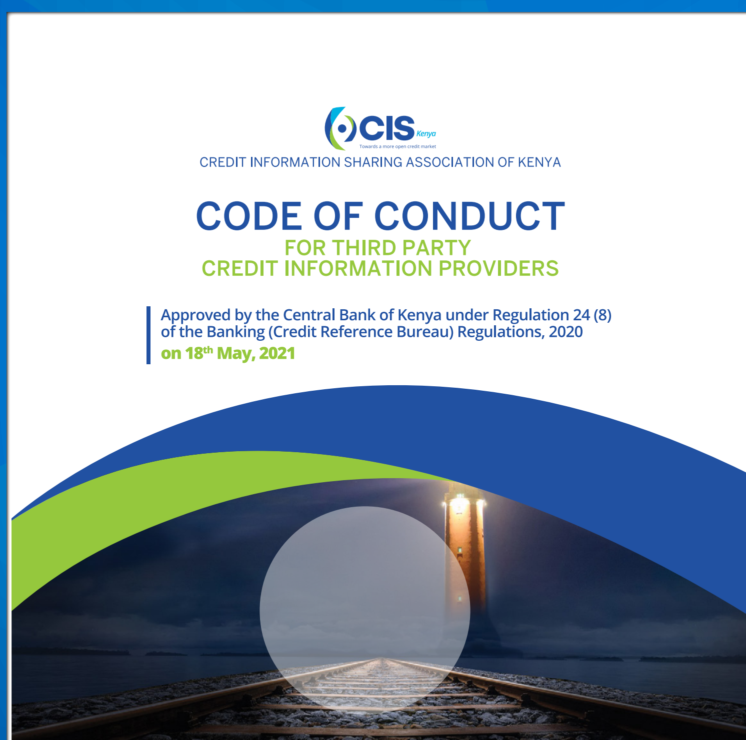
A Publication of **Credit Information Sharing Association of Kenya (CIS KENYA)**

Digest CIS Kenya

October 2021

New Dawn for CIS



CIS Kenya

Towards a more open credit market

CREDIT INFORMATION SHARING ASSOCIATION OF KENYA

CODE OF CONDUCT

FOR THIRD PARTY CREDIT INFORMATION PROVIDERS

Approved by the Central Bank of Kenya under Regulation 24 (8) of the Banking (Credit Reference Bureau) Regulations, 2020

on 18th May, 2021

October 2021

Digest CIS Kenya

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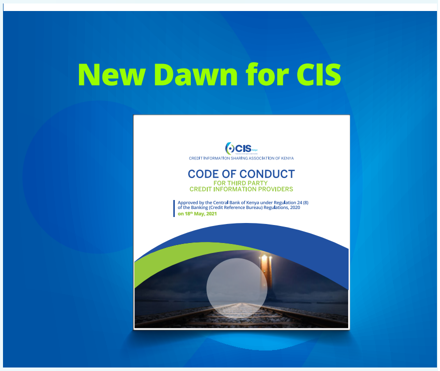


About the cover

The new CODE OF CONDUCT approved by the CBK on 18TH MAY, 2021

Inside this issue

Message from the CEO

Dear Members,

Greetings! Over the first six months of 2021, we at CIS Kenya, we've been working as hard as ever to accomplish CIS Kenya's mission of facilitating generation and use of accurate credit information for the benefit of all participants in the credit market.

In the month of March, we hosted the Kenya Virtual CIS Conference. The deliberations and policy recommendations resulted into a research paper that will be published soon. Tatua Center, the Alternative Dispute Resolution Center established by CIS Kenya to resolve CIS in disputes obtained registration as a separate legal entity in April 2021. This opens up opportunities for an aggressive agenda for the ADR framework motivated by its strengthened independence and enhanced perception of neutrality and objectivity.

> *CIS Kenya has prepared a roadmap for on-boarding third-party CIPs into the CIS mechanism in accordance with the Code of Conduct and is in discussions with CBK*

Following approval of the Code of Conduct by CBK on 18th May 2021, CIS Kenya has prepared a roadmap for on-boarding third-party CIPs into the CIS mechanism in accordance with the Code of Conduct and is in discussions with CBK, all licensed credit bureaus and FSD Kenya to ensure smooth and speedy implementation.

CIS Kenya held its 9th General AGM on 29th June and a new GC was elected. I wish to congratulate the new Governing Council Members and look forward to working together.

We appreciate your continued commitment to the Association and its growth.

Sincerely

Jared Getenga

Half-Year Events and Activities of CIS Kenya

JANUARY
- Committee meetings on the Kenya Virtual CIS Conference 2021

FEBRUARY
- CIS Kenya-FSD Kenya Third-Party Credit Information Providers On-boarding Pilot Project

MARCH
- Kenya Virtual CIS Conference
- Conducted Consumer Survey funded by FSD Kenya

APRIL
- Tatua Center formally registered as separate legal entity
- Rwanda Central Bank training

MAY
- Code of conduct approved by CBK

JUNE
- 9th Annual General Meeting
- Completed World Bank consultancy on impact of the COVID 19 on credit reporting systems – Case of Kenya

Annual General Meeting Report

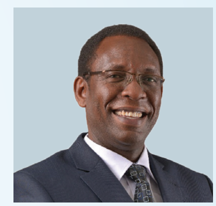
The 9th Annual General Meeting 2021 was held virtually on Tuesday 29th June at 8.00 am. The meeting was presided over by Governing Council Chair Mr. Charles Ringera. During the forum, Mr. Ringera was re-elected as Chair while Ms. Mbatha Mbithi retained her position as Vice Chair, KBA was re-elected as the Association's treasurer. CIS Kenya's Chief Executive Officer, Jared Getenga updated the Council on CIS Kenya's activities in the ending year. Members also received the report on the financial statements from our external auditors for the year ended 31st December 2020 which had been approved by our Board earlier.

The newly elected CIS Kenya Governing Council members are as below.

CHARLES RINGERA
(Chairman)
Higher Education Loans Board

MBATHA MBITHI
(Vice Chair)
Kenya Development Corporation Ltd

DR. HABIL OLAKA
(Treasurer)
Kenya Bankers Association



JARED GETENGA
GC Secretary and CEO CIS Kenya

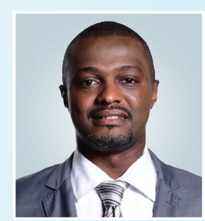
KAMAU KUNYIHA
Creditinfo CRB Ltd

JOHN KARIUKI
Fincredit Kenya Ltd

DR. MARY MUNYIRI
Kenya Ecumenical Loan Fund (ECLOF)

DUSTIN KAHLER
M-Kopa Solar Kenya Ltd

IRENEUS GICHANA
Maisha Microfinance Bank Ltd



DR. GAMALIEL HASSAN
Stima Sacco Ltd

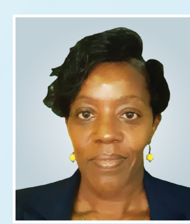
IRSHAD MUTTUR
CIM Credit Ltd/ Aspira Kenya

DAVID IRUNGU
Kenya Deposit Insurance Corporation

PETER KAIGA
Tenspot Kenya Ltd / O-Play Kenya Ltd

JACOB MENGICH
Boresha Sacco Ltd

SIMON KIOKO
Nimble Group



FLORENCE MUCHIRI
Century Microfinance Bank Ltd

Enhancing resilience of
the CIS framework in the face of crisis

Kenya CIS Virtual Conference 2021

The Kenya CIS Virtual Conference brought together the leading sector players in Kenya's credit market to review the impact of COVID-19 pandemic and related policy and regulatory interventions to the Credit Information Sharing (CIS) mechanism in Kenya.

The conference was attended by more than 150 participants, including CEOs and Risk Managers of lending and other credit institutions in Kenya, Kenya Bankers Association, Association of MicroFinance Institutions of Kenya, Digital Lenders Association, Kenya Union of Savings and Credit Cooperatives, Leasing Association of Kenya, CEOs of local credit bureaus, FSD Kenya and the World Bank Group.

Conference Highlights

Ms. Mbatha Mbithi, Vice Chair, CIS Kenya

gave opening remarks on behalf of CIS Kenya Governing Council, and invited the Governor of the Central Bank of Kenya, Dr. Patrick Njoroge to give his Key-Note remarks.

The highlights from the Governor's speech are summarized the bullets below:

- Since the World Health Organization (WHO) declared COVID-19 a global pandemic in March 2020, lives and livelihoods were impacted like at no other time in our lifetime, as governments, businesses and individuals adjusted to the unprecedented measures put in place to contain the pandemic.
- CBK moved swiftly to instill emergency measures to ensure continued operation of the economy, by encouraging use of digital financial services, providing liquidity to banks, ensuring business continuity and managing the health and safety of bank customers and staff.
- Additional measures were aimed at mitigating adverse impact on borrowers arising from movement restrictions, lockdowns, curfew, changed business conditions that rendered previously successful business models redundant and put thousands of jobs at stake. CBK spearheaded consultations with banks and led to industry-wide initiative to restructure

loans that were performing at the onset of the pandemic.

- Borrowers were able to take advantage of emerging business opportunities, particularly in respect of manufacturing and supplying personal protective equipment such as face masks, masks, protective clothing, and sanitizers.
- On CIS: CBK completed wide ranging reforms in April 2020. The Banking CRB Regulations of 2020 refreshed the framework that had been put in place in 2013 considering that terrain, even before the pandemic, has dramatically shifted. The CRB regulations also provided an opportunity to provide relief to borrowers and address their pressing concerns.
  - On April 14 2020, CBK, announced 6-month suspension of listing of negative credit information with CRBs for borrowers whose loans were performing previously, and had and had become non performing after April 1 2020. This suspension did not apply to loans that were not performing before April.
  - Following public concern on misuse of the CIS mechanism, and poor customer service, CBK withdrew approvals for unregulated digital lenders and credit only providers to submit credit information to CRBs.
  - Concerns leading to overhaul of CRB regulations included the quality of data submitted to the CRBs, use of CRB reports and low public awareness on the CIS mechanism. Of grave concern to the public was the use of CIS to blacklist borrowers or to coerce them to pay as opposed to using CIS to price credit risk. In a nutshell, CIS was not working with and for Kenyans.
- More broadly, the long-standing public outcry on the high cost of credit had led to the enactment by Parliament of interest rate caps in September 2016. Regrettably, the caps adversely impacted those same segments of the Kenyan population. MSMEs were shut out and had to contend with shylocks' highly unfavorable terms. The caps were repealed in November 2019. CBK had been working with banks through the period to regain the trust of their customers and the broader Kenyan population. Accordingly, CBK set a vision of a banking sector that works for and with Kenyans, by issuing the Kenya Banking Sector Charter in February 2019 anchored on four pillars: customer centricity, risk-based pricing, transparency, and doing the right thing. All banks were required to formulate board-approved plans to operationalize the charter. The plans were submitted in 2019 and implementation progress is reported to CBK on a quarterly basis.
- Risk Based Pricing (RBP) calls for responsible pricing of loans, based on customer's risk profile, and full-file CRB data. It was therefore imperative to increase the source of information, enhance the frequency and integrity of the data reported to CRBs and RBP training. CBK has in recent months engaged each bank on its RBP model, to ensure that each borrower's credit risk is appropriately assessed and priced and that all relevant information particularly CRB reports are taken into account in pricing.
- On the broad front, the Kenyan banking sector has remained sound and resilient, drawing on capital liquidity buffers that were built before the pandemic. The emergency measures put in place by CBK have seen the banking sector continue to operate even at the height of the containment measures. Over 90% of bank branches remained open across the country, even in areas that have been locked down. With the adoption of digital platforms, over 95% of transactions are now conducted outside bank branches.

- By end January 2021, 57% of the gross loan portfolio (Kshs 1.7 trillion) has been restructured. This provided space to borrowers to ride through the pandemic, mitigate job loss, and pivot their business models to the new normal. The restructuring provided banks time to build additional capital and liquidity buffers to sail through the pandemic. After the six-month suspension of negative listing on September 30, 2020, existing procedures for risk classification of loans and listing with CRBs apply. A 3-month transition period was provided before their loans could be reported to CRBs as non performing. This provided borrowers whose loans were performing at the beginning of the pandemic with space to rearrange their affairs, while ensuring their credit history was not adversely affected. It was however, important to restore existing procedures to ensure that credibility of the CIS mechanism is maintained and the loans repayment culture is not impaired.
- As a Way forward:
    - CBK will continue working with banks on the RBP journey.
    - The more information sources we have in the CIS, the more credible it will be. However, the sources of this information must be legitimate and not misuse the CIS to the detriment of borrowers. CBK is working with Parliament and other players on the enactment of a legal and regulatory framework for digital lenders that focuses on appropriate market conduct.
    - Perhaps most important is sensitizing the public on the CIS mechanism, done in simple terms to break down for instance, what a CRB report is, what does the score mean? To many Kenyans, the CIS mechanism remains a black box and being confronted with different scores from the three CRBs.

Global Perspectives on Credit Reporting in the face of the COVID 19 pandemic

Ms. Luz Maria Salamina, is the Principal Operations Officer at IFC covering Sub Saharan Africa, Middle East and North Africa. She leads the credit infrastructure program that covers both credit reporting and security transactions.

COVID Challenge: How to report loans to the credit bureaus during the crisis?

Crises impact good performing borrowers' ability to meet their scheduled payments relegating them to the same level with existing non-performing borrowers.

Treatment of missed/ delayed payments due crisis: Continue Reporting or stop reporting?

Different views	Argument	Outcome
1. Suppression or non-submission of payment delays due to a crisis	Such delays are not a result of the borrower's own choice hence should not be reflected on their records.	Data gaps could negatively impact a consumer's credit score affecting the integrity and reliance of CIS
2. Data on payment delays, created under forbearance or deferred payment arrangements, should be submitted with the necessary safeguards	• Maintaining integrity of CRS while protecting borrowers. • Importance of full data for credit risk management, policy formulation.	Consistent with ICCR's General Principle 1

Best Practices

ICCR Note on "Treatment of Credit Data in Credit Information Systems in the context of the COVID-19 pandemic" has 8 policy recommendations covering three main objectives:

- Safeguarding the integrity of credit reporting systems
- Safeguarding borrowers; and
- Improving transparency and disclosure regimes.

ICCR Policy Recommendations:

1. Promote continued full (file) sharing of credit information including reporting of missed payment data arising due to the crisis, with the necessary safeguards
2. Ensure consistent interpretation and application of the data reporting requirements by all credit providers and participants in the credit reporting system.
3. Ensure consistent interpretation and application of the data reporting requirements by all credit providers and participants in the credit reporting system.
4. Implement measures to ensure minimal or no effect on credit risk scores of data subjects (due to negative reporting):
    - Implementation of different technical reporting solutions e.g. special credit reporting codes, identifiers or conventions
    - Periodic random reviews of data supplied to CRSPs.
5. Work with CRSPs and CPs to ensure data subjects are provided digital access, to free credit reports & scores during the crisis, where possible.
6. Enhance complaints and dispute handling capacity of regulatory authorities, CPs and CRSPs during the crisis, in view of the likely increase in complaints and disputes.
7. Promote digitization of the process of accessing consumer reports to ensure that the right for data subjects to access credit reports is not affected during the crisis.
8. Enhance regulatory authorities' consumer and financial literacy programs through publication of recommended plan of actions and availing additional useful resources to the borrowers. Some of the plan of actions include:
    - Advising borrowers experiencing payment difficulties due to the crisis to approach credit providers to negotiate payment deferrals, restructuring of facilities.
    - Publicizing how CPs and CRSPs will report and process payment delays, deferral and restructuring arrangements in a way that minimizes the impact on credit scores.
    - Publicizing government intervention including policies and facilities.
    - More frequent review of credit reports.

The rest of presentation is available at **https://ciskenya.co.ke/wp-content/files/2021/04/Treatment-of-Credit-Data-in-Credit-Information-Systems.pdf**

Regulator's Perspectives on Impact of COVID -19 on the CIS Mechanism and Credit Risk Management

Mr. Gerald Nyaoma is the Director, Bank Supervision Department, Central Bank of Kenya. The highlights his presentation are summarized below:

State of the Banking Sector

The banking sector is stable and resilient.

- **Capital Adequacy:** The sector is well capitalized as at December 31, 2020 with capital adequacy ratio at 19.15%, which was above the minimum statutory limit of 14.5%. The core capital ratio was 16.72%, well above the minimum statutory limit of 10.5%.
- **Liquidity:** The banking sector has adequate liquidity, which is well distributed among banks. The liquidity ratio stood at 54.55% well above the minimum statutory limit of 20%.

Credit Risk Profile

Credit risk elevated over COVID-19 crisis period:

- NPLs increased due to subdued business environment.
- Gross NPLs as a percentage of Gross Loans rose from 12.5% as at December 2019 to 14.1% in December 2020. Gross provisions for NPLs went up during the pandemic period from 46.5% in December 2019 to 55.4% in December 2020. Increasing provisions reflect banks expectations of increased NPLs.
- Main sectors with increased NPLs – Transport and Communications, Trade, Real Estate, Agriculture and Personal and Household loans. Deterioration in asset quality spread across the large, medium and small peer groups.

COVID-19 Measures and Outcomes

- Flexibility in Loan Classification and Provisioning - Regulatory flexibility was exercised with regard to loan classification and provisioning for loan facilities whose performance was negatively impacted by the pandemic.
- Waiving charges for transfers between mobile money wallets and bank accounts as well as balance inquiries to facilitate greater use of digital service delivery channels to minimize chances of COVID-19 transmission.
- Temporary suspension of listing of negative credit information for facilities that became non-performing from April 1, 2020 – September 30, 2020.
- Reduction of the Cash Reserve Ratio (CRR) to 4.25 percent from 5.25 percent, releasing KES.35.2 billion as additional liquidity availed to banks to directly support borrowers that were distressed as a result of COVID-19.
- **Loan Restructuring-** Cumulative loans worth Ksh.1.63 trillion (approx. 56 percent of gross loan portfolio as at Dec 2020) restructured from March – December 2020.

  Sectors with highest restructured loans: Personal and Household (20 percent), Trade (18 percent), Real Estate (14 percent) and Manufacturing (14 percent).
- **Utilization of Cash Reserve Ratio (CRR)-** Ksh.32.62 billion (92.7 percent) of the Ksh.35.2 billion freed from the 1 percent reduction in CRR had been utilized by banks as at January 14, 2021 and lent to borrowers affected by COVID-19 pandemic.
- The main sectors funded are Tourism (31.93 percent), Trade (14.85 percent), Transport and Communication (13.55 percent), Real Estate (12.70 percent).

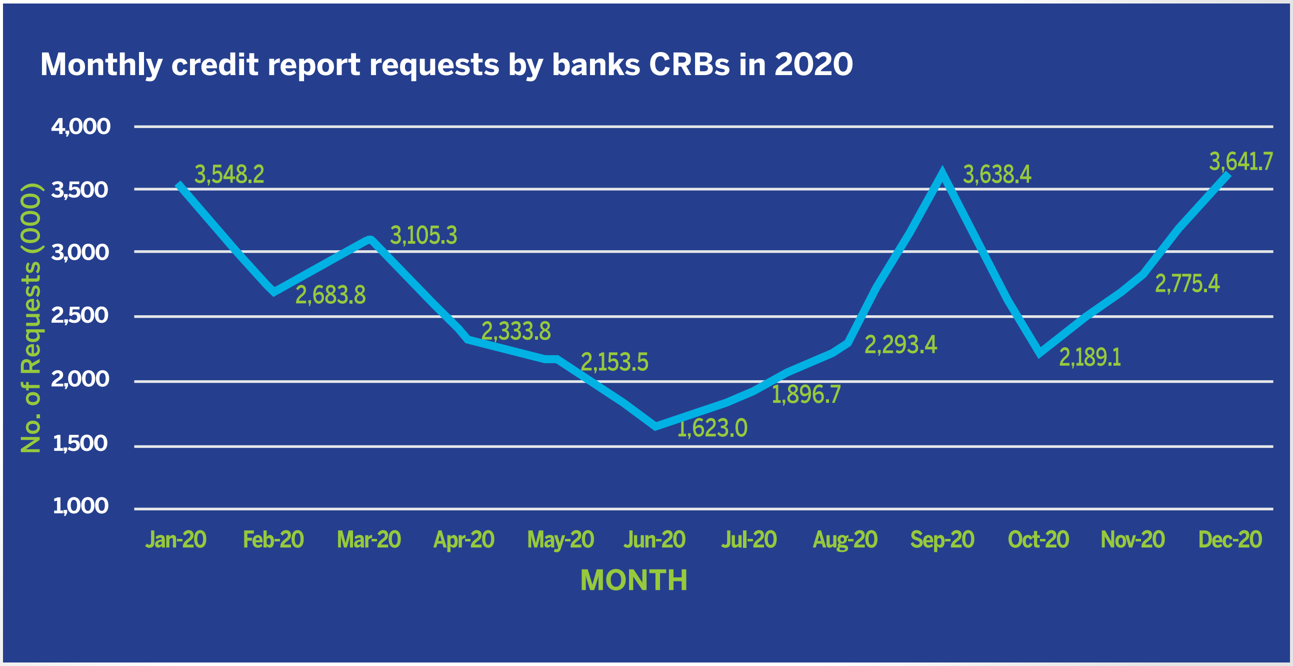
Ongoing CIS Reform Initiatives

1. Regulatory considerations driving CIS reforms:
   - Improving the quality and integrity of credit data.
   - Promoting risk-based credit pricing in the banking sector – in line with the 2019 CBK Banking Sector Charter.
   - Enhancing transparency by CRBs in their credit scoring models and methodologies.
2. Enhancing consumer protection and raising public awareness, confidence and overall

participation in the CIS mechanism

3. Kenya Credit Reporting Strengthening Project (KCRSP) – Technical Assistance programme supported by World Bank – co-ordinated by National Treasury, CIS-K aimed at:
   - Harmonising credit scoring methodologies used by CRBs.
   - Improving data quality and enhancing supervisory capacity.
   - Enhancing the level of awareness and acceptance of credit reporting in Kenya.
4. Review of CRB Regulations (April 2020) which introduced:
   - Minimum threshold of Ksh 1,000 for adverse listing.
   - First-time CRB clearance certificates to be provided free of charge.
   - Inclusion of SACCO societies as authorized subscribers.
   - Withdrawal of unregulated digital (mobile-based) and credit-only lenders.
   - Revision of data specification template (DST) to capture activity on mobile loan facilities.

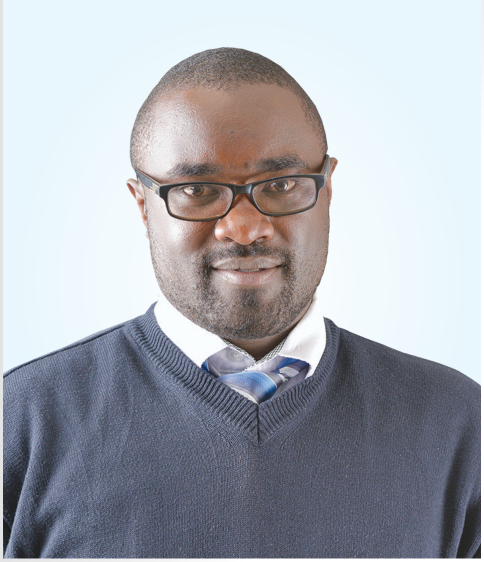
Mechanism – Recent Performance



Next Steps

- Concluding assessment of banks' risk-based credit pricing models.
- Finalization of the harmonization of CRB's credit scoring methodologies.
- Continued sensitization of banks and the public on CIS.

Program to support non-banks to join the CIS Framework – *Highlights*



Mr. Job Mariga, Head of Projects & Technical Services at CIS Kenya

Achievements in 2020

- Drafted Code of Conduct and submitted for CBK approval
- Developed draft On-boarding Procedures
- Undertook pilot to test the Procedures and build CIS Kenya capacity

Status of Initiatives

a) Code of Conduct	b) On-boarding Procedures	C) Pilot Project
•CBK comments received and incorporated •CBK approval awaited	Submitted as part of the Code of Conduct awaiting final approval	41 credit providers participated over a 6-months period

Outcome of the Pilot

Onboarding Procedures were refined and finalized after testing with 41 institutions. They are elaborate and fit for purpose in assessing:

- Physical Location
- Human Resource Allocation
- Data Quality Threshold

New entrants now have a systematic, step-by-step guideline that is effective in supporting compliance with CRB Regulations and is useful capacity-building tool.

Impact of COVID-19; Disruptions on Credit Consumers in Kenya *Insights from Preliminary Demand-Side Survey 2021*

Mr. Lemuel Mangla, Head of Policy and Compliance at CIS Kenya

In his presentation, Lemuel indicated that the Survey tested the following hypotheses;

a) There was an increase in demand for loans due to the impact of COVID-19

b) COVID-19 affected access channels for loans by consumers

c) Credit consumers had to renegotiate their loan terms with financial institutions owing to the disruption of COVID-19
d) Due to COVID-19, there was an increase in the default rate
e) COVID-19 has influenced the choice of a credit provider

Methodology

- Target respondents 1,000
- Data collection 9th – 16th February 2021
- 1,123 respondents were interviewed, 509 (45.3%) in Nairobi, 398 (35.4%) Kiambu and 216 (19.2%) in Machakos county.

Research Questions

i) Did the demand for loans increase due to the pandemic?
ii) Did the pandemic affect the preferred channels for accessing loans?
iii) Did the terms of credit change owing to the disruption of COVID-19?
iv) Did the pandemic lead to an increase in loan default?
v) Did the relief measures by CBK/ Government help?

Findings

a) There was an increase in loan appetite occasioned by COVID-19 (69%)
b) Delinquent loan accounts increased for the private sector (48.8%) and informal sector (58.2%) as compared to government sector employees (25.3%)
c) Most respondents about (59.8%) indicated they received support from their credit provider
d) COVID-19 pandemic has accelerated the adoption of digital channels (91.3%)
e) More than half of the respondents (60.2%) appreciated CBKs directive on non-listing of NPLs for 6 months.

Industry perspectives on impact of COVID -19 on the CIS mechanism and credit risk management

Perspectives from TransUnion CRB

Mr. Billy Owino, Chief Executive Officer at TransUnion Kenya

Consumer Education and Use of Credit Scores

The requirement for Consumer Education is entrenched in CRB Regulations 2020. Risk-based pricing that takes into account consumers scores and behavior enables borrowers to benefit from maintaining good credit histories

- Better informed consumers are critical for the recovery of the financial sector as they perform better over time – improving their credit scores by 30-40% on average
- 6% of credit active population view their credit reports annually.
- 2 out of 3 new to credit consumers are becoming credit active for the first time through digital lending.
- Over 90% of consumers don't know what their credit score is and what affects it
- Less than 30% of lenders regularly use

credit scores for consumer credit life-cycle management and pricing of risk

Digital lending has greatly impacted the inclusion of individuals who were formerly locked out of formal financial services. Out of every 3 new credit consumers, the entry of 2 of these to the credit market is attributed to digital lending products. It therefore follows that the pronouncement of the CBK on the removal of digital lenders and microfinance institutions has greatly impacted the gains on financial inclusion.

- 7.6 M accounts were expunged from the credit bureaus which led to 2.6M consumer profiles affected.
- 80% of the accounts expunged from the CRBs were all from digital lenders. of which 51% of the accounts were positively listed.
- Out of the 2.6 M consumer profiles affected 426,000 individuals lost their footprints in the CRBs as they had only borrowed from the digital lenders.

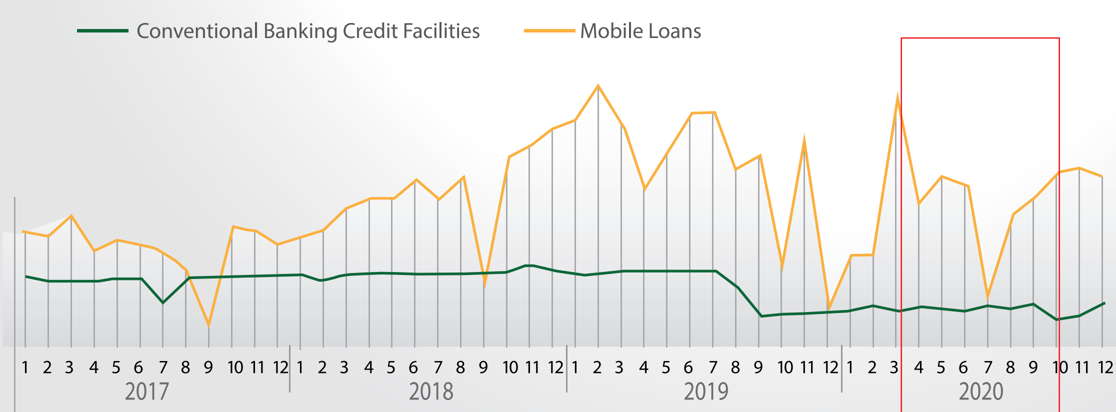
For more about the presentation you can access it at **https://ciskenya.co.ke/wp-content/files/2021/04/Perspectives-on-Covid-19-Interventions.pdf**

Perspectives from Creditinfo CRB Kenya Ltd

Mr. Kamau Kunyiha, Regional Manager of East and Southern Africa at Creditinfo Group

According to Creditinfo CRB, based on the CBK directives, there was an increase in the number of digital credit contracts as of March 2021 being submitted to the CRBs. However, no significant change took place for the traditional credit products.

Reported Contracts by Financial Institutions



- Increase in Reported Mobile Contracts in March 2021, following the CBK Directive on Credit Reporting
- No significant Impact observed for Traditional Banking Credit Facilities

Perspectives from Metropol CRB

Mr. Sam Omukoko, Group Managing Director and CEO at Metropol Corporation

Mr. Omukoko gave the following remarks:

- **Integrity of the CIS mechanism** - Consistency of the data from lenders to the bureau databases. Uncertainty around data quality or data management will directly affect use of the mechanism as a decision criterion. Bureaus have a responsibility to assure lenders and borrowers on reliability for credit decisioning process
- **Consistency of reporting** helps in development of trends and understanding the spending and lending patterns in market. When that consistency is interfered with, the breaks distort ability to see the flow of credit into various economic sectors
- **Information capital** is about the value of information in credit bureaus, how it is captured and used by the lender to benefit the borrower. Before the COVID-19 pandemic, there was improvement in use of credit bureau data by lenders, away from the binary decision of Yes or No. Mining value out of the data in the Bureau is an important aspect of this whole mechanism.
- **Risk Based Pricing,** ties the decision on price and loan terms to the borrower's risk status, which is reflected in the credit score. That would see some customers being rewarded for good credit scores, which reflects their good credit behavior. We haven't got to that point in this market, and introduction of RBP will enable us to deal with the old age perception of credit bureaus as default listing institutions.
- **Standardization of some practices.** Data quality is important and it is equally important that bureaus hold the same information about borrowers. But in a market like this where we have regulated and unregulated entities, it is not possible for all the bureaus to have uniform data across board. Ability to capture credit behavior in non-traditional areas like trade credit, Sacco lending etc influences these distinctions in credit bureaus. Moving towards standardization is an important aspect because it benefits the borrower when they know that all their credit data has been included in the report.
- **Standardation or harmonization of credit scores-** Technically, the absence of standardised data across the three bureaus renders it impossible to generate similar scores. Additionally, differing algorithms do not allow uniformity of credit scores. The most important thing is to define the risk bucket. The differences could be plus or minus five or plus or minus 10, but the credit scores, even if they vary from credit bureau to credit bureau, will definitely fall into the same risk bucket.

Dr. Patrick Gathondu, Chief Executive Officer at BIMAS Kenya Ltd

In his presentation named, **"AFTER THESTORM – *Adapting and thriving"*,** Dr. Gathondu covered the following:

Key take home From Storms

1. Storms Bring People Closer Together- Built a resilient team, reached out ceaselessly
2. Storms Change our Behavior- They humble us into learning new patterns of behavior.(Purpose to change)
3. Storms Teach Us About our Foundations (let go of what must)- We redefined our lending policies, knowing our strengths was in group lending (Funded individuals not groups, daily reports of qualifying groups, messaging)
4. Storms Offer Us an Opportunity to Discover New Strength and Skills (keep the lesson)
   (new lines of communication, Trust, there is no time for ego, selfishness
5. Storms help us remember what is really important- We rolled a serious Communication Engine to our customers
6. They help us to see Gratitude (leaned on this for resilience)- Went deep into the rural, sought to finance the continuing businesses Spoke to the hearts)

BIMAS Come Back	Means to achieve
Focus on our Customer (Gap analysis) • Re-orient our market leadership (Touch heart • Re-think our loan book • Build a committed team • Offer support	Collection of loans • Re-financing to keep our customers in tow • New innovative products that address our customers' needs • Build Staff incentives that promote earnings • Avoid over indebtedness

Closing Remarks

In his closing remarks Dr. Habil Olaka, the CEO of Kenya Bankers Association, appreciated Dr. Patrick Njoroge, the Governor of the Central Bank, whose keynote speech set the appropriate tone

for our deliberations. This is particularly with respect to a number of the issues on the journey to supporting the CIS mechanism in Kenya, starting with the issuing of the CRB regulations 2020 that were necessary to adjust the terrain, based on concerns that had been raised even before the COVID 19.

He also recognized Luz Maria Salamina, the Principal Operations Officer at the World Bank Group, the Director of Bank Supervision at the Central Bank of Kenya, Mr. Gerald Nyaoma as well as Mr. Jared Getenga, CEO of CIS Kenya, alongside the various financial sector CEOs in attendance.

He also commended the respective role of World Bank Group, FSD Kenya, and CIS Kenya towards the success of the conference, noting that the collaboration between CIS Kenya and the development partners has always been instrumental in ensuring that the mechanism continues to serve the interests of credit providers and consumers alike. Of particular interest were the insights shared by the World Bank Group with regard to the global experiences around COVID-19 and the credit markets.

Alternative Dispute Resolution

There is an ancient story about a senior judge who traveled out of his country to study the law of divorce as administered by different religious groups. One day the judge attended a couple's dispute session conducted by three priests in long black robes and long white beards. A wife was suing her husband for divorce. As her lawyer rose to his feet holding a handful of papers from which to plead her case, he was waved gently aside by the presiding priest, who turned to the wife and asked her to tell her own story.

Full of energy and in good heart, she succinctly explained that for eight years of marriage she had shared a house with her mother-in-law. She said that the older woman, too old to climb stairs, occupied the ground floor and herself lived upstairs. Since there was only one entrance to the house, she had to enter through her old mother-in-law's room to get to her own, and her mother-in-law continually questioned her activities, being late from work, manner of dressing, and later offering unsolicited advice before she heads to her room. She finally remarked that she loved her husband very much but the situation was intolerable.

The presiding priest waving aside the husband's lawyer as he had the wife's, asked to hear from the husband's side of the case. The husband said that it was true that both his mother and wife frequently disrespected one's privacy but he loves both of them. As an honorable man, he has obligation and responsibility for both, but he was a poor man and could not afford two houses.

According to the storyteller, the three priests retired by stepping outside and returned ten minutes later with their judgment. The priest judged that the husband was to purchase a ladder. When the wife was to avoid her mother-in-law, she could climb the ladder directly to her second-floor window.

The judge was fascinated as she watched husband and wife leave the room hand in hand happily and jovially. She could only wonder what might have happened to this couple under a court system, with its orders to show cause, its lengthy hearings, and its costly lawyers.

Similarly, the Tatua Center helps in amicable resolution of CIS Disputes which would have been very costly if settled in court.

About Tatua Center

Tatua Center was established as an Alternative Dispute Resolution under the premise of the Banking (Credit Reference Bureaus) Regulations, 2013 section 28 (2) (f) which were later revised to Banking (Credit Reference Bureaus) Regulations, 2020. Regulation 29 (2)(f) of the Banking (Credit Reference Bureaus) Regulations, 2020 provides ***"the right of the customer to refer a dispute to an alternative dispute resolution mechanism, court of law or the Central Bank where the customer feels that a dispute has not been resolved to the customer's satisfaction."***

Tatua Center's primary objective is to resolve credit information disputes. The Center

offers free dispute resolution through mediation when consumers do not find satisfactory relief after lodging a complaint through the CRB process. It plays a huge role in creating awareness on consumer rights to dispute information held about them by the CRBs and in advising customers on how to challenge accuracy of such information. The Center provides a valuable option for both customers and credit providers, creating a conducive environment for issues to be addressed while upholding the relationship between the parties.
Karibu Tatua Center.

Disputes handled since the launch of Tatua Center

Year	2015	2016	2017	2018	2019	2020	2021	TOTAL
Verification	14	22	13	23	23	7	6	**108**
Intervention	31	44	39	56	51	3	4	**228**
Facilitation	76	110	126	196	117	11	29	**665**
Mediation	32	38	30	55	22	32	24	**233**
TOTAL	**153**	**214**	**208**	**330**	**213**	**53**	**63**	**1234**

Tatua Center resolution process flows

STEP 1

Information Verification and Complaint Resolution

This stage is critical as it is provided for under Regulation 37 of the Banking (Credit Reference Bureaus) Regulations, 2020. The Registrar confirms that the dispute has been lodged and handled at the CRB before the complaint being reported as a dispute with the Center.

STEP 2

Dispute Intervention

In this stage, the Registrar obtains further information from the customer, determines if the Center has jurisdiction, and intervenes on behalf of the customer with credit bureaus or credit providers for resolution. The Registrar gives direction and advice to the complainant to help to conclude the dispute.

STEP 3

Dispute Facilitation

This stage is marked by formal written correspondence with the CRB, credit provider, and the complainant in an attempt to get to the bottom of the dispute and secure an agreement between the parties.

STEP 4

Dispute Mediation

This stage is only arrived at when the parties fail to agree. This stage aims to have the parties meet face to face/virtually and agree on a settlement that is a win-win scenario for all.

Tatua Center's procedure in dispute resolution

The Center intervenes after the following steps have been exhausted;

CUSTOMER

- **01** Requests CRB for their credit report;
- **02** Reviews credit report and ascertains if details are correct; and
- **03** If not satisfied with the contents of the credit report, lodge a dispute against disputed information with the CRB that provided the report.

CRB

- **04** Reviews dispute and establish if it is due to an internal error or if the error originates from the credit provider;
- **05** If it is due to an internal error, corrects data, updates, and informs the customer; and
- **06** If not due to an internal error, raises the matter with the credit provider within 5 days of receipt of the complaint.

CREDIT PROVIDER

- **07** Reviews disputed information against own records and if the information is incorrect, makes changes in its system and sends and Amendment Notice to CRBs; and
- **08** If the information is correct, advises CRBs to retain information giving reasons.

CRB

09 | Updates record with information received from the credit provider. If the credit provider has sought amendments, the CRB corrects customer record and informs the customer and all subscribers that have inquired about the customer within the past 12 months as provided by Regulations;

10 | If the credit provider confirms the correctness of the information, the CRB informs the customer accordingly; and

11 | If the customer is satisfied, the dispute is closed and

12 | If the customer is not satisfied, the CRB refers the customer to Tatua Center.

Tatua Center intervenes as below;

CUSTOMER

01 | Contacts the Center.

THE CENTER

02 | The Center checks customer dispute details. If the customer has not filed the dispute with the CRBs, the Center educates the customer on the procedure to follow, provides dispute forms for the customer to fill and assists the customer to submit the dispute to CRBs.

03 | If the complaint is unsatisfactorily closed the Center

- requests the customer for any additional information required to understand the issue;
- Engages the credit provider and CRB in a bid to resolve the issue and clarifies the legal position;
- If the credit provider agrees with the Center and decides to amend the customer's report,it issues an Amendment Notice to the CRBs with a copy the Center. The Center then informs the customers and closes its file;
- If the decision is to retain the CRB listing and the customer position has not changed, the Center organizes a mediation session;
- The Center, through its accredited mediators, conducts mediation and the settlement agreement is availed to the CRBs to update their records.

Data Quality and Submission

Since the rollout of the Credit Information Sharing (CIS) mechanism in 2010, the credit market has experienced tremendous growth in number of products developed and the volume of credit that is being provided on regular basis. The change from a negative only information sharing regime to full-file sharing in 2014 has led to increased number of records submitted to the credit reference bureaus (CRBs). The number of unique profiles, which stood at 10,710, 902 in 2019 is bound to increase sharply with the introduction of daily submissions in late 2019. Daily submissions now capture new disbursements and payments of digital products, updates on contacts, and intra-month transactions, which will enhance predictive value of credit bureau scores and boost financial inclusion.

Despite the positive impact accompanying these reforms, a number of challenges emerge. Some of the practices (e.g., duplicating the submission of a previous month) that were observed during the monthly submission of a mere 8 files arose from participation by some institutions purely to tick a compliance checklist. In other cases, updates relating to correcting disputed data are submitted to the one bureau where the dispute was lodged, introduced undesirable disparities. In the absence of an industry-wide intervention, the introduction of 9 extra files (majority being daily files) merely aggravated the situation. Monitoring data quality is also compromised whenever some CRBs flex data specification rules, even for good intentions, such as obtaining datasets to facilitate modelling.

Vali Data
Data Validation and Submission Tool

To address these and other challenges, the ***CIS ValiData*** has been developed based on the standardized validation rules to facilitate data validation before simultaneous submission to all licensed CRBs. The Tool provides error logs instantly for actioning, and when agreed threshold is met, it prompts submission, which ensures ownership of the quality issues. Over time, enhanced thresholds promote higher standards of data quality, reliability of the products and an efficient and effective risk-based pricing regime.

The 2 main objectives that the CIS ValiData are:

i. Application of uniform validations to credit bureau data
ii. Uniform submission of data to all the credit bureaus

It runs on 3 modules namely;

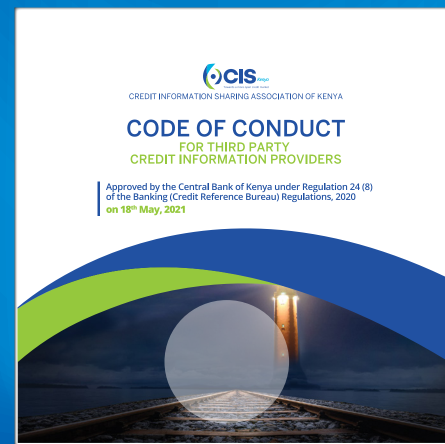
- Credit Information Provider (CIP) module (Desktop based and Server-based)
- CIS Kenya Module
- CRB Module

CIS Learning Center

CIS Kenya launched the CIS Learning Center on 18th September 2019. The platform offers nine modules on topical areas around regulation, data, technology and credit infrastructure. The Learning Center is designed to equip credit professionals to effectively use the credit information sharing mechanism.

In year 2021, CIS learning Centre, has continued to conduct trainings which are aimed at equipping credit practitioners with knowledge that would help them navigate the pandemic towards economic recovery and also considers the need for banks and other lenders to develop and sharpen their credit risk-based pricing models the trainings These trainings involve practical sessions on deploying credit analysis tools, measurement of borrower risk among other areas of risk management.

CIS
Code of Conduct



CRB Regulations place a mandatory requirement on CBK's licensed institutions to submit full-file data to all licensed CRBs. In addition, the Regulations include the participation of non-banks (referred to as third-party credit information providers in the Regulations) into the mechanism on a voluntary basis. They are thus required to obtain consumer consents and upon approval by CBK, share data through all licensed CRBs. In addition, they are required to subscribe to an industry Code of Conduct to ensure maintenance of high standards of conduct in the CIS mechanism.

The CIS industry Code of Conduct was approved by the regulator on 18th May, 2021. The purpose of the Code of Conduct is to provide guidance to Members of CIS Kenya with a framework for best practice in regard to the following:

- Data quality in the collection, extraction, submission, access, use, storage and discarding of credit information.
- Consumer protection with respect to issuance of notices, timely updating of customer information, efficient dispute resolution, accessibility of credit providers, prompt correction of data and response to customer queries.
- Customer-centricity including riskbased pricing, consumer education and appropriate product offerings

The Code is issued by the Association pursuant to Regulation 24(8) of the Banking (Credit Reference Bureau) Regulations, 2020 which requires all third-party Credit Information Providers (CIPs) to be subject to an industry code of conduct approved by the CBK. The Code compliments the existing legislation such as the Constitution of Kenya 2010, the CRB Regulations, the Data Protection Act 2019, the Consumer Protection Act Number 46 of 2012 and the Association's Constitution.

Members are obligated to observe the following data sharing and credit reporting principles:

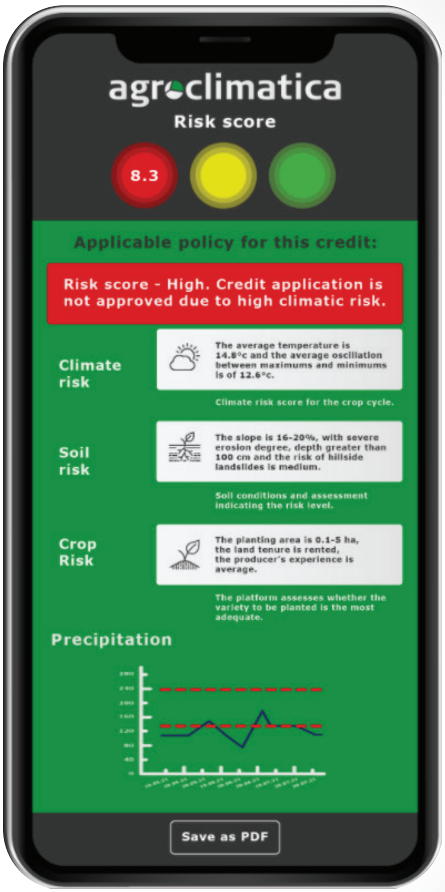
- **Lawfulness –** customer information must be shared in accordance with applicable laws and regulations and international best practice
- **Minimality** – sharing of credit information must be adequate, timely, relevant, and not excessive in relation to the purposes for the sharing. Information shared must be restricted to what is permitted under the law
- **Consent and purpose specification** – Where the law does not mandate credit information sharing, Members are required to obtain clear and specific consent from their customers to share their credit information. As much as possible Members will ensure that consent is granted in writing
- **Data retention periods –** Credit information shall be retained by the bureaus for the minimum period stipulated in the CRB Regulations. No Member will seek to have information expunged from the credit report before the stipulated period
- **Information quality** – Consumer Credit Information must be accurate, complete and up-to-date. CRBs and Members are both responsible for the quality of consumer credit information. Members must update customer records as stipulated in the Regulations and the CRBs must undertake steps spelled out in the Regulations to enhance data accuracy, reliability and predictive value.
- **Notification to consumers** – Members must issue customers with specific pre-listing, post-listing and adverse action notices as well as any other notice stipulated in the CRB Regulations
- **Full file sharing** – Members undertake to share full file information daily with all licensed CRBs. They also undertake to update credit information as soon as any change occurs and to correct any errors as soon as they are noticed
- **Security and confidentiality** – Credit information must be protected against, accidental, unlawful destruction, unlawful intrusion, loss and wrongful alteration, unauthorized disclosure and access by an unauthorized person
- **Access to credit information** – Members will provide consumers with credit reports under all circumstances stipulated under the Regulations
- **Data standardization** – Members undertake to share data using the most current DST and through the industry Data Validation Tool provided by the Association in line with the CRB Regulations
- **Customer complaints and dispute resolution**- Members undertake to maintain functional and efficient dispute resolution processes and to educate customers on their rights including the right to refer disputes not resolved to their satisfaction to Tatua Center, an Alternative Dispute Resolution Center established by the Association which continues to handle CIS disputes.

Agroclimatica now approved by the Central Bank of Kenya to be used by lenders as a tool in assesing Agricultural Credit Risk

Metropol Corporation has inked a deal with a Danish Company, Ingemann Group, to create integrated Risk Management platforms in agricultural value chain management in Kenya.

The partnership has birthed a new product dubbed "Kilimo score", which will provide information to customers through a bio climatic data platform called "Agroclimatica". We are proud to announce the approval for use of Agroclimatica as an additional risk scoring tool for the Agricultural sector by the Central Bank of Kenya . This approval portrays confidence on the methodology by the regulator. The approval is a win for lenders and borrowers in the agricultural sector. Agroclimatica identifies and quantifies the risks and opportunities associated with agricultural financing and insurance.The platform is a tool that allows transparency in the risk profile that enables financial institutions to:

- Quantify risk exposure associated with agricultural lending before hand
- Define credit allocation policies.
- Allow objective and technical assessment of loan portfolio regarding Agroclimatica risks
- Facilitate identification and design of climate resilient financial products
- Eliminate subjectivity in decision making



- Ultimately reduce cost of lending to agriculture sector

This service, however, will not require any initial investment and is available on a Pay as You Use basis.
To sign up for the early bird offer just send an email to agroclimatica@metropol.co.ke

Pictorials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OF KENYA


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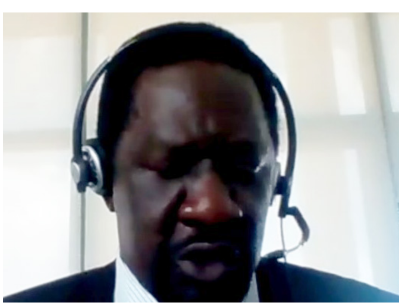


the face of crisis
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