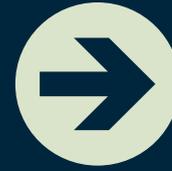


A Monthly
Newsletter of
Association of
Kenya Credit
Providers



Plug & Play
CONFERENCE 2015



Towards a More
Open Credit Market

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01

March 2015

AKCP News

ASSOCIATION OF KENYA
CREDIT PROVIDERS



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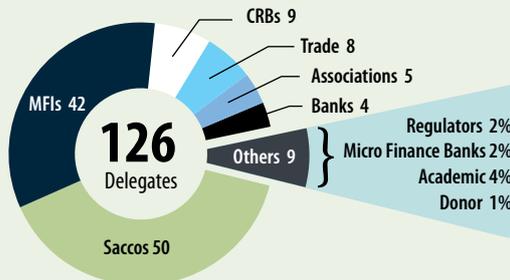
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71 Credit Providers Attend AKCP Plug & Play Conference

On 28th January this year, AKCP organised its Inaugural 'Plug & Play Conference' with the dual objective of sensitizing potential participants of Credit Information Sharing (CIS) about the mechanism and expanding membership into the Association so as to enable it become a self-sustaining entity by 2018.

The Conference attracted a total of 126 participants, drawn from various sectors including Saccos, Microfinance Banks (MFBs), Microfinance Institutions (MFIs) and Trade finance companies among others. The Sacco and MFI sectors had the largest attendance, with 50 and 42 participants respectively as in the chart below.

Figure 1: Summary attendance of the conference.



Addressing the participants during the opening ceremony, HELB CEO and AKCP Chair urged them to embrace the CIS mechanism so as to strengthen their credit risk management practices. He further encouraged the various credit providers to join the Association.

He said, "In order to ensure the sustainability of this young Association, I call upon each and every institution represented here as potential members to support AKCP via membership



Charles Ringera, HELB CEO and AKCP Chair makes opening remarks during the 'Plug & Play Conference'

subscriptions and other avenues as well as to engage actively through the committees that constitute its governance structures."

"As a MFB we are regulated by the Central Bank of Kenya and as such, sharing of information is mandatory. Nevertheless, we have joined the AKCP membership for various reasons and among them, is the role AKCP is playing in shaping and transforming the credit market," said Century MFB CEO Ms. Pauline Githugu as she encouraged the participants to become AKCP members.

Nine parallel breakout sessions were conducted by the AKCP Secretariat and the Credit Reference Bureaus (CRBs), with all the participants attending all the nine. Data Transmission, Dispute Resolution, Communication & Sensitization, Legal Matters, Self-Regulation and Membership and Subscription sessions were handled by the AKCP Secretariat. The two licensed CRBs (Metropol and Transunion) as well as Creditinfo (currently in

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Uptake of Credit Reports on the Rise

Since the inception of Credit Information Sharing (CIS) in 2010 in Kenya, there has been a desire to shift from sharing information on non-performing credit facilities. The sharing of negative information earned the Credit Reference Bureaus (CRBs) a bad reputation of being blacklists and tainted the image of CIS as being very punitive. A [Stakeholders Perceptions Baseline Survey](#) conducted in 2012 by AKCP in collaboration with FSD Kenya established that both borrowers and credit providers stood to benefit through sharing of both performing and non-performing loan information.

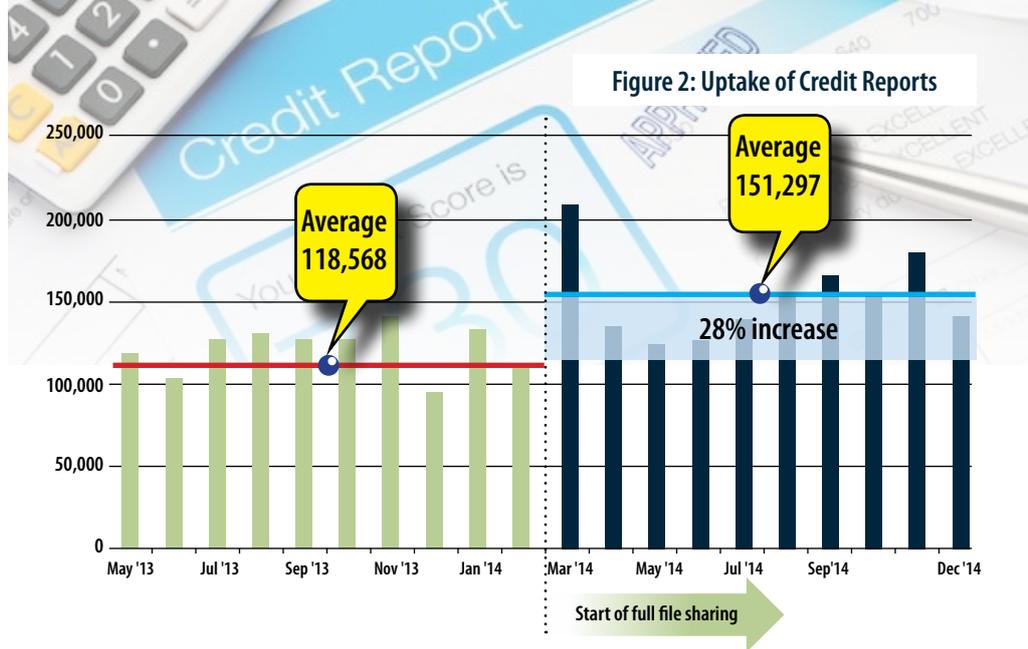
The first full-file data submission was done at the end-of-February 2014. Previously, commercial and microfinance banks had been engaged in a four-month pilot program that assessed not only the capacity of the banks to submit full-file information, but also that of CRBs to uptake and analyze submitted data and issue full-file credit reports.

Since then, AKCP has organized capacity building workshops together with the CRBs. Through these forums, participating institutions have discussed emerging issues, and AKCP has been on hand to resolve them.

Statistics show that acceptance rates on data submission; as well requests for credit reports have been increasing; indicating positive acceptance of full-file sharing. The number of profiles at the CRBs increased by 28%, comparing 10 months before and after full-file sharing. As at the end of 2014, the CRBs had an average of 3.1 million profiles, up from less than 400,000 reported at the end of 2013.

Meanwhile, AKCP continues to lobby for the inclusion of non-bank credit providers into the mechanism, allowing the creation of comprehensive profiles. Through its Strategic Plan 2015-2019, the Association targets to have over 700 institutions actively participating. With the increased participation, profiles in the bureau will give a 360-degree view of a customer's borrowing and repayment behavior. This will in-turn promote better lending practices. As the data pool improves, AKCP aims to work with credit providers to build their capacity to innovate appropriate products based on credit scores. In 2015, AKCP anticipates that credit providers will come up with five CIS-informed products.

For more information, please contact **Mark Kiambo** on Mark.Kiambo@ciskenya.co.ke.



Inaugural Credit Information Sharing Case Successfully Resolved through Mediation

The Credit Information Sharing Alternative Dispute Resolution (CIS-ADR) Centre on 19th February successfully resolved its first dispute through mediation. The dispute, which had lodged into a court one year ago was resolved successfully in a three-hour mediation session. The settlement agreement was recorded in court, bringing to conclusion the court case. Both the customer and credit provider walked out of the Centre satisfied.

The Centre, which was established in November last year has so far received eight disputes, out of which four have been resolved amicably by the Centre's Registrar at the intervention stage, without the involvement of mediators. The other three disputes are in the process of being resolved.

There are two levels of resolving disputes at the CIS-ADR Centre. In the intervention stage, Registrar intervenes between the disputing parties with an aim of settling the matter and registering the settlement. If the parties do not reach an agreement at the intervention stage, the Registrar refers the matter to an independent mediator.

Speaking after receiving the settlement agreement from the mediator, Hannah Ndarwa, the Centre's Registrar said that, "Borrowers are encouraged to audit their loan statements periodically, to ensure correct loan balances, since majority of the cases stem from disputed balances." She added that borrowers are entitled to one free credit report from either of the CRBs once in a year, as per the Credit Reference Bureau Regulations 2013.

On January 27th 2015, another borrower had his dispute with a bank successfully resolved at the intervention stage. He said, "Through the CIS-ADR Centre, I was able to close the dispute with my lender promptly, as compared to the process I had initiated to settle the matter through the court. We negotiated and agreed within two hours yet the matter had been outstanding for over 2 years.

"I would encourage borrowers to check their credit reports, and explore the CIS-ADR Centre if they want to dispute their information in a faster, friendlier and cost-efficient manner," he added.

The nature of cases handled so far ranges from disputed loan balances to use of third party debt collectors. For example, disputes have arisen where credit providers have outsourced debt collection to agents and after a borrower clears a loan with the agent, the lender is not updated. Also some cases emanate from lack of awareness on listing procedures by customers. For this reason, customers are advised to check their credit reports routinely as well as check their loan account statements regularly to ensure that their loan balances are correct.



Mr. Suuji Kishanto, KSMS Assistant Director of Administration and Finance addresses guests during the opening of the CIS-ADR Centre.

Speaking during the launch of the Center in November 2014, Honorable Justice Fred Ochieng', said "The Constitution enjoins Courts and other adjudicating authorities to promote and encourage reconciliation, mediation, arbitration and other forms of ADR in settlement of disputes. It is on this basis that we support the CIS-ADR Center today, which is also provided for in the Credit Reference Bureau (CRB) Regulations 2013,"

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71 Credit Providers Attend AKCP Plug & Play Conference

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the process of being licensing) all demonstrated the CIS products and services they offer.

Ms. Githugu added, "AKCP is bringing together various credit providers, beyond banks and MFBs through CIS. This will result in an enriched pool of credit information, which we all need for credit risk management as well as product innovation. I encourage all of you to join the mechanism through AKCP and be part of the credit market development process."

AKCP organized this forum to kick-start its membership

recruitment drive, following the launch of its [2015-2019 Strategic Plan](#) launched in October 2014. The roadmap is anchored on five strategic priorities namely: Institution Building, Legal Reform, Capacity Building, Communication & Awareness and Knowledge Generation.

"Despite its nascent state, AKCP's strategic pillars are all relevant to set the impetus for the process of expanding and strengthening the CIS mechanism in Kenya in line with the Association's mandate. This well defines our place in the financial ecosystem as well as the viability and sustainability of the Association, commented Jared Getenga, AKCP's Chief Executive during the opening of

the conference.

AKCP envisages to have 121 members sharing full file credit information about their borrowers by end of 2015. As at end of February 2015, a total of 50 credit providers are members of the Association. These include the 43 commercial banks (through the Kenya Bankers Association), one MFB, 2 MFIs, 3 development finance institutions and the CRBs.

For more information on Membership, please contact **Lucy Nyoike** on Lucy.Nyoike@ciskenya.co.ke

Microfinance Institutions (MFIs) Participation Update

Following a capacity assessment conducted in 2012 among credit-only MFIs to evaluate their readiness to participate in CIS, the MFIs were categorised in three tiers based on the level of preparations they needed to undertake before joining the CIS mechanism. Below is a summary of the progress they has been attained to date:

- Tier I institutions:** this category was comprised of 14 institutions out of which 11 were involved in the pilot (i.e six of the nine Microfinance Banks (MFBs), previously known as Deposit-Taking Microfinance Institutions (DTMs) and five credit-only MFIs). Under the CRB 2013 Regulations, the nine MFBs have been sharing full-file information since February 2014. AKCP is already in consultation with the recently licensed Daraja MFB to on-board them into the CIS mechanism and AKCP membership. Additionally, AKCP has recommended one credit-only MFI in tier 1 to the CBK to share into the live environment and the MFI has already subscribed its membership to the Association.
- Tier II institutions:** this category comprised 15 institutions out of which six undertook pilot runs including three MFBs in 2012/2013 and are currently sharing full-file information with

the banks and three credit-only MFIs in 2014. Out of the three MFIs, one credit-only MFI has been recommended by the Association to join the live environment as third-party sources of information and has already subscribed its membership to the Association. The table below summarises the status of the other MFIs in this tier:

- Tier III:** this category comprised of eight small-sized MFIs which needed to undertake intense preparations to sanitize and/or digitize their data as well as invest in systems that would enable them share credit information electronically. Association of Microfinance Institutions (AMFI) and AKCP have developed a roadmap to be implemented in 2015 that will see these institutions and the remaining ones in the first two tiers undertaking pilot submissions, before the Association recommends them to participate in a live environment.

In terms membership to the Association, one MFB and two credit-only MFIs have been successfully admitted. Efforts are underway to bring the rest of the MFBs and MFIs into the AKCP membership.

For any MFI related inquiries, please contact **Job Mariga** on Job.Mariga@ciskenya.co.ke.

Institution	Current Status	Next Steps
Juhudi Kilimo Ltd.	Pilot ongoing	Pilot Review
SISDO Ltd.		
ECLOF Ltd.	Data clean-up ongoing	
Greenland Fedha Ltd.		
YEHU Microfinance		

Alternative Dispute Resolution

...Continued from page 2

said Justice Ochieng'.

Commenting on this successful resolution, Mr. Jared Getenga, the Association of Kenya Credit Providers (AKCP) Chief Executive encouraged credit providers to take advantage of the CIS-ADR Centre. "AKCP promotes and supports the Centre which is an important value proposition to our member institutions and at the same time a consumer protection tool. We encourage both lenders and borrowers to fully explore the Centre," added Mr. Getenga.

Kenya is the first country in the continent to have a fully-exclusive Center for handling CIS disputes. South Africa, despite being the leader in Africa in terms of CIS has an Ombudsman's office handling disputes not restricted to CIS.

The Centre, located at the Kenya School of Monetary Studies, offers mediation services for free to borrowers. Kenya's CIS mechanism began in 2010 with banks sharing information on defaulting borrowers only but this changed with the gazettement of CRB Regulations 2013 which allowed commercial and microfinance banks to share information on both their good and defaulting customers (their full loan books).

For more information, please contact **Hannah Karuri** on hannah.karuri@ciskenya.co.ke

Activity calendar

- AKCP Consumer Rights Awareness Month (March)
- Governing Council Meeting (March)
- Perceptions Survey Update Stakeholder Dissemination (March)
- Sacco Capacity assessment dissemination workshop (TBC)
- Project Review Stakeholder Dissemination Workshop (24th March)
- Joint AKCP-TransUnion Capacity Building Workshop (25th March)

AKCP Participates in Global Financial Inclusion Joint Learning Programme

Financial Inclusion has become one of the buzzwords in recent conversations in the financial spheres, with several regional and global initiatives being set up to champion this agenda. One of such initiatives is the Alliance for Financial Inclusion (AFI), whose primary mandate is promoting global financial inclusion.

The Central Bank of Kenya and Alliance for Financial Inclusion Joint Learning Program (JLP) on Financial Inclusion from 16th – 20th February 24, 2015 in Nairobi. The JLP provides a platform to share national experiences in expanding financial inclusion. The agenda of the forum was financial inclusion. The forum attracted participants from developing and emerging countries including South America and Sub-Saharan Africa.

AKCP participated in the week-long workshop, highlighting the role of the private sector in enhancing financial inclusion through Credit Information Sharing (CIS). This complemented the regulatory perspectives, initiatives and policy reforms aimed at enabling the private sector to reach out to the low income populations and Micro and Small Enterprises (MSEs), such as agency banking, mobile banking and the set-up of the Kenyan CIS mechanism.

Mr. Jared Getenga, AKCP Chief Executive built the case for the aggressive expansion of the CIS mechanism to non-bank credit providers, including microlenders. "AKCP in its 2015-2019 Strategic Plan has drawn a roadmap of taking CIS to the next frontier. We have embarked on scoping and partnering with various credit providers, who can potentially supply alternative data into the CIS mechanism."

"Coupled with information on MSEs and micro borrowers, we will be advancing borrowers to the realm of financial services by 'pulling and pooling' their credit footprints. As they build their credit profiles, we anticipate that they will come to the purview of other financial service institutions, potentially motivating such institutions to devise appropriate and affordable products and services, thus contributing to financial inclusion," concluded Mr. Getenga.

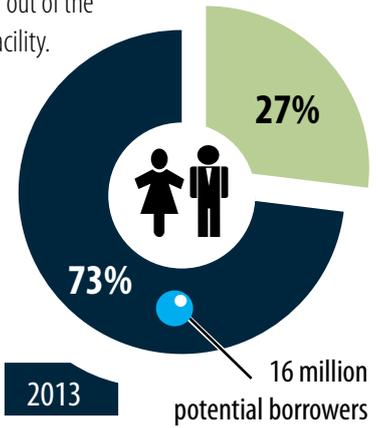
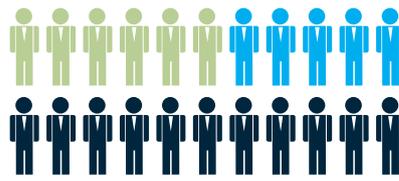
Addressing the delegates during the official launch ceremony, CBK Governor Prof. Njuguna Ndung'u underscored the role of peer learning in the success of AFI programs. He said, "One of the key bedrock's of the AFI network is its peer learning and partnership building programs. Indeed AFI's peer learning programs are an integral part of the Network's success."

Other deliberations of the JLP were drawn from a range of topics including financial sector architectural landscape, financial inclusion initiatives such as agency banking, mobile money, national payments system regulatory perspectives and consumer protection regulatory and private sector perspectives.

For more information, please visit www.afi-global.org

Figure 3: Uptake of Credit Facilities as per the Finaccess Survey, 2013

According to FinAccess Survey 2013, only 6 million out of the 22 million adults in Kenya currently have a credit facility.



Where one figure represents:



AKCP News Pictorial



Pauline Githugu, Century Microfinance Bank CEO and AKCP Governing Council member shares on the benefits they have received since joining the CIS mechanism during the Plug & Play conference.



A cross-section of participants following the proceedings during the conference.

RIGHT: Jubilant Microfinance Chairman Mr. Steve Muia and Corporate Relations Manager Ms. Joyce Ruwa receive their Membership Certificate from AKCP Chair, Mr. Charles Ringera.



BELOW: Dr. Kariuki Muigua, Chairperson Chartered Institute of Arbitrators- Kenya Chapter and Hon. Justice Fred Ochieng', Presiding Judge of the Commercial and Admiralty Division share a moment during the launch of the CIS-ADR Centre, located at the Kenya School of Monetary Studies.



ABOVE RIGHT: AKCP's Mark Kiambo explains to Management University of Kenya students the benefits of knowing their credit worthiness during the institutions' Career Fair held on 30th January 2015.