obiero	Fondation Panzi RDC
Martin Oliech	Strathmore University
Marube Ogega	Burnley
Marvin Oliech	Strathmore University
Masego Pheto	Botswana Stock Exchange
Mel da Silva	Ordinise
Mercy Adero	Sparkassen Foundation
Mercy Mutana	University of Nairobi
Michael Gichohi	Escrow Group
Michael Gitari	ABC Bank
Michael Kiptoo	M Oriental Bank Ltd
Michael Nyaga	Equity Bank

Michael Okumu	ECLOF Kenya
Millicent Ogutu	Omuodo Ogutu Advs.
Miriam Oundo	Kenyatta University
Mishu Mahmud	ASA Kenya
Monari Michael	Longitude Finance
Moses K Ngethe	Global Voices
Mugabe Allan B	Bank of Uganda
Mwini Bzimpui	Peniel - with - love
N. Ondiro	Metropol TV
Naftali Michira	HELB
Nafula Kisiangani	Institute for Development Studies -UON
Nancy Chemuchuk	Boresha Sacco
Nancy Chotero	AMFI-Kenya
Nasieku Saning'o	DIB Bank Kenya Ltd
Nicholas Mutua	Maisha Microfinance Bank
Nicodemus Andiego	TransUnion
Nixon Kibet	Boresha Sacco
Noro Aina Andriamihaja	The World Bank Group Madagascar
Nyonje Richard	OKASH
Obare Wycliff	Vision Fund Kenya
Okutayo Abiola F	Central Bank of Nigeria
Oundo Miriam	Kenyatta University
Oyendi Kefa	HF Group
Patricia Musau	CIS Kenya
Paul Maingi	Stima SACCO
Paul Nyota	Diamond Trust Bank
Paul Wambua	Letshego
Pauline Nyakara	Apex Porter Novelli
Penninah Kiai	Makumi, Mwangi & Co. Adv.
Peter Kaiga	Oplay Kenya Limited-Okash
Peter Maina	Simstar Company Ltd
Peter Makumi	Makumi, Mwangi & Co. Adv.
Peter Mutiso	Institute for Development Studies -UON
Peter Ngui	I & M Bank
Petro Ndonji	IDB Capital Limited
Phillip Neub	AWAMO
Phylis Gacingiri	Jiji Ventures
Prosper Andrianaimalaza	Banque Centrale de Madagascar
Rachael Muchai	KCB
Rachel Mwaura	Mwangi Mbithu Holdings
Radha Upadhyaya	Institute for Development Studies -UON
Rakotondrajery R Saholy	Ministère de la Justice, Madagascar
Rasoarilala Sylvie	Central Bank of Madagascar
Regina Ngyema	Diamond Trust Bank
Remmy K Yego	National Bank
Richard C.K Ochoi	Industrial & Commercial Development Corporation (ICDC)
Richard Nyonje	Okash
Robert Kariuki	The National Treasury
Ronny K. Kyego	National Bank of Kenya
Rose Mwaniki	BR Consult
Roseleen Nzioka	Freelance Journalist
Rosemary Mbugua	TransUnion

Ruth Kilonzo	CIS Kenya
Ruth Nyanchama	CIS Kenya
Samuel Gicheha	Flash Pesa
Samuel Kibe Kungu	KWFT
Samuel Oyugi	Co-operative Bank
Sang Ronald	Metropol TV
Scholastica Muhuthu	Progressive Credit Ltd
Shadrack Mithika	AMFI-Kenya
Sheryle Olweny	Kenyatta University
Stella W Wamugu	Institute for Development Studies -UON
Susan Mutali	Stima SACCO
Swadiq Nassir	DIB Bank Kenya Ltd
Sylvia Ambalwa	Jiji Ventures
Sylvia Monique Rasoarilala	Banque Centrale de Madagascar
Tarminder Umesh	Diamond Trust Bank
Thomas T. Essel	AFRACA
Thomas T. Minja	Bank of Tanzania
Tito Koech	NCBA Bank Kenya PLC
Tobius Sweta	CIS Kenya
Trouble Mugarisanwa	Reserve Bank of Zimbabwe
Trouble Musarisanwa	Reserve Bank of Zimbabwe
Vera Osuji	Credit Registry, Lagos
Wachira Ndege	CARE Risk Solutions
Wakesho Kililo	7D Consulting
Walebatla KgwaKgwe	Ministry of Finance, Botswana
Wallace Macharia	CIS Kenya
Walter Mghanga	Metropol TV
Wambui G Kinyua	IDS-UON
Wekesa Khalayi Joy	Kenyatta University
William Mbala	Higher Education Loans Board
Winnie Masibo	OKASH
Winnie Muindi	National Bank
Zayyad Said	Hazina Microfinance
Zephania Rono	Industrial & Commercial Development Corporation (ICDC)
Zipporah Njoroge	CDMS Ltd

6.2 Session Moments

















Towards a more open credit market

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