

WESTERN HEMISPHERE CREDIT AND LOAN REPORTING INITIATIVE
CENTRE FOR LATIN AMERICAN MONETARY STUDIES
FIRST INITIATIVE
THE WORLD BANK

CREDIT AND LOAN REPORTING SYSTEMS IN COSTA RICA



DECEMBER 2006

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Foreword

In August 2004, following a request from the central banks of Latin America and the Caribbean, the World Bank and the *Centro de Estudios Monetarios Latinoamericanos* (CEMLA), with the financial support of the FIRST Initiative, launched the Western Hemisphere Credit and Loan Reporting Initiative (WHCRI). The objective of the Initiative is to describe and assess the credit and loan reporting systems of the Western Hemisphere with a view to identifying possible improvements in their efficiency and integrity.

As part of the project structure, in August 2004 an International Consultative Committee (ICC) comprised of experts in various fields was established. In addition to CEMLA and the World Bank, the institutions participating in the ICC include multilateral institutions such as the Inter-American Development Bank (IADB), the International Finance Corporation (IFC) and the International Monetary Fund (IMF) and central banks such as the Bank of Canada, Banco de España and the Federal Reserve Bank of New York.

To assure quality and effectiveness, the Initiative includes two important components. First, all studies are conducted with the active participation of country officials and the project builds upon the existing work undertaken in the respective country. Second, the Initiative draws upon international and national expertise on the subject, through the ICC, in order to provide guidance, advice and alternatives to current practice.

The Initiative has undertaken a number of activities in response to requests by central banks from Latin America and the Caribbean. These include: the preparation of public reports containing a systematic in-depth description of each country's credit and loan reporting systems; the delivery of a confidential recommendations report to the authorities of each country; the organization of ICC meetings to review country studies and provide input for future work; the organization of workshops focusing on topics of specific interest; the creation of a web page (www.whcri.org) to present the Initiative's products and other information of interest in the field of credit reporting; and the promotion of working groups to ensure continuity in project activities.

CEMLA acts as the Technical Secretariat of the Initiative, with the main objective of making this process sustainable and extending activities to all countries within the Hemisphere. To this end, the Initiative has helped strengthen CEMLA's in-house expertise and broadened knowledge and the transfer of know-how across the Region. The efforts of the Working Groups coordinated by CEMLA shall maintain the structure created under the Initiative and will provide a permanent forum for the countries in the Region to discuss, coordinate and lend a collective impetus to work in the field of bank credit and loan reporting systems.

This report "*Credit and Loan Reporting Systems in Costa Rica*" is one of the public reports in the series and was prepared by an international team in collaboration with local representatives of the General Superintendence of Financial Entities of Costa Rica.

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This report is based on the findings of a mission who visited San Jose in December 2006. The report was prepared by the members of an international team which included Corina Arteché Serra (CEMLA), Jose Antonio Garcia (World Bank), Matias Gutierrez Girault (FIRST Consultant), Miguel Llenas (FIRST Consultant) and Oscar Madeddu (IFC).

The international team worked in cooperation with the local team comprised by staff of the General Superintendence of Financial Entities (SUGEF).

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1 ECONOMIC AND FINANCIAL MARKET BACKGROUND

After several years of declining economic activity in Costa Rica, signs of recovery began appearing in 2002. Gross domestic product increased based on growing internal demand and a recovery in exports.

Higher international prices for imported raw materials in 2004 contributed to a real appreciation of the Colon and a widening of the trade gap. Economic performance was also influenced by the effects of a fall in the price of external debt securities in the international market, causing significant adjustments in the local financial market. Due to the consequential decline in the returns on investment and pension funds, investors began to transfer part of their resources to fixed income and short term instruments of the banking system. This resulted in a collapse of assets and a decline in fund shares and a rise in interest rates.

The level of economic activity in 2005 suffered from the effects on domestic spending associated with the deterioration in the terms of trade, an austere fiscal policy and the outlook for higher interest rates. However, the economy was able to grow, mainly due to the increase in export activity. During the beginning of the year interest rates on open market operations continued to increase, while the minimum level of legal reserve requirements was maintained. The high level of interest rates and the relative stability in the foreign exchange market provided incentives to invest in Colones, when compared to the returns on other financial investment options. Lending to the private sector grew by 21 percent.

A dynamic economic performance in 2006 resulted in a rate of economic growth that exceeded the average rate for the Costa Rican economy over the last fifteen years. The improved economic performance was due to the convergence of contextual factors that had a particularly favorable impact on the supply of goods, as well as to other more permanent elements.

Table 1: Macroeconomic Indicators^(a)

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|--------|--------|--------|--------|--------|
| GDP in current prices (in USD millions) | 16,838 | 17,484 | 18,593 | 19,973 | 22,147 |
| GDP real annual growth rate | 3.0 | 6.5 | 4.2 | 6.2 | 7.9 |
| Average unemployment rate | 6.4 | 6.7 | 6.5 | 6.6 | 6.0 |
| Imports FOB (% growth) | 13.8 | 11.6 | 8.1 | 17.2 | 18.2 |
| Exports FOB (% growth) | 6.8 | 16.6 | 2.4 | 11.0 | 17.4 |
| Balance of payments current account (as % of GDP) | - 5.7 | - 5.3 | -4.8 | -4.9 | -4.9 |
| Inflation (annual growth rate of the Consumer Price Index) | 9.7 | 9.9 | 13.1 | 14.1 | 9.4 |
| Exchange rate vs USD (end-of-year average) | 359.8 | 398.7 | 437.9 | 477.8 | 511.3 |

Source: Central Bank of Costa Rica (BCCR).

^(a) The following conventions for notation are used in the length of this report: "n.a." indicates that data is not available; ".." represents non applicable data; "neg" (negligible) is indicated when amounts are too small in relation to other relevant amounts in the corresponding table.

The increase in output was particularly concentrated in the goods-producing industries and construction, although some services also showed high growth rates. In this scenario, the performance of the national banking system was characterized by a significant growth in various accounts of the balance sheet, mainly in the loan portfolio, as well as an increase in bank profits, in addition to an improvement in the levels of default rate.

1.1 MAIN REFORMS IN RECENT YEARS

The main reform affecting the Costa Rican financial market in the last three years has been the new foreign exchange regime that came into effect in October 2006. This measure replaced the previous regime of mini-devaluations which had been in effect for more than two decades.

1.2 BANKING SECTOR: RECENT REFORMS AND CURRENT STRUCTURE

1.2.1 Recent Reforms

The banking industry has undergone important changes in the area of prudential regulation:

- The “Regulation of financial information relative to financial entities, groups and conglomerates” was approved.
- The regulations for compliance with “Law N° 8204 on narcotics, psychotropic substances, non-authorized use of drugs, capital legalization and connected activities” were approved.
- Agreements SUGEF 4-04 “Regulation of connected groups to the entity” and SUGEF 5-04 “Regulation of economic interest groups” were approved, providing a new framework to limit the concentration of loans.
- Agreement SUGEF 1-05 “Regulation for debtor classification” was approved, where new criteria for debtor classification and the registration of loan portfolio estimates are established. At the same time, the Credit Information Center (CIC) was established and regulated; the CIC is an IT application that generates individual reports on a person’s current and past credit status at supervised entities, which in turn provides input for the application of Agreement SUGEF 1-05.
- Agreement SUGEF 3-06 “Regulation on capital adequacy of financial entities” was approved, incorporating as main modifications in the area of capital adequacy the recognition of ratings awarded by ratings agencies in assigning the level of credit risk to assets, and the incorporation of a capital requirement for the price risk of investments.
- In the institutional area, the Quality Control System of the General Superintendence of Financial Entities was consolidated according to the requirements established by norm ISO-9001-2000, issued by the Spanish Association for Standardization and Certification and the Costa Rican Institute for Technical Regulation.

- In the field of technology, the System of Capture, Verification and Loading (SICVECA) was implemented in order to improve the process of gathering information on supervised entities, in accordance with the new prudential requirements established by the above regulations.

1.2.2 Current Structure

In Costa Rica, financial intermediation may only be carried out by public or private entities with legal authorization, subject to compliance with established requirements and prior authorization by the General Superintendence of Financial Entities (SUGEF). Financial intermediation is legally defined as the attraction of financial resources from the public on a regular basis, for the purpose of directing them, on account and at the risk of the intermediary, towards any form of credit or investment in securities, independently of the contractual or legal arrangement involved, and of the type of document, electronic registry or similar means used to formalize transactions. The number of institutions in the financial system has not shown significant variations in the last years, except for the creation of financial groups.

Table 2: Structure of the Financial System

| | 2004 | 2005 | 2006 |
|--|------|------|------|
| Public Banks | 3 | 3 | 3 |
| Private Banks | 12 | 12 | 12 |
| Banks created by special laws | 2 | 2 | 2 |
| Non Bank Financial Entities | 9 | 9 | 9 |
| Savings and Loan Cooperatives | 24 | 28 | 28 |
| Building societies | 3 | 3 | 2 |
| Others | 1 | 1 | 3 |
| Financial Groups (supervised by SUGEF) | 16 | 16 | 22 |

Source: SUGEF.

The banks represent the largest share within the system holding 86 percent of total assets.

Table 3: Percentage Share of Entities in Total Assets of the Financial System
(as percentage)

| | 2004 | 2005 | 2006 |
|-------------------------------|-------|-------|-------|
| Public Banks | 49.1 | 47.6 | 46.8 |
| Private Banks | 29.1 | 29.9 | 29.1 |
| Banks created by special laws | 9.6 | 9.8 | 10.3 |
| Non Bank Financial Entities | 1.6 | 1.7 | 1.9 |
| Savings and Loan Cooperatives | 4.3 | 4.4 | 6.3 |
| Building societies | 3.4 | 3.6 | 3.6 |
| Others | 2.9 | 3.0 | 2.0 |
| System Total | 100.0 | 100.0 | 100.0 |

Source: SUGEF.

Over the last two years, public banking has lost more than 2 percentage points in the share of total financial system assets to the benefit of the banks created by special laws and saving and loan cooperatives. Even so, public banks continue being the major players in the financial system.

With regard to currency composition, by the end of 2006, 47 percent of the total assets of the financial system were denominated in foreign currency, with private banks and non-bank financial entities holding the largest proportion of assets in currencies other than Colones. These proportions are similar to those of the institutions' loan portfolios, as can be observed in Table 4.

Table 4: Proportion of Foreign Currency Assets in the Financial System
December 2006 (as percentage)

| | <i>Assets</i> | <i>Loans</i> |
|-------------------------------|---------------|--------------|
| Public Banks | 47.5 | 41.6 |
| Private Banks | 71.6 | 76.7 |
| Banks created by special laws | 14.8 | 9.8 |
| Non Bank Financial Entities | 72.3 | 76.1 |
| Savings and Loan Cooperatives | 6.5 | 1.4 |
| Building societies | 16.9 | 17.3 |
| Others | n.a. | n.a. |
| Total Financial System | 47.1 | 47.4 |

Source: SUGEF.

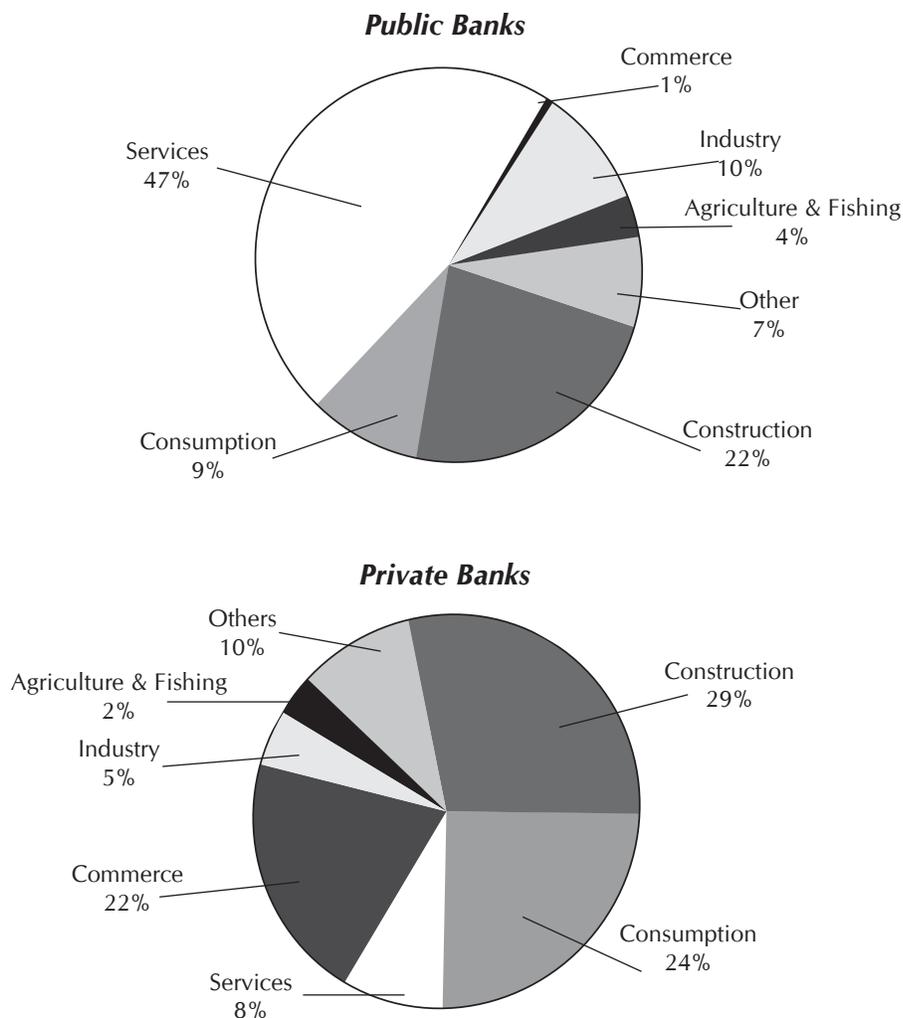
The total outstanding loan portfolio of public and private commercial banks doubled in the last three years. As a result, the loan portfolio increased its share among banks' productive assets.

Table 5 : Financial System: Loan portfolio
(Millions of colones)

| | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> |
|-------------------------------|-------------|-------------|-------------|-------------|
| Public Banks | 774 | 899 | 1,195 | 1,544 |
| Private Banks | 817 | 1,035 | 1,348 | 1,696 |
| Banks created by special laws | 240 | 288 | 371 | 471 |
| Non Bank Financial Entities | 43 | 51 | 78 | 114 |
| Savings and Loan Cooperatives | 107 | 153 | 237 | 345 |
| Building societies | 95 | 119 | 152 | 196 |
| Other | 60 | 72 | 83 | 102 |
| TOTAL | 2,136 | 2,617 | 3,464 | 4,468 |

Source: SUGEF.

Graph 1: The Structure of Banks' Loan Portfolio
December 2006



Source: SUGEF.

1.3 OTHER MAJOR CREDIT GRANTING INSTITUTIONS OF THE FINANCIAL AND NON-FINANCIAL SECTORS

1.3.1 Non-Bank Financial Entities

Non-bank financial entities are firms, other than banks and the various public or private entities regulated by special laws, engaging in financial intermediation as defined in the Organic Law of the Central Bank of Costa Rica. In order to operate as such, non-bank financial entities must incorporate as public bearer-share companies, be authorized by the General Superintendence of Financial Entities

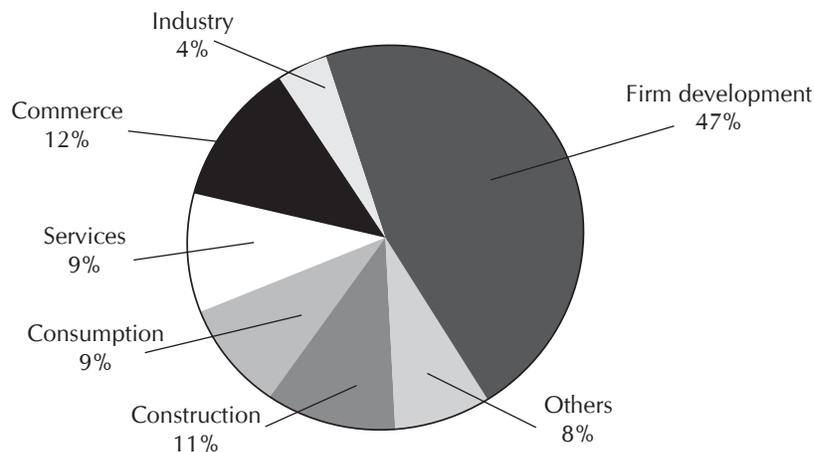
and comply with the provisions established in this Law and the Charter Law of the Central Bank of Costa Rica.

Non-bank financial entities may grant loans directly to individuals or firms in the private sector; purchase, discount and accept as collateral, promissory notes, pledges, bills of exchange, mortgages, and all kinds of securities and trade documents in general; grant loans against the guarantees provided by any type of security, real estate or personal properties; grant loans guaranteed by mortgages or mortgage loans; operate as trustees in accordance with the Code of Commerce; and perform other permissible transactions and activities that are compatible with the nature of financial firms.

On the other hand, they are forbidden to engage, directly or indirectly, in any transaction reserved by law exclusively to banks. They are also forbidden to participate in the ownership of agricultural, industrial, commercial or any other kind of company, or to purchase products, merchandise or real estate that are not essential for their normal functioning. Any goods or securities transferred to a non-bank financial entity in payment of obligations in its favor, or legally adjudicated by court auction, must be sold within a maximum period of two years, as from the date of award. Securities issued by financial entities shall be legally executable.

By December 2006 the loan portfolio of the non-bank financial entities had become the sector's most important asset, representing 72 percent of the total. It is noteworthy that the loan portfolio grew by 165 percent in the last three years. As in previous years, activities related to company development maintained the largest percentage in the distribution of loans by economic activity (see Graph 2).

Graph 2: Structure of Loan Portfolio of Non-Bank Financial Entities



Source: SUGEF.

1.3.2 Savings and Loan Cooperatives

Savings and loan cooperatives are entities authorized by SUGEF and incorporated as mutual assistance or similar associations. The operations of these entities may vary as a function of their volume of

assets, their number of members or when engaging in transactions with a closed group of members, in which case they may be exempt from the minimum legal reserve requirement, but must maintain liquid reserves in the same percentage.

By means of a resolution published in the Official Journal "La Gaceta" N° 60 of 24/03/2006, and in use of its conferred attributes, SUGEF determined that open savings and loan cooperatives (comprising members that do not work for the same firm) with assets in excess of ₡640.4 million would be subject to its supervision, together with those with lower levels of assets but previously classified as subject to supervision.¹

Savings and loan cooperatives represent 6 percent of the system's assets, which makes them the second most important institutions after banks.

The loan portfolio of the supervised cooperative sector represented 68 percent of total assets in the year 2006, reflecting 46 percent growth with respect to the close of the previous year. The distribution of the supervised cooperative sector's loan portfolio by economic activity showed that more than 85 percent was concentrated in personal credit and consumption loans, followed by commercial activity.

1.3.3 Building Societies

These are private law entities composed of individuals willing to provide each other with mutual support in face of the need to promote savings for housing.

These entities represent 4 percent of the assets of the financial system in 2006 and their main asset is the loan portfolio which presents 67 percent of the total. As with other non-bank financial firms there was a significant increase in credit granted in the last three years, which in this case amounted to 53 percent.

1.4 THE CURRENT LOAN MARKET

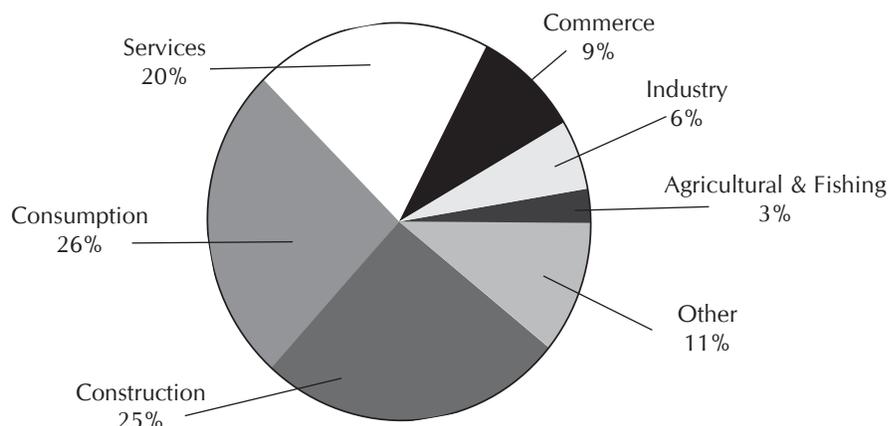
Private Banks represent 38 percent of the system's total loans, followed by public banks with 35 percent.

When analyzing lending by economic activity, it can be seen that the financial system loan portfolio is concentrated in consumption and housing/construction (26 and 25 percent respectively). Activities such as service and commerce follow in order of importance with 20 percent and 9 percent, respectively (see Graph 3).

Building societies and banks created by special laws stand out in the area of housing finance, concentrating 79 percent and 28 percent, respectively, of their portfolio in this activity. Savings and loan cooperatives stand out in the area of consumer financing, with 83 percent of their loans concentrated in this activity.

¹ Throughout this report The symbol ₡ stands for colones, while USD refers to United States dollars.

Graph 3: National Financial System: Lending by Economic Activity
December 2006



Source: SUGEF.

Since 2003 there has been a decline in default rate loans at private and public banks, although banks created by special laws and building societies have seen their levels remain steady at 17 and 24 percent, respectively.

Table 6 : Non-performing Loans in the Financial System
End of year (As percentage)

| | 2003 | 2004 | 2005 | 2006 |
|--|------|------|------|------|
| Public Banks | 7 | 9 | 5 | 4 |
| Private Banks | 6 | 5 | 3 | 4 |
| Banks created by special laws | 17 | 20 | 23 | 21 |
| Non Bank Financial Entities | 11 | 13 | 12 | 8 |
| Savings and Loan Cooperatives | 9 | 8 | 7 | 8 |
| Building societies authorized by the SFN | 23 | 24 | 23 | 24 |
| Other | 4 | 2 | 2 | 2 |
| Total | 9 | 9 | 7 | 7 |

Source: SUGEF.

Note: Does not take provisioning into account.

1.4.1 Key Issues in Business Financing

The majority of the loans to companies are supplied by private banks, which until two years ago had concentrated their operations in this sector. Loans to the service sector are provided both by private commercial banks and the rest of financial institutions.

1.4.2 Key issues in Consumer Financing

With 26 percent of total lending, consumer finance represents an important proportion of the loan portfolio. Entities such as savings and loan cooperatives concentrate the major portion of their loans in this activity (84 percent), while state banks direct their efforts towards other sectors.

1.5 MAJOR TRENDS IN CREDIT REPORTING

In Costa Rica, the General Superintendence of Financial Entities (SUGEF) processes information on credit applicants through the Credit Information Center (CIC). Because of this, all supervised entities may use the CIC system to request credit reports (see section 4).

As for companies that offer credit reporting services, DATUM, Cero Riesgo S.A., Protectora de Crédito Comercial S.A., TELETEC and TransUnion Costa Rica (TUCA) are all private firms offering information services which compile data on individuals and businesses that maintain credit lines in the National Financial System (see section 3).

2 INSTITUTIONAL ASPECTS

2.1 LEGAL FRAMEWORK

The system is governed by the Organic Law of the National Banking System, the Charter Law of the Central Bank of Costa Rica and other applicable laws, as well as by the respective regulations.

The following entities are subject to supervision by the Superintendence and to the monetary control powers of the Central Bank of Costa Rica: public and private banks, non-bank financial entities, savings and loan cooperatives and mutual support associations, in addition to any other entity authorized by Law to engage in financial intermediation.

The main modifications to the National Banking System Law that are currently in effect and govern the National Financial System are the following:

- Law N° 1644, Organic Law of the National Financial System.
- Law N° 7558, Organic Law of the Central Bank of Costa Rica.
- Law N° 7104, Modernization Law of the National Financial System.
- Law N° 7732, Securities Market Regulation Law.
- Agreement SUGEF 7-06, Regulation of the Credit Information Center.
- Agreement SUGEF 1-05, Regulation of Debtor Classification.

2.1.1 Privacy

Regarding privacy of information in the context of Credit Information Systems, there is a regulation that defines the responsibilities of supervised entities and SUGEF, as well as the rights of all citizens with respect to the handling of their credit information.

Legally, Costa Ricans have a fundamental right to decide who, when and under what circumstances other people may access their data, as well the right to know what information databases contain about them and the right to have this information corrected, updated, complemented or suppressed, when erroneous.

2.1.2 Bank Secrecy

Transactions between individuals and banks are protected by article 24 of the Political Constitution of Costa Rica, unless due to their nature they must appear in public documents or registries, from which the information could become publicly available without bank intervention.

There is a legal norm in Costa Rican legislation that expressly establishes the inviolability of bank secrecy (article 615 of the Code of Commerce), without implying that the rest of the banking activity is not protected by bank secrecy.

The two first paragraphs of article 24 of the Political Constitution of Costa Rica provide the necessary support to state that all banking activity, and not merely current banking accounts, are covered by bank secrecy, to the degree that they guarantee the “right of intimacy” – that is, the intimacy of clients - which is protected by bank secrecy.

“...Article 24- The right to intimacy, freedom and secrecy of communications is guaranteed...”

Following this provision, constitutional jurisprudence has recognized that all banking and non banking financial activity is protected by bank secrecy, specifically establishing the following:

“...In general all banking activity involving contracts, applications and any other type of relationship with individuals –such as clients- is, by nature, protected by bank secrecy”...

The Charter Law of the Central Bank of Costa Rica establishes that the General Superintendence of Financial Entities may only provide supervised entities with information on a debtor by written authorization of said debtor.

2.1.3 Consumer Protection / Quality Assurance

Law N° 7472 for the Promotion of Competition and Effective Consumer Protection provides part of the main legal framework with reference to the consumer. Consumers’ rights are established in article 32, while article 34 sets out the obligations of commercial firms to the consumers.

Currently, there is a draft “Law Protecting Individuals in the Handling of their Personal Data” which aims at regulating the activities of private credit reporting firms. One important aspect is the obligation to notify consumers in cases where their information is requested, as well as the need to obtain their consent.

It also includes a provision whereby any information deemed sensitive must be deleted from the database once the justification for its inclusion is eliminated.

The draft creates a public body in the form of the Personal Data Protection Agency, amongst whose functions will be the approval of manuals and technical aspects developed and used by the private information registry firms.

2.2 THE ROLE OF FINANCIAL INSTITUTIONS: CREDIT REPORTING

2.2.1 Credit Reporting Agencies

The role of agencies in generating credit reports is to provide the National Financial System, financial institutions and business in general with an access tool that will allow them to make decisions

according to their own parameters and without issuing opinions, as well as to reduce an applicant's waiting period when requesting credit.

In Costa Rica there are five firms that publish or offer credit reports, namely: DATUM, Cero Riesgo S.A., Protectora de Crédito Comercial S.A., TELETEC and TransUnion Costa Rica. These systems offer detailed information based on public sources on persons and firms, so that parties with a legitimate interest parties may undertake their transactions adequately.

2.2.2 Banking Sector

Banks are the main source of information and main users of the CIC, since they are obliged to provide information to the SUGEF. At the same time, they are the main users of private credit agencies.

2.3 THE ROLE OF THE AUTHORITIES

2.3.1 Central Bank

The Central Bank of Costa Rica (BCCR) has no authority in matters of credit reporting systems, since this is a responsibility of the General Superintendence of Financial Entities (SUGEF).

2.3.2 National Council for Supervision of the Financial System

The National Council for Supervision of the Financial System (CONASSIF) was created by article 169 of Law 7732, (Securities Market Regulation Law of December 19, 1997), as a collegiate body of senior officials from the three supervisory agencies in the Financial System: the General Superintendence of Financial Entities (SUGEF), the General Superintendence for Securities (SUGEVAL) and the Superintendence for Pensions (SUPEN). CONASSIF therefore lays out the guidelines and policies in its fields of competence, and in the context of CIS its responsibilities are to:

- Dictate the norms related to the authorization, regulation, supervision and oversight which according to the law must be carried out by the General Superintendence of Financial Entities, the General Superintendence for Securities and the Superintendence for Pensions.
- Regulate and authorize the creation and functioning of new categories of participants in the financial markets, other than those foreseen expressly in the regulatory laws of the National Financial System.
- To know and resolve all appeals of the resolutions dictated by the Supervisory agencies. The Council's resolutions will exhaust the path of administrative recourse.

2.3.3 General Superintendence of Financial Entities

The attributes of the General Superintendence of Financial Entities (SUGEF), which was created as a decentralized agency of the central bank, are established in the Charter Law of the Central Bank

of Costa Rica. Article 133 sets out the rules for handling information in the context of preventive supervision tasks. In matters of credit risk concentration, it may inform supervised entities on the situation of the debtors in the financial system. The General Superintendence of Financial Entities may also rely on the Credit Information Center (CIC).

The CIC is an IT application which generates individual reports about a person's current and past credit history based on information submitted by financial entities within the supervisory framework, and calculates the subject's level of historical payment behavior according to the "Regulation of Debtor Classification". Additionally, the CIC provides entities with public domain information required on their debtors and guarantors in order to comply with the current prudential regulations, and provides the maintenance platform for the database of persons at SUGEF (see section 4).

2.3.4 Consumer Protection Agency

The National Consumer Commission was created in accordance with Chapter VI of Law 7472 (Law for the Promotion of Competition and Effective Consumer Protection), assigned to the Ministry of Finance, Industry and Commerce and charged with overseeing compliance with the provisions of Chapters V and VI of the Law.

According to the magnitude of the situation, its faculties include ordering preventive measures such as freezing or confiscating assets and suspending services. The National Consumer Commission has no specific procedures for hearing complaints regarding companies that provide credit information reports, and therefore only advises consumers on steps to be taken in each individual case.

The Peoples' Ombudsman is an alternative office to support the consumers but only has powers to hear complaints regarding credit information systems. In the cases that involve public sector agencies, the Ombudsman acts as mediator with the state banks, or recommends consumers to the SUGEF.

2.4 THE ROLE OF OTHER PUBLIC AND PRIVATE SECTOR INSTITUTIONS

2.4.1 Banking Associations

The Costa Rican Banking Association began a negative information database in 1998, which is currently shared with associated banks. The system is composed of security and credit modules and offers diverse services such as debtor credit history, with ratings based mainly on the classification assigned by the SUGEF.

3 PRIVATE CREDIT REGISTRIES

Five private credit reporting firms operate in Costa Rica. The mission that visited this country obtained direct information from DATUM, TELETEC and Trans Union which is described in the following paragraphs. Regarding Cero Riesgo and Protectora de Crédito Comercial, the information obtained corresponds to that provided in the web site of both firms.

3.1 DATUM

3.1.1 Control / Governance

DATUM is a local capital firm created in the year 1998 with the aim of providing investigative data gathering services on individuals and firms.

3.1.2 Sources of Information

The credit reports contain publicly available personal data, such as name, address, date of birth, telephone numbers, commercial relations, registry information (property and vehicles), mortgages, pledges, legal seizures, and information (though not in detail) pertaining to commercial and banking transactions (in the absence of default), obtained mainly from public registries.

DATUM has an agreement with the National Property Registry, allowing for all information on property and assets to be directly updated from this registry. It also has agreements with Electoral Court of Panama, allowing for the acquisition of Panamanian citizens personal information.

3.1.3 Users

DATUM may be consulted by credit granting entities, banks, collection agencies, insurance companies and employers. In the absence of a Law defining clear parameters, DATUM requests that commercial firms have a lawful purpose in requesting and obtaining credit reports and does not contact individuals without this well defined purpose.

Among the users are state banks, private banks, financial entities, autonomous institutions, ministries, diplomatic delegations, external auditors, collection agencies, bank security firms, professional schools, cooperatives, credit card issuers, SUGEF and SUGEVAL.

3.1.4 Services

This private information network provides reports on individuals that include the person's general data, address and telephone number, registry of property and assets, companies with which they are related, previous user enquiries and some limited credit information.

The reports on firms include its representation data, telephone numbers, addresses, vehicles and properties, payment situation regarding employees' social security, insurance and other references both positive and default related.

DATUM offers an automatic consulting service of the National Property Registry information, which in the same query searches for all the information about a firm, a person, a vehicle or a property. Likewise, it offers the clients the option to consult the data of birth certificates, civil status and death certificates of the Civil Registry or the commercial studies of companies in the National Registry. DATUM manually processes the document obtained from the Registry, and delivers it to the client in digitalized form.

3.1.5 Procedures and Policies to Assure Quality of Information

The firm DATUM merely systematizes existing information on a given person that exists in various public sources, excluding private and confidential registries. At the same time it informs those who require its services of the limitations that the data may present, so that the user may bear them in mind at the time of decision-making.

3.1.6 Procedures and Policies for Risk Management

DATUM maintains a physical and technological infrastructure that allows it to cover the relevant contingencies, and also maintains a separation of functions among personnel that allows for a better control of operations. The information transmitted to clients by electronic means is encrypted.

3.1.7 Rights of Individuals / Firms to Access Information and Resolve Disputes

There is no specific regulation in Costa Rica on the handling of peoples' credit information, however in keeping with SUGEF Provision of Regulation 1-05, this information must be stored for a total of 5 years from the last transaction.

DATUM offers consumers free counseling and telephone attention for updating and correcting information, as well as for blocking data at their request. It also allows the incorporation of positive references at the request of the owner .

3.1.8 Information Sharing Policies

The information is shared under reciprocity criteria with only individuals subject to permissible access could use the information.

3.2 TELETEC

3.2.1 Control / Governance

TELETEC credit bureau was founded in 1991 through private investment. Its purpose is to provide credit reference data although the information telecommunications technology. Eventually, it evolved to provide services through the internet.

3.2.2 Sources of Information

The main sources of information are the National Registry and the non-financial credit providing firms.

3.2.3 Users

TELETEC provides services to the sources of credit in Costa Rica: public and private banks, credit card issuers, finance houses, cooperatives, collection agencies, major personal consumption credit providers and non-financial issuers of commercial credit.

3.2.4 Services

TELETEC offers its clients the following products:

- Credit Analysis
 - o Credit and commercial referrals of individuals and firms, including demographic data, current and past employment information, credit references, record of enquiries, active or inactive civil court actions and auctions.
 - o Complete analysis of individuals that includes credit references, properties, vehicles and pledges.
 - o Firm analysis, including the legal nature of the company and credit references of official representatives.
 - o References which provide credit analysis, information from the property, vehicles and pledges registry, and complete legal nature, as well as verification of the subject's commercial references.
 - o Commercial Registry Plus is a product that allows for the configuration of a credit analysis tailored to the client's requirements, offering different options. It is the one most widely used by the bank's corporate credit departments or of businesses that open credit lines to other firms.
- Entry and modification of defaulter clients, allows affiliated members to include, exclude, and/or modify the status of non-performing clients in their portfolio.
- Certifications, cellular text messaging, registries.
- Searches and track downs that allow the verification of the name and identification of an individual or firm.

Among the services offered by TELETEC are the following:

- Training: clients receive continuous training support in the upgrading of existing products.

- Technical support in the use of tools through a call center, with total coverage during the five working days or the seven days of the week, at the express option of corporate clients.
- Legal support; if required by clients, TELETEC has a team of professionals who provide consulting functions and support.
- Specialized options that allow the members of a group to undertake activities such as sharing commercial references, monitoring interest accounts and other indicators relating to data reported by associates, generating a fluid and dynamic channel of information.

3.2.5 Pricing Policies

TELETEC has agreements with clients based on the types of services it offers and the frequency of enquiries.

3.2.6 Rights of Individuals / Firms to Access Information and Resolve Disputes

TELETEC deals with all concerns or requests made directly by any interested party, which is why affiliated members can refer them directly to TELETEC for proper attention; among the agreements with members is the prohibition to display onscreen, give, supply or facilitate to clients or third parties, any type of information supplied by TELETEC.

3.3 TRANS UNION COSTA RICA

3.3.1 Control / Governance

Trans Union Costa Rica initiated its operations in Costa Rica in 1994 and is part of the group Trans Union LLC, which has its headquarters in Chicago.

3.3.2 Sources of Information

The socio-demographic information contained in the reports supplied by Trans Union in Costa Rica is supplied by providers indicated in the following chart:

| <i>Source of information</i> | <i>Type of information</i> |
|---|-----------------------------------|
| Costa Rican Social Security System (CCSS) | Employment Information |
| Costa Rican Electricity Institute (ICE) | Telephone Numbers |
| Costa Rican Electricity Institute (ICE) | Addresses |
| Civil Registry | Civil Status |
| Civil Registry | Deaths |
| Civil Registry | Births |
| Civil Registry | Addresses |
| Courts of Justice | Subjects' lawsuits |
| National Registry | Information on Real Estate Assets |
| National Registry | Information on other assets |
| National Registry | Company Information |

3.3.3 Users

Trans Union in Costa Rica has a total of 2,382 active users that come from the financial and commercial sector.

3.3.4 Services

Trans Union in Costa Rica offers the following services:

- Batch Enquiries – Special Process: This product consists in mass querying of subject information requested by the client, with database processing based on policies established by the client.
- Daily Querying Needs– For daily needs, Trans Union has two different systems:
 - i. System to System: This consists in automating the credit report querying process, allowing the systems (Trans Union – Client) to communicate among themselves, to simplify the entry of data directly into the client’s system.
 - ii. Individual Consultations: With this product the client performs analysis and queries through the web site, one at a time.

In both cases, System to System and through independent consultations, the information received by the client will be the following:

- o Credit History: Contains general and credit information, with payments history over the last 24 months.
- o Complete Updated Study: Contains up-to-date general and credit information, and is produced by the operations department in 24 hours. Contents include details on a firm’s incorporation or an individual’s birth, general data, real estate and other property, means of debt payment in the trade and commerce sector, civil lawsuits and negative reports from affiliates.
- o Electronic Search: Information compendium involving direct and possible family relationships and their respective telephone numbers, addresses, fax, e-mails, etc. This information is used mainly for collection purposes.
- o Telephonic consultation: Immediate search of individuals and firms by telephone.
- o International Credit Reporting: This product links clients with the Trans Union network in Guatemala, El Salvador, Honduras, United States of America, Canada and Puerto Rico.
- o Pre-qualification: this product is the automation of a set of credit or collection policies, predefined by the client, in order to generate an objective analytical outcome.

3.3.5 Pricing Policies

Since 2006, the pricing policy has been established on the basis of the volume of queries, with a lower rate corresponding to a higher number of enquiries.

The pricing policy for the "Credit History" product in volume clients is different, and the following rule applies: the client who reports data and performs enquiries in volume (according to a pre-designed table), will have a discount applied only for that product.

3.3.6 Procedures and Policies to Assure the Quality of Information

Regarding procedures and policies to assure the quality of information, Trans Union employees must sign a confidentiality declaration,

The IT department completes the following forms:

1. Form for ID Provision: this application is for new users, either external or internal.
2. User Maintenance Form; applies for existing users

3.3.7 Rights of Individuals / Firms to Access Information and Resolve Disputes

Costa Rica does not have a law that regulates private credit reporting firms. Trans Union has established a code of conduct to self-regulate itself, and has created a consumer service office, whose general objective is to establish personalized consumer attention service.

3.3.8 Information Sharing Policies

The reciprocity principle is applied. For example, a client providing information more than 90 days late will only be able to see information which is 90 days old. Only entities whose main purpose is to provide credit can become Trans Union clients.

3.4 PROTECTORA DE CREDITO COMERCIAL, S.A.

3.4.1 Control / Governance

Protectora de Crédito Comercial, S.A. is a firm dedicated to credit information, founded in 1957.

3.4.2 Users

Affiliates are commercial firms, industrial firms, service companies, financial companies, banks, official entities, credit cards, cooperatives, diplomatic representations, tourism industry and others.

3.4.3 Services

Commercial Credit Protector, S.A. offers its affiliates five types of credit protection:

- Knowledge, advice and training. At this level, activities can be summarized in firm visits, counseling and training seminars; documentation advice, legal counsel, and the supply of the Protectora sticky labels and the company's emblem.
- Prevention Credit Investigation: this analysis includes verification of the identification card number, commercial references, law suits filed at the Civil Courts in San Jose, information on lost check books and problem checks, analysis of the Firm Registry and Property Registry, vehicles, pledge taxes and worldwide commercial reports on firms.
- Member-Protectora Joint Actions: at this level, action is coordinated among both parties through Prevention letters from members to their clients in default with Protectora's seal, the list of clients in legal collection proceedings and the recovery of default accounts through its report.
- Administrative collection actions: comprising administrative collection procedures and location of debtors.
- Legal collection procedures emerged of justice procedures.

In addition to the protection services mentioned before, the company provides processing services for copies of property blueprints at the National Registry, for certifications issued by the National Registry, for notary certifications and for the informative and legal bulletin.

3.5 CERO RIESGO

3.5.1 Control / Governance

Cero Riesgo S.A. is a company specialized in providing credit information on individuals and firms, and employment information. Cero Riesgo Digitalized Credit Information is a Credit Bureau founded in 2002 for the purpose of providing credit reports to the national market.

3.5.2 Sources of Information

The greatest source of information is the non-banking sector, mainly personal data and loans granted outside the banking system.

Cero Riesgo S.A. is a Costa Rican credit bureau that has more than 1.4 million financial references, updated up to 2006, in a database, including the entire public and private financial sector, financial entities, cooperatives, etc. This firm possesses the entire Legal Registry of Costa Rica, and in turn this is linked to diverse sources of information that identify: geographic area, assets registered in subject's name, commercial and financial references and civil lawsuits.

3.5.3 Users

Providers of bank and non-bank credit providers requiring specific information on the characteristics of potential debtors.

3.5.4 Services

Cero Riesgo S.A. offers the following main services:

- Immediate Complete Study: This analysis permits knowledge of the credit history of a person or firm within seconds. As most important information it includes the subject's general data, telephones and addresses, salary ranges, membership and position on any board of directors, civil status, positive and/or negative references, debtor or guarantor status on mortgages and/or pledges, registered assets, lawsuits and other enquiries by firms.
- Updated Complete Study. In order to keep abreast of the situation of corporate clients, there is an option to update all data in a period of between 24 and 36 hours through the Operations department. In this case, each study includes general data on the credit requesting company, the legal representatives of the company and their positions, commercial references, assets registered in their name, lawsuits and enquiries by other firms.
- Immediate Subject Location Study. This analysis includes general data on the subject, information on direct relatives such as parents and siblings, telephones, addresses, spouse data and enquiries by firms.
- Updated Employment Report. This offers the possibility of performing a field investigation, verifying all personal employment, legal, credit, asset data, etc. The report includes personal telephones, housing, work and addresses, driver's license and status, socio-economic, medical and academic information, work references with averages weighted from 1 to 10, vehicles or assets in subject's name and civil or criminal lawsuits.

4 PUBLIC CREDIT REGISTRIES

The Credit Information Center (CIC), designed and operated by SUGEF, is an IT application based on the information submitted by financial entities in the context of their supervision framework, that generates individual reports on a subject's current and past credit situation at the entities, and calculates the level of past payment performance for the subject according to the "Regulation for Debtor Classification".

Additionally, CIC provides the entities with the public domain information that these require on their debtors and creditors, in order to comply with the prudential regulation in force. CIC provides the platform for maintenance of SUGEF's subject database.

4.1 MAIN OBJECTIVES OF REGISTRY

The Credit Information Center is available to the supervised entities so that they can obtain credit information on their clients and potential debtors as an input for the evaluation of loan approvals.

The main objective of the CIC is to provide information on the agents who participate in the credit market. For each debtor reported by the entities and supervised by the SUGEF in the last period (60 months), the information available includes, by each entity:

- The level of past payment performance of the debtor, and
- The authorization indicator.

4.2 SOURCES OF INFORMATION

The information on the debtor's credit situation registered by the Credit Information Center (CIC) originates at the Financial System Entities, who are responsible for updating the information on a monthly basis.

4.3 USERS

Only employees of supervised entities who have been authorized by the SUGEF may consult the information in the CIC; these employees are called "authorized users". The request for employee authorization and the updating of authorized user information must be submitted to the SUGEF according to the deadlines, formats and media established in the financial system information manual.

4.4 SERVICES PROVIDER

The CIC generates three different types of individual reports on a subject's credit situation:

- Unauthorized Entity Report.
- Authorized Entity Report.
- Debtor Report.

The unauthorized entity report contains only public domain information, while the authorized entity report in addition contains information which is not in the public domain, but is available of being provided to the entities with the person's previous authorization. The debtor report contains all the information in the authorized entity report, but can include additional information which, in the opinion of SUGEF, can be of exclusive interest to the person. The following are the variables included in each of these reports:

Chart 1: Variables Included in the Unauthorized Entity Report According to Article 14 of the CIC Regulations

Current Situation

- a. Currency of loan transaction.
- b. Credit operation expiration date.
- c. Type of credit operation (direct, credit cards, credit contingency, etc.).
- d. Condition of the person consulted regards to the credit operation (debtor, co-debtor, and guarantor).
- e. Status of credit operation (current, up to 90 days overdue, in legal collection, etc.).
- f. Days in arrears of credit operation.
- g. Date of last data update of credit operation.

Past Situation

- a. Credit operation expiration date.
- b. Status of credit operation (current, cancelled, inactive).
- c. Reason for credit transaction liquidation (cancellation by debtor payment according to contract, cancellation by guarantor payment, sale of transaction, etc.).
- d. Number of months the credit operation was reported.
- e. Last period the credit operation was reported.
- f. Longest arrears of the credit operation.
- g. Average arrears of the credit operation.
- h. Category of the credit operation
- i. Category.
- j. Past payment performance level.

Chart 2: Variables Included in the Authorized Entity Report, in Addition to those Variables Included in the Unauthorized Entity Report

Current Situation

- a. Creditor Entity of the loan transaction.
- b. Identifier of the loan granted by the creditor entity.
- c. Balance outstanding on the credit operation.
- d. Amount not disbursed or guaranteed/endorsed (in the case of credit lines, letters of credit, guarantees, etc. or where the person consulted is a guarantor/endorser of the loan).
- e. Monthly loan payment.

Past Situation

- a. Creditor entity of the loan transaction.
- b. Identifier of the loan granted by the creditor entity.
- c. Transaction weight.

Chart 3: Variables Included in the Debtor Report in Addition to those Variables Included in the Authorized Entity Report

- a. Current authorizations (number of authorizations, entity performing enquiry, authorized user performing enquiry and SUGEF validation date).
- b. Listing of enquiries (consulting entity, consulting authorized user, date and time of enquiry, authorization number used for the enquiry).

4.5 PRICING POLICIES

There is no cost to supervised institutions for using the CIC.

4.6 PROCEDURES AND POLICIES TO ASSURE QUALITY OF INFORMATION

In order to provide the Costa Rican financial system with a framework of reliability in the data generated through the CIC, financial entities have the following responsibilities:

- a. Ensure the authenticity quality and timeliness of all information submitted to the SUGEF;
- b. Establish the necessary mechanisms to assure confidentiality and adequate use of the information submitted by the CIC according to Article 133 of Law 7558, Organic Law of the Central Bank of Costa Rica;
- c. Process the authorization and revocation requests from their clients, according to Article 8 of the CIC regulations;

- d. Process and deliver to their clients the debtor report, when requested, according to Article 11 of the CIC Regulations. In the case of persons who are not clients of the entity, the decision to process the debtor report is at the entity's discretion.
- e. Deactivate the authorization for a single consultation once the respective report has been consulted successfully, according to sections b. and c. of Article 7 of the CIC Regulations;
- f. Attend to the complaints of their clients when they consider that the information submitted by the entity to the SUGEF does not reflect their real situation, according to Article 12 of the mentioned Regulations.
- g. Correct the information submitted to the SUGEF when the entity detects errors or inconsistencies, according to Article 12 of the mentioned Regulations.

Banks or financial entities must modify credit information that affects the level of past payment performance of a debtor or guarantor when it detects errors or inconsistencies. The request to modify credit information must be done at SUGEF according to established mechanisms and formalities in the Manual of the Financial System Information. Once the request is received, SUGEF has 30 days to issue the respective resolution and update the information contained in its database.

4.7 RISK MANAGEMENT PROCEDURES AND POLICIES

The information on debtors' risk classification is sent to the Superintendence via the CIC, but the former does not issue any debt cancellation record or document in addition to the debt report in which the debtor is recommended for purposes of requesting credit to financial entities. Also, the Credit Information Center will keep current the past reports of each debtor in the financial system.

4.8 RIGHTS OF INDIVIDUALS / FIRMS TO ACCESS INFORMATION AND SOLVE DISPUTES

Every person has the right to obtain the report, in order to verify the information kept on them by the CIC. To obtain this report, the person must request authorization through an entity. Once the authorization is approved by SUGEF, the entity must deliver the report to the person according to SUGEF's dispositions.

In those cases where the person has no commercial relationship with an entity, this procedure can be initiated at SUGEF. When the subjects consider that the information included in the report does not reflect their real situation, they can request its correction in the corresponding entity or in the SUGEF. In the latter case, SUGEF must transfer the correction request to the respective entity, court-appointed auditor, liquidator or Liquidating Board, as may be the case.

4.9 INFORMATION SHARING POLICIES

When an individual report includes information that is not of public domain, SUGEF can only provide access to such information with prior authorization from the subject of the enquiry, duly delivered

to SUGEF. Therefore, the authorized entity report and the debtor report may only be consulted by the entity if SUGEF has received authorization from the person to whom the information refers.

Every person can grant three different types of authorization:

- a. A general authorization so that all entities can consult and use the data contained in the report: this authorization has no expiration date, and can be revoked at any moment and by any entity;
- b. A specific authorization for the entity processing it to consult and use the data contained in the report, and
- c. An authorization for an entity to obtain and deliver the report directly to the interested party, in which case the information contained in the report can only be used by the requesting person.

Authorizations granted according to sections b. and c. are valid for only one consultation and must be deactivated by the authorized user immediately after the respective report has been successfully consulted. The entity has 10 days to consult the mentioned reports as of the authorization approval date by SUGEF.

The entity has a legitimate right-of-use of the information contained in the individual reports on their debtors and guarantors, and on persons requesting a loan or participating as guarantor in a loan request from the same entity. However, the fact that a person requests a debtor report through an entity does not give the entity the legitimate right of use of the information contained in such report.

5 INTERACTION WITH OTHER COMPONENTS OF THE FINANCIAL INFRASTRUCTURE

5.1 PAYMENT SYSTEMS AND INSTRUMENTS

Costa Rica has developed a global payments system known as the Interbank System for Electronic Trading and Payments (SINPE), developed by the Central Bank of Costa Rica in consultation with a wide variety of market participants.

All financial entities in the country are allowed access to SINPE. Currently, approximately 65 institutions are connected, including the totality of the bank entities (private and public), all non-bank financial entities (entities performing financial intermediation but not openly accepting deposits from the public), all mutual companies, the largest savings and credit cooperatives (which represent approximately 95 percent of the savings accounts of the cooperative sector in the country), as well as some stockbrokers.

It is currently operated and administered by the Central Bank of Costa Rica, and all operations are performed through the reserve accounts that the system's participants maintain at the BCCR. These funds are used as the basis for and guarantee of the transactions generated in the clearance and settlement of payments and securities. The BCCR provides the reserve accounts to the system's participants both in local currency (colones) and in USD.

One of the most relevant innovations has been the introduction of the Client Account (CC) or financial address, which constitutes the basis for the efficient development of a series of collection and payment services among financial entities. The CC consists of the standardization of all sight deposit accounts of clients of financial institutions, so that payment and collection transactions can be made to the accounts of these clients in any financial institution of the country.

Separately, SINPE started out with a multilateral deferred net payment system, specifically for the automatic clearance and settlement of checks. This first centralized service was called Clearing and Settlement House for Checks and other Securities. Checks are currently processed by the Check Clearing and Settlement House (CLC) while other types of securities such as time deposit certificates and letters of exchange are processed in the Other Securities Clearing and Settlement House (COV).

Regarding large value systems, the most important initiative was the establishment of a gross real time settlement system (GRTS) operated within SINPE. The following transactions are settled through the Electronic Transfer of Funds system (TEF): transfers among financial institutions and third parties, Treasury payments, the cash leg of inter-bank money market and foreign exchange market transactions, some securities transactions and the net balances of some external deferred clearance systems. Participating financial entities have real time access to the information in their reserve account, and are able to monitor on-line their account balance and statement, the history of account transactions, facilities for managing their reserve requirement at the Central Bank of Costa Rica and others that simplify the management of funds kept at the BCCR.

5.2 THE COSTA RICAN NATIONAL REGISTRY

The National Registry was created by Law 4384, on August 25, 1969. The main purpose of its creation was to integrate under a single agency all offices related to registry and property census tasks, to register the documents presented to the National Registry for their inscription, as well as to guarantee and assure citizens their rights with respect to third parties. Also to safeguard and provide the community with information corresponding to registered rights and assets (or in the process of registration) by means of the efficient and effective use of technology and skilled personnel, for the purpose of simplifying the legal traffic of assets and therefore contributing to promote the social and economic development of the country.

5.2.1 National Property Registry

The existence of a Property Registry was proposed back in 1964 by Costa Rican legislators, according to the Law of the National Registry Creation, Law 5695 of May 28, 1975 and its amendments. In its article 2, modified by Law No. 6934 of November 28, 1983, it was stated that:

“The following registries conform the National Registry in addition to those assigned by other laws: the Public Registry, which includes the following: real estate property, mortgages, mortgage letters, horizontal property, leases, persons, trade, associations, media and publicity agencies; the Property Registry, including pledges and vehicles; the Industrial Property Registry, which also includes everything concerning invention patents and cattle brands, and the National Census”

The National Property Registry is comprised by the earlier Public Registry of the Property of Vehicles, the General Pledges Registry, the Naval Registry and the License Plate Section of the Ministry of Public Works and Transportation.

5.2.2 National Registry of Real Estate Property

The Public Registry of Real Estate Property was created by Law N° 31 of November 25, 1865, regulated by Executive Decree N° 1 of April 4, 1866. One of the most important functions taking place in the Real Estate Property Registry is the inscription of documents related to properties. The Registry was created to fill a need for publicizing the legal status of people in relation to their assets. It can be stated that the inscription is made for the purpose of publicizing a property right which is of private interest, and must be respected and protected. Its use is publicly exhibited in order to corroborate its status (free or taxed) and in order to profit from it by obtaining the benefits corresponding to its nature.

5.2.3 National Property Census

On March 13, 1981 the Legislative Assembly dictated Law N° 6545, known as the National Property Census Law. This law empowered the Executive Power to draft its corresponding regulation, which was done through Executive Decree N° 13607-J of May 25, 1982, under the title of Regulation of National Property Census Law.

These legal provisions are the main pillars of the Costa Rican Property Census, containing legal, technical and administrative provisions to be followed in the census procedure, as well as diverse definitions, objectives and concepts that frame the entity within the goal of creating a Multipurpose Census. The aim of this activity is a property mapping at the national level. By means of matching the information obtained from aerial photography with data on lots gathered and registered via land survey techniques, the Census seeks to complement it with ancillary legal information from the Public Registry of Real Estate Property, so as to completely guarantee property rights according to modernization and reform programs prepared at the National Registry.

5.2.4 Registry of Firms

As a result of the studies of the process of restructuring at the National Registry, the Registry of Firms was created as an independent and separate registry from the Registry of Real Estate Property. It was decided that there was a need to create a Department of Legal Persons (in practical terms a Firm Registry), with administrative and budgetary autonomy because of the strong growth of demand in recent years for these services. The Registry of Real Estate Property, which differs entirely in activity from the Firm Registry, was constrained in terms of equipment, furniture, personnel, etc., and this situation was adversely affecting the quality of the service.

Recognizing this situation, in 1997 the Administrative Board of the National Registry issued an administrative accord in the extraordinary session N° 058-97 held on October 30th, by which the Department of Legal Persons was formally established.

5.3 CIVIL REGISTRY

The Civil Registry contains information regarding births, deaths and marital status of Costa Rican nationals; the General Department of Migration and Foreign Status is in charge of all identification procedures of foreign citizens, and the Judicial Branch keeps a database of all lawsuits and proceedings in the different courts.

APPENDIX STATISTICAL TABLES

The first series of tables (A) provide information on credit reports in Costa Rica. These tables have been prepared following the Standard Methodology for country tables developed by the main team of the Initiative. This methodology is available in the WHCRI Web page, www.whcri.org.

The second series (B) provides general statistical information on the financial system and the loan market.

A Series

Credit Reporting Statistics

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B Series

General Statistics of the Financial System and the Credit Market

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A1: Basic Statistical Data

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------------------------------|-------|-------|-------|-------|-------|
| Population ^(a) | 4,090 | 4,170 | 4,249 | 4,326 | 4,353 |
| GDP (USD Billions) | 16.9 | 17.5 | 18.6 | 20.0 | 19.6 |
| GDP per Capita (in USD) | 4,123 | 4,205 | 4,384 | 4,626 | 4,502 |
| Exchange Rate vs. USD ^(b) | | | | | |
| End of the Year | 378.4 | 418.0 | 457.6 | 495.7 | 518.1 |
| Average | 359.5 | 398.2 | 437.2 | 476.9 | 519.9 |

Source: Central Bank of Costa Rica.

^(a) Population to June 30 of each year, in thousand of inhabitants.

^(b) Buying Exchange Rate, Central Bank of Costa Rica reference.

A2: Institutions Reporting on Bank Loans and Credit, and Other Relevant Databases for Lending Activities

| | Name | General Description |
|--|--|--|
| Private Credit Bureaus | DATUM | A private firm with the aim to provide research services and gathers data on people and firms. |
| | TELETEC | A private firm dedicated mainly to providing credit reference information. |
| | Trans Union Costa Rica | A private firm related to the Trans Union Group from Chicago. |
| Credit Information Public Centers/Risk Centers | CIC Credit Information Center of SUGEF | Regulatory Information Center, with information from the regulated banking and financial system. |
| Other Databases | | |
| National Registry | Public Registry of Property | It is dedicated to the registry of automotive vehicle property and pledges, and includes the license plate section of the Ministry of Public Works and Transportation. |
| | Real Estate Property Public Registry | This registry inscribes all documents related to real estate. |
| | National Census | In charge of lot documentation and mapping property at the national level. |

(Continue in the next page)

A2: (conclude)

| | Name | General Description |
|----------------|-------------------|--|
| | Registry of Firms | Office responsible for the firms registries. |
| Civil Registry | | Contains birth and death dates and civil status information. |

Source: Own elaboration.

A3: Private Information Centers– Ownership Structure

| | Name of member | Stock Percentage |
|--------------|-----------------|------------------|
| TELETEC S.A. | Yin Ho Cheng Lo | 50% |
| | Mainor Quesada | 50% |
| Trans Union | TransUnion LLC | 100% |

Sources: Private Information Centers.

A4: Institutions Reporting to Private Information Centers

At the moment of the elaboration of this report, there were not available data on the reporting institutions to the private information centers.

A5: Institutions Reporting to Public Credit Information Registries

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| RISK CENTER | | | | | |
| Financial Sector | 21 | 20 | 17 | 17 | 17 |
| Banks | n.a. | n.a. | n.a. | n.a. | n.a. |
| Leasing Companies | n.a. | n.a. | n.a. | n.a. | n.a. |
| Municipal Savings | n.a. | n.a. | n.a. | n.a. | n.a. |
| Rural Savings | n.a. | n.a. | n.a. | n.a. | n.a. |
| EDPYMES | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other | n.a. | n.a. | n.a. | n.a. | n.a. |
| Non-Financial Sector | 42 | 40 | 37 | 41 | 40 |
| Total | 63 | 60 | 54 | 58 | 57 |

Source: CIC- General superintendence of Financial Entities.

A6: Individuals, Firms and Transactions Registered at Private Information Centers

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| TELETEC | | | | | |
| Number of Individuals Registered | 4,060,000 | 4,300,000 | 4,540,000 | 4,570,000 | 4,600,000 |
| Number of Firms Registered | 279,000 | 280,000 | 281,000 | 283,000 | 284,000 |
| Total | 4,339,000 | 4,580,000 | 4,821,000 | 4,853,000 | 4,884,000 |
| Number of Entries for Individuals | 727,067 | 799,773 | 855,758 | 941,333 | 1,129,600 |
| Number of Entries for Firms | 64,366 | 70,803 | 81,423 | 89,565 | 103,000 |
| Total | 791,433 | 870,576 | 937,181 | 1,030,898 | 1,232,600 |
| DATUM | n.a. | n.a. | n.a. | n.a. | n.a. |
| Trans Union Costa Rica | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: Debtors-RCD.SBS. Credit Report.

A7: Individuals, Firms and Transactions Registered at Public Credit Information Registries

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Number of Individuals | 26,036 | 36,042 | 52,083 | 65,257 | 181,111 |
| Number of Firms | 5,675 | 6,868 | 6,612 | 6,151 | 10,307 |
| Total | 31,711 | 42,910 | 58,695 | 71,468 | 191,418 |
| Number of Entries for Individuals | 585,384 | 645,139 | 688,312 | 730,782 | 850,126 |
| Number of Entries for Firms | 14,499 | 15,582 | 17,403 | 18,346 | 20,471 |
| Total | 599,883 | 660,721 | 705,715 | 749,128 | 870,597 |

Source: CIC- General Superintendence of Financial Entities.

A8: Credit Reports Requested from Private Information Centers (by Type of Requesting Institution)

At the moment of the elaboration of this report, there were not available data on the reporting institutions to the private information centers.

A9: Credit Reports Requested from Private Information Centers
(by Mode of Delivery)

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------|------------------|------------------|------------------|------------------|------------------|
| TELETEC | | | | | |
| Direct Connection | 0 | 0 | 0 | 0 | 0 |
| Internet | 1,224,400 | 1,333,200 | 1,442,000 | 1,550,000 | 2,260,000 |
| E-mail | 0 | 0 | 0 | 0 | 0 |
| Fax | 0 | 0 | 0 | 0 | 0 |
| Physical Delivery | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Total | 1,224,400 | 1,333,200 | 1,442,000 | 1,550,000 | 2,260,000 |
| DATUM | n.a. | n.a. | n.a. | n.a. | n.a. |
| Trans Union Costa Rica | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: Private Information Centers.

**A10: Credit Reports Requested from / Delivered by Public Credit
Information Registries**
(by Type of Requesting Entity)

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|---------------|---------------|---------------|---------------|----------------|
| Financial Sector | 31,711 | 42,910 | 58,695 | 71,468 | 191,418 |
| Banks | n.a. | n.a. | n.a. | n.a. | n.a. |
| Others | n.a. | n.a. | n.a. | n.a. | n.a. |
| Non-financial Sector | n.a. | n.a. | n.a. | n.a. | n.a. |
| Individuals or Firms Requesting their Own Credit Report | n.a. | n.a. | n.a. | n.a. | n.a. |
| Total | 31,711 | 42,910 | 58,695 | 71,468 | 191,418 |

Source: CIC- General Superintendence of Financial Entities.

B1: Financial Institutions

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-----------|-----------|-----------|-----------|-----------|
| Banks | | | | | |
| Private Multiple Banks | 18 | 17 | 14 | 12 | 12 |
| State-owned Multiple Banks | 3 | 3 | 3 | 3 | 3 |
| Banks created by Special Laws | 2 | 2 | 2 | 2 | 2 |
| Non- bank Financial Intermediaries | | | | | |
| Non- bank Financial Entities | 12 | 12 | 10 | 9 | 9 |
| Savings and Credit Cooperatives | 26 | 26 | 24 | 28 | 28 |
| Mutuals / building societies | 3 | 3 | 3 | 3 | 2 |
| Other Financial Entities | 1 | 1 | 1 | 1 | 2 |
| Foreign Exchange Market Entities (Exchange Houses) | 2 | 2 | 2 | 2 | 2 |
| Total | 67 | 66 | 59 | 60 | 60 |

Source: General Superintendence of Financial Entities.

B2: Credit granted by financial sector entities
(by Type of Institution, in USD Millions)

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|----------------|----------------|----------------|----------------|----------------|
| Banks | 4,142.2 | 4,491.0 | 4,871.6 | 5,879.6 | 7,299.5 |
| Private Multiple Banks | 1,772.6 | 2,066.3 | 2,276.8 | 2,720.5 | 3,037.4 |
| State-owned Multiple Banks | 1,823.0 | 1,851.1 | 1,964.9 | 2,410.1 | 3,320.2 |
| Banks Created by Special Laws | 546.6 | 573.6 | 629.9 | 749.0 | 942.0 |
| Non-Bank Financial Intermediaries | 570.2 | 609.6 | 1,710.6 | 941.6 | 1,491.9 |
| Non-bank Financial Entities | 108.2 | 124.8 | 111.6 | 157.8 | 202.2 |
| Savings and Credit Cooperatives | 218.7 | 258.1 | 334.3 | 477.5 | 225.5 |
| Mutuals / Building Societies | 243.3 | 226.7 | 260.3 | 306.3 | 681.3 |
| Other Financial Entities | 141.3 | 147.3 | 156.8 | 166.9 | 382.0 |
| Total | 4,853.7 | 5,247.9 | 6,739.0 | 6,988.1 | 8,624.4 |

Source: General Superintendence of Financial Entities.

B3: Credit Granted by Financial Sector Entities
(by Type of Debtor, in USD Millions)

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Non- financial Private Sector | 4,984.2 | 5,348.7 | 5,946.4 | 7,193.8 | 8,875.4 |
| Individuals | 2,859.4 | 3,104.9 | 3,522.3 | 4,123.6 | 5,038.4 |
| Firms | 2,124.8 | 2,279.8 | 2,424.1 | 3,070.2 | 3,791.5 |
| Financial Sector | 132.8 | 149.5 | 74.1 | 67.1 | n.a. |
| Non- Financial Public Sector | n.a. | n.a. | n.a. | n.a. | n.a. |
| Total | 5,117.0 | 5,498.2 | 6,020.5 | 7,260.9 | 8,875.4 |

Source: General Superintendence of Financial Entities.

B4: Credit Granted by Financial Sector Entities
(by Type of Credit, in USD Millions)

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Commercial | 2,485.5 | 2,696.9 | 3,026.9 | 3,638.0 | 846.8 |
| Short term (\leq 1 year) | n.a. | n.a. | n.a. | n.a. | n.a. |
| Long term ($>$ 1 year) | n.a. | n.a. | n.a. | n.a. | n.a. |
| Mortgages ^(a) | 1,346.7 | 1,380.4 | 1,084.2 | 1,905.6 | 2,326.1 |
| Consumption | 1,284.8 | 1,457.0 | 1,909.3 | 1,717.3 | 2,315.5 |
| Other ^(b) | 0.0 | 0.0 | 0.0 | 0.0 | 3,577.6 |
| Total | 5,117.0 | 5,534.3 | 6,020.4 | 7,260.9 | 9,066.0 |

Source: General Superintendence of Financial Entities.

Note: Activities classification before September 2006 depended on the guarantee.

^(a) The activities considered are: activities of rent and construction of real state, purchase and repair of real estate.

^(b) The activities considered are: financial and stock exchange, activities of extraterritorial entities, public administration, agriculture, cattle, hunting and connected activities of services; electricity, telecommunications, gas and water; education (when the debtor offers this service); exploitation of mines and quarries; restaurants and hotels; manufacturing industry; other non financial private sector activities: fishing and aquaculture; services (when the debtor offers this service); transportation.

B5: Quality Indicators for Loans Granted by Financial Sector Entities
(in USD Millions)

| | 2003 | 2004 | 2005 | 2006 |
|---|-------|-------|-------|-------|
| Total Loans | 1,796 | 1,834 | 3,954 | 4,470 |
| Current | 1,965 | 2,400 | 3,243 | 4,206 |
| Expired | 40 | 275 | 296 | 373 |
| Provisions | 52 | 58 | 75 | 109 |
| Classification According to Credit Quality | n.a. | n.a. | n.a. | n.a. |

Source: General Superintendence of Financial Entities.

LIST OF ABBREVIATIONS

| | |
|----------|---|
| BCCR | <i>Banco Central de Costa Rica</i> Central Bank of Costa Rica |
| CC | <i>Cuenta Cliente</i> Client Account |
| CIC | <i>Centro de Información Creditica</i> Credit Information Center. |
| CLC | <i>Cámara de Compensación y Liquidación de Cheques</i> Check Clearing and Settlement House |
| CONASSIF | <i>Consejo Nacional de Supervisión del Sistema Financiero</i> National Council for the Supervision of the Financial Sector |
| COV | <i>Cámara de Compensación y Liquidación de Otros Valores</i> Other Securities Clearing and Settlement House |
| GDP | Gross Domestic Product |
| RTGS | Real Time Gross Settlement |
| SICVECA | <i>Sistema de captura, verificación y carga</i> System of capture, verification and loading |
| SUGEF | <i>Superintendencia General de Entidades Financieras</i> General Superintendence of Financial Entities |
| SUGEVAL | <i>Superintendencia General de Valores</i> General Superintendence for Securities |
| SINPE | <i>Sistema Interbancario de Negociación y Pagos Electrónicos</i> Interbank System for Electronic Trade and Payments. |
| SUPEN | <i>Superintendencia de Pensiones</i> Superintendence of Pensions. |
| TEF | <i>Transferencia Electrónica de Fondos</i> Electronic Transfer of Funds |

