

Learning from the WHCRI: Steps to Improve Credit & Loan Reporting in Latin America and the Caribbean

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Learning from the WHCRI

- I. Value of a regional approach
- II. Value of a comprehensive approach
- III. Common priority issues
 - Laws and regulations
 - Competition
 - Public source data
 - Public education & consumer protection

Value of a Regional Approach

- Countries face many common challenges – and some differences - and can learn from one another
 - Regional bodies exist which address different aspects of credit information and credit reporting
 - ALACRED
 - ALAIC
 - FELABAN
 - ABSA
 - Chambers of Commerce
 - CEMLA
- But there is no forum or space for coordination, communication between these groups

Value of a Regional Approach

- Private sector activity has regional characteristics
 - Multinational credit reporting firms have regional (Latin American) strategies
 - Smaller firms operate on sub-regional basis
 - Investments in one country can affect investments in others

Value of a Regional Approach

- Economies of scale from working regionally
 - Training activities
 - Seminars and other outreach / education events
 - Research and consulting projects
- Opportunities for building in greater consistency in policies across countries and for developing regional standards and gaining acceptance of these

Value of a Comprehensive Approach

- WHCRI introduced a comprehensive methodology for analyzing a country's credit reporting system
 - Not just private credit bureaus and public credit registries, but a broader concept of *financial information infrastructure*
 - Methodology has worked – resulted in high quality reports
 - Methodology has been accepted by different groups in countries (public authorities, private sector, etc.)

Value of a Comprehensive Approach

- ***Expanding the scope of credit reporting systems*** to include marginalized segments of the population so as ***to improve access to finance***
 - Low income consumers
 - Microenterprises
 - Small and Medium Enterprises
 - Disadvantaged groups (ethnic minorities, racial minorities, etc.)
 - Geographic coverage
 - Rural coverage

Value of a Comprehensive Approach

- Importance of bringing different institutions, actors, points of view to the table
 - Not limited to the banking, or even financial, sector
 - Example – potential role of utility data, retail credit data
 - Balancing sometimes conflicting objectives
 - Example – privacy vs. economic growth
- ***Oversight*** function for regulation – how to coordinate between various authorities with supervisory responsibilities

Common Priority Issues – Legal framework for credit reporting

- When the legal framework is inadequate, credit reporting does not develop fully and firms incur additional expenses from legal challenges
- Many countries in LAC do not have adequate laws for this activity
- Laws are in development or discussion in many countries in the region

Common Priority Issues – Regulatory framework

- Effective regulation and enforcement is necessary for laws to have meaning
- Many countries in LAC do not have the institutional capacity or regulatory tools necessary to be effective enforcers of laws and regulations for credit reporting
- Many countries still have no clear regulatory body for this activity
 - Who will regulate credit reporting activities is often a point of contention when laws are being developed

Common Priority Issues – Public Source Data

- Public credit registry data (in central bank or bank supervisor)
- Corporate registry data
- Collateral registry data (moveable & fixed)
- Court records
- Identification information (for firms & individuals)
- Other data, not yet dealt with by WHCRI includes insurance related data, tax & other govt. obligations

Common Priority Issues – Public Source Data

- Modernization efforts underway in many cases
- Data not necessarily available for credit reports
- Data not used due to poor, unreliable quality
- Uneven rules on access to data
- Responsibility for data at different levels of government (federal/national, state/provincial, local/municipal)

Common Priority Issues – Competition

- Is there adequate competition in market for credit reporting products and services?
- Is the market fragmented by type of borrower or lending institution / credit provider?
- Does the ownership / governance structure of private credit reporting activities affect their behavior and impact competition for credit, financial services?

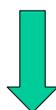
Common Priority Issues – Public Education & Consumer Protection

- Recognition of the importance of public education on credit reporting, and more broadly, financial literacy, so that consumers can manage their financial affairs and protect themselves in the marketplace
- Public education also key to active, willing participation in credit reporting system which leads to quality data
- Very limited resources for public education or consumer protection efforts
- Very limited institutional capacity

Value of Comprehensive Approach: Legal Framework

- Process of developing credit reporting law

Few authorities responsible for drafting law



Involving key constituencies in creation of law,
balancing competing concerns

Value of Regional Approach: Legal Framework

- Process of developing credit reporting law

Law developed locally, with limited reference to
relevant regional and international experiences



Access to regional and international laws and
experience, and to rigorous analysis of impact of
laws on industry performance

Thinking Strategically: Public Credit Registry (PCR)

- PCR used for banking supervision
 - New tools in other countries for use of PCR
 - Role of PCR in moving to risk based sup., BII
- PCR and competition in credit reporting industry, credit markets
- PCR as part of strategy for modernization of public source financial data
- PCR possible use related to regulation of credit reporting

Competition in Credit Reporting: Developing a Regional Consensus

- Is credit reporting a “utility” or a strategic input?
- Learning from diversity in region – systems with only PCR, to private monopoly to multiple private providers
- Affecting competition via laws, regulations, public policies
- Link between competition & consumer protection

Enhancing Public Education, Outreach & Consumer Protection

- Value of a comprehensive approach:
 - Consumer protection balancing privacy concerns with economy's need for information
 - Reaching different constituencies
- Value of a regional approach:
 - Opportunities for sharing strategies, materials, experiences
 - Possible regional initiatives
- Addressing these issues in laws & regulations and providing adequate resources

Working alone vs. working together

- Development, reform and strengthening efforts for credit reporting systems need to be led at the national level
- But external partners, like the WHCRI and its members, can facilitate, encourage and leverage these national efforts to achieve greater impact and better results

**WHCRI Next Steps:
Actions to Improve Credit
Reporting Systems in Latin
America and the Caribbean**

**WHCRI Next Steps:
Legal Reform**

- National / Local Level
 - Consultancies to support drafting laws
 - Seminars, other events & activities to promote understanding of draft law, regional & international experiences and good practices
- Regional
 - Regional seminar
 - Other events and activities to promote sharing information & experiences
 - Dissemination of regional & international good practice

WHCRI Next Steps: Regulatory Reform

- National / Local Level
 - Consultancies, ICC Technical Assistance for capacity building in regulatory agencies
 - Consultancies to develop and support new and/or enhanced regulatory framework
- Regional
 - Opportunities for regulators to share experiences (on-line, seminars/workshops, ICC missions, project documents, etc.)
 - Regional training initiatives
 - Attention to effective regulation, enforcement in legal work, via good practice guidelines
 - Regional analytical work on effective regulation

WHCRI Next Steps: Public Source Data

- National / Local Level
 - Modernization of public databases (systems, technology, legal & regulatory framework, etc.) via consultancies, technical assistance, etc.
 - Enhancing PCRs and their use in supervision via consultancies, ICC missions, sharing research, etc.
 - Leveraging efforts via partnerships with other donors, government agencies, etc.

WHCRI Next Steps: Public Source Data

- Regional
 - Begin a dialogue on common data standards
 - Regional attention to data security issues
 - Opportunities for database managers to share experiences (on-line, seminars/workshops, ICC missions, project documents, etc.)
 - Regional training opportunities
 - Development of knowledge base in region on good practice for different public source databases (corporate registries, collateral registries, court records, ID data, etc.)

WHCRI Next Steps: Competition

- National / Local Level
 - Analytical work on competition in credit reporting at the national level
 - Consultancies, training opportunities addressing competition issues for regulators, policy makers
- Regional
 - Analytical work on role / importance of competition in credit reporting market at regional level
 - Opportunities for policy makers to share experiences on competition issues in credit reporting (on-line, via seminars/workshops, etc.)

WHCRI Next Steps: Actions to Improve Credit Reporting Systems in LAC

- Public Education & Outreach and Consumer Protection
 - Create a forum for authorities charged with public education and consumer protection to share experiences, challenges
 - Develop common programs, materials across countries
 - Systematize & make available learning from others (in region & beyond) about effective strategies

Challenge:

How to take what we've learned through the WHCRI and use it to improve credit reporting in LAC

What can you do?

What can we do?

How can we best work together?