

On-Boarding of Third-Party Credit Providers – Checklist and Questionnaire

VERSION NUMBER 001



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1 ABBREVIATIONS AND TERMINOLOGY

ADVERSE ACTION NOTICE: "adverse action notice" means a notice issued by an institution to a customer conveying denial or cancellation of, an increase in any charge for, or a reduction or other adverse or unfavourable change in the terms of coverage or amount of, any loan, existing or applied for, or any other action or determination adversely affecting the customer, based on customer information obtained from a bureau.

AMENDMENT NOTICE: "amendment notice" means a written notice from an institution advising a bureau of an amendment to credit information previously incorrectly reported to a bureau by that institution.

CBK: The Central Bank of Kenya is a public institution established under Article 231 of the Constitution of Kenya, 2010. The Bank is responsible for formulating monetary policy to achieve and maintain price stability and issuing currency and promote financial stability through regulation, supervision and licensing of financial institutions under its mandate.

CIS: Credit Information Sharing the mechanism under which credit information is shared amongst participating credit providers.

CIS Kenya: Credit Information Sharing Association of Kenya's broad mandate is to promote best practices in credit provision by working towards the implementation of an effective credit information sharing mechanism. CIS Kenya's unique task is to establish a self-regulatory mechanism centered on credit information sharing, that eventually yields benefits for credit providers, consumers and the economy at large.

CIS VALIDATA: A tool developed by CIS Kenya to assist in the validation of data prior to submission by a data provider.

CODE OF CONDUCT: Code issued by Credit Information Sharing Association of Kenya (CIS Kenya) to all participants in the credit information sharing ecosystem to provide guidance to players in the Credit Information Sharing (CIS) framework on best practices

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CRB: Credit Reference Bureau, also referred to in this manual as a bureau, is an entity licensed under the Credit Reference Bureau Regulations by the Central Bank of Kenya to receive and report on credit information from the financial sector.

CRB Regulations 2020: Refers to THE BANKING (CREDIT REFERENCE BUREAU) REGULATIONS, 2020 issued under the Banking Act

CREDIT INFORMATION: "credit information" means any positive or negative information bearing on an individual's or entity's credit worthiness, credit standing, credit capacity, to the history or profile of an individual or entity with regard to credit, assets, and any financial obligations.

CREDIT INFORMATION PROVIDER: "credit information provider" means a person other than a subscriber who has been approved by the Central Bank to furnish credit information to a Bureau and per the CRB Regulations 2020, these may also be referred to as "third party credit information provider".

CUSTOMER: "customer" means any consumer of services or products who has or had a formal engagement to receive services or products on agreed terms and conditions from an institution or a third party and includes a person who seeks to open an account with an institution;

CUSTOMER INFORMATION: "customer information" means credit information, or any other positive or negative information provided by a customer or obtained from an institution, a third party, or public record information, which may be exchanged pursuant to these Regulations

DST: Refers to the Data Specification Template that defines and guides on the credit data that shall be shared under the CIS mechanism.

FULL FILE INFORMATION: Credit information pertaining to both performing and non-performing or default credit data.

MANDATORY DATA: Data that is specified in the Data Specifications Template as mandatory for submission to CRBs

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NEGATIVE INFORMATION: "negative information" means any adverse customer information relating to a customer as defined in CRB Regulations 2020 which includes amongst others non-performing loan or credit default or late payment on all types of facilities or claims.

NON-MANDATORY DATA: Data that is specified as non-mandatory for submission in the Data Specifications Template.

POSITIVE INFORMATION: "positive information" means any information on performing loan or other credit and as defined in CRB Regulations 2020.

TECHNICAL COMMITTEE: Set up under the Code of Conduct, the Technical Committee (TC) shall be a committee of the Governing Council (GC) of the Association, comprised of representatives from different sectors of the Association's membership with CRBs as ex-official members. The role of the TC will be to investigate any breaches by members of (i) any applicable laws and Regulations, (ii) the Association's Constitution, (iii) any industry guidelines and, (iv) this Code.

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CHECKLIST AND QUESTIONNAIRE

2 PURPOSE

This Checklist is designed to assist in the evaluation of the internal capacity and readiness of a third-party Credit Information Provider to meet and comply with the reporting requirements as set out in the On-boarding Procedures Manual. The Checklist seeks to set out standard criterion that can be used to vet Credit Providers prior to their being onboarded to maintain transparency and credibility in the process.

The Checklist shall be used to assess and determine the eligibility of a Credit Provider to meet the statutory and technical requirements for participants in the CIS mechanism. A Credit Provider that meets the criteria herein can then progress to the Onboarding Process detailed in the Procedures Manual.

The Checklist covers the following areas, operational, technical and staffing as described below. These areas shall be assessed in the form of a questionnaire covering the various aspects as detailed later.

2.1 Operational Readiness:

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

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

The credit processes should be reviewed to demonstrate if and at what point a loan application is keyed into the loan management system, is it after approval or from the application point. The processes should also be clear on how the customer is notified on balances and how the customer can query any issues they have on their account.

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2.2 Technical Readiness:

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

2.3 Staffing readiness

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

2.3.1 Industry Validation Tool:

To ensure that data meets the required submission standard per the DST, the third-party Credit Information Providers shall be expected to use the industry approved validation tool, CIS ValiData, per Regulation 63 (6). The third-party Credit Information Providers must confirm its ability to use the tool either as a desktop or virtual server depending on the size of its data.

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3 QUESTIONNAIRE

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

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share their credit information.			
TOTAL SCORE			
TECHNICAL CAPACITY	RESPONSE	VERIFIED BY	SCORE
1. Credit Application Process is manual (customers complete an application)			
2. Credit Application Process is digital (customers complete an electronic form)			
3. Customer data is captured on a loan management system (LMS)			
4. All Credit Application data is keyed in before an approval is granted.			
5. Customer credit information data can be extracted from the LMS			
6. The data extraction process is automated (i.e. not triggered by a person)			

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7. Loan repayments are updated on the LMS			
8. DST minimum mandatory data can be extracted from the LMS			
9. Notices can be and are generated to customers			
TOTALSCORE			
STAFF CAPACITY	RESPONSE	VERIFIED BY	SCORE
1. Number of Staff Dedicated to Customer Service			
2. Number of Staff Dedicated to Data Submission			
3. Staff have adequate knowledge of the CIS process and their roles			
4. There is a clear process for handling customer complaints			
TOTAL SCORE			
CIS VALIDATA	RESPONSE	VERIFIED BY	SCORE
1. CIS ValiData Specifications			

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2. Total loan book and number of customers			
3. Technical staff to use the ValiData			
TOTAL SCORE			
OUTCOME	RECOMENDATION	AUTHORISED BY	AGGREGATE SCORE
1. Meets minimum criteria			
2. Does not meet criteria			