

**The 3rd regional Credit Information Sharing (CIS) conference for
innovation and financial inclusion
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**BENEFITS OF CROSS-BORDER DATA SHARING :
BCEAO'S EXPERIENCE**

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I. Introduction

II. WAMU regional Credit Bureau project

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IV. Technical infrastructure of the Regional Credit Reporting System

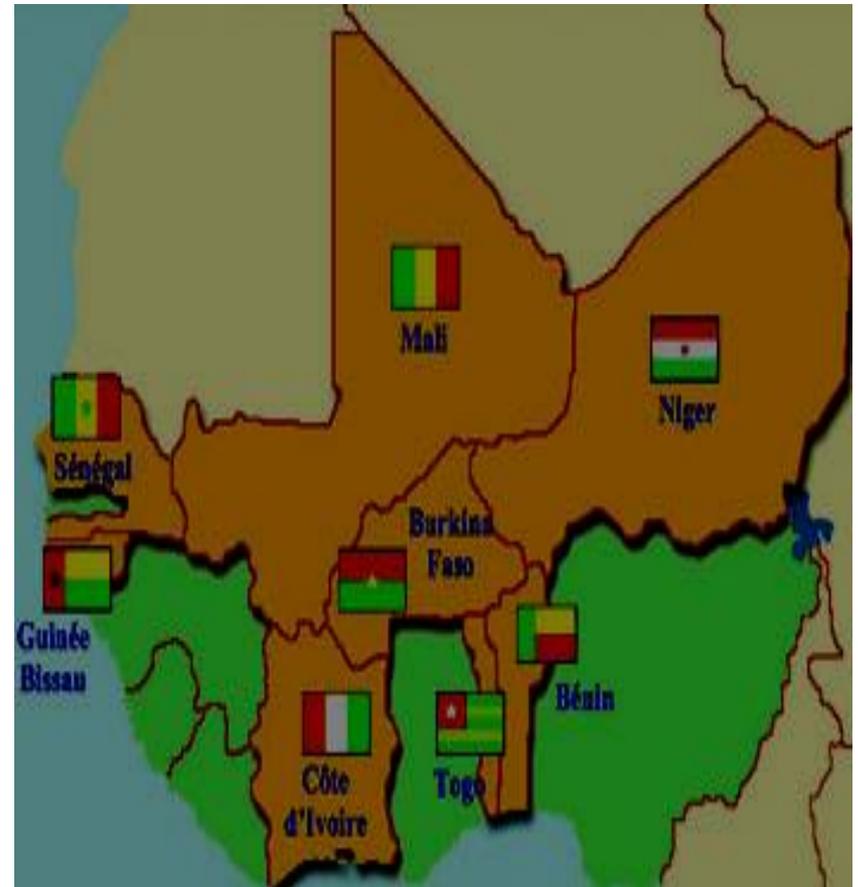
V. Learned lessons

VI. Benefits of cross-border data sharing

I. INTRODUCTION

→ Introduction to the WAMU (*West African Monetary Union*)

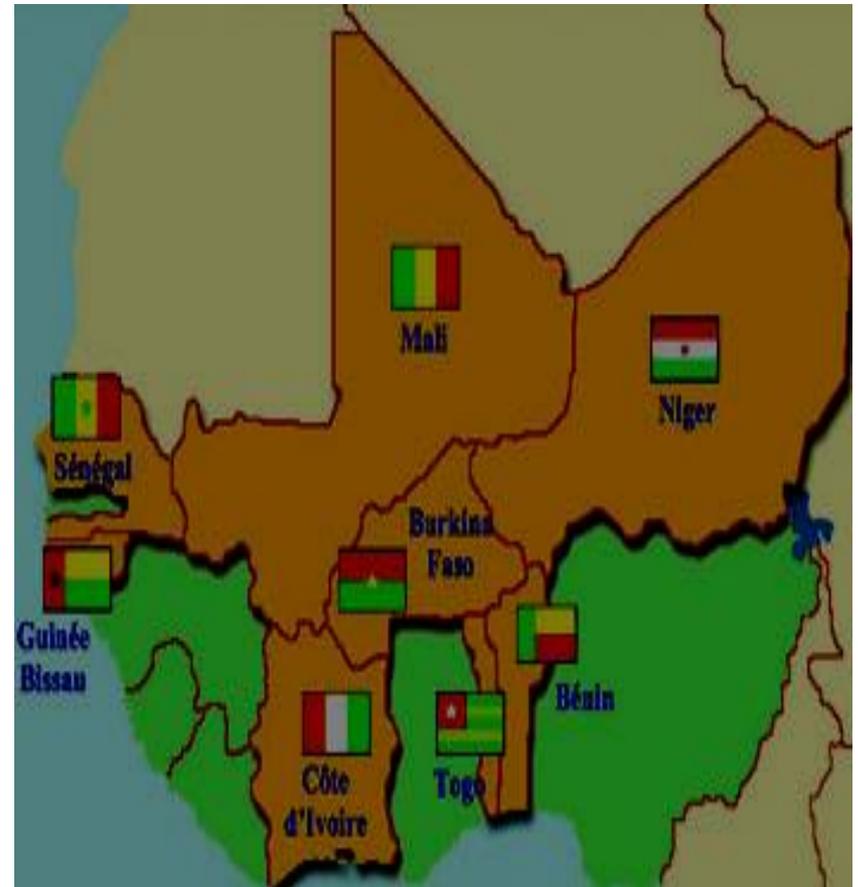
- Founded with Treaty of May 12 1962 among eight (8) west African States : Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo
- One single currency unit : the CFA Franc (*Franc de la Communauté Financière Africaine* or *African Financial Community Franc*)



I. INTRODUCTION

→ General overview of WAMU in 2015

- Population : 116,1 million
- Economic growth rate : 6,6%
- Public deficit/GDP : 3,8%
- Current deficit/GDP : 5,3%
- Credit to private sector/GDP : 25,1%
- Banking penetration rate : 30,4%



I. INTRODUCTION

WAMU institutions and bodies

- **Council of Ministers of the Union (2 for each country)**, defines the WAMU common policies, ensuring an equal representation of each member State ;
- **Banking Commission (Commission Bancaire)** : one single body for the eight countries, responsible for the oversight of the banking sector and larger MFI ;
- **Financial Markets and Public Savings Regional Council (CREPMF)** : one single body for the eight countries, responsible for the control of the regional financial markets ;
- **Central Bank of West African States (BCEAO)** : one single Central Bank for the eight countries, the common monetary Authority ;
- **West African States Development Bank (BOAD)**, responsible for the balanced development of the member countries.



II. THE WAMU REGIONAL CREDIT BUREAU PROJECT

Genesis of the WAMU Regional Credit Bureau project

- Recommended by the High Committee on financing the members states economies (established by the 8 Heads of State of the Union) ;
- Triggered by strong constraints on the financial environment and national economies : ***an existing strong information asymmetry between borrowers and lenders ;***
- Unsatisfactory ranking of the WAMU member States in the « DOING BUSINESS report » on business climate, particularly referred to the « Getting Credit » section : ***a consequence of the absence of a Private Credit Bureau operating in the Community.***



II. THE WAMU REGIONAL CREDIT BUREAU PROJECT

- **Project objectives**

- Reduce information asymmetry and better determine borrowers repayment capacity ;
- Increase financial inclusion and credit granting in all the economies of the WAMU member countries ;
- Improve lenders' risk management techniques and tools all over the 8 member states ;
- Improve business climate and consequently a best Doing Business ranking.

II. THE WAMU REGIONAL CREDIT BUREAU PROJECT



Regional Credit Bureau project preparatory phase

- Regional consultation on the project ;
- Prompted by the BCEAO ;
- In May 2013 ;
- Various stakeholders concerned.



II. THE WAMU REGIONAL CREDIT BUREAU PROJECT



Milestones

- **Regional Law (*Loi Uniforme*)** regulating establishment/operations of credit bureaus adopted by the Council of Ministers in June 2013 ;
- **Project management** : signing of a Cooperation Agreement with IFC in 2013 between BCEAO and the IFC for the implementation of the project ;
- IFC's role was to provide BCEAO all informations and the necessary Technical Assistance to guide the process of establishment, development and deployment of a credit bureau at the regional scale.



II. THE WAMU REGIONAL CREDIT BUREAU PROJECT

Milestones (Cont.)

- **Creation of Credit Reporting Working Groups** : in every WAMU country with dedicated staff representing each relevant stakeholders, chaired by BCEAO ;
- **Awareness raising seminars / workshops** : held in each WAMU country targeted to the main project actors (entities supervised by Commission Bancaire, i.e banks and large MFIs but also non-supervised entities);
- International competitive bid, selection and awarding of the project to CREDITINFO-VOLO, allowing the company to establish the first WAMU Credit Bureau
- Kick off in February 2016 of a single credit bureau serving eight countries with same legal framework, technology and services.

III. CREDIT REPORTING LEGAL FRAMEWORK

Legal framework snapshot

- **Regional consultation** among the main stakeholders in the 8 WAMU member states to draft a *single* Regional Law ;
- **Obligation** for each member state to adopt the Regional Law by each national Parliament (WAMU treaty mandates the adoption of such laws concerning the regulation of the banking industry) ;
- **Hierarchical primacy** of the Regional Law over member state national laws / legal framework (e.g. data privacy) ;
- **Modern law text** which englobes all the international best practices, regarding data protection perfectly in line with existing data privacy laws ;
- **Bylaws**, signed by the BCEAO's Governor, are immediately and directly applicable in each WAMU country.

III. CREDIT REPORTING LEGAL FRAMEWORK

Legal framework snapshot (cont.)

- Definition in consultation with the stakeholders of a unique, single data sharing layout to be adopted by all lenders and credit bureau members in the 8 countries ;
- Definition in consultation with the credit bureau of a price matrix valid in the 8 UMOA countries ;
- **Total cross-border sharing among the 8 countries allowed by :**
 - the provisions of the Regional Law regulating the credit bureau operations and its primacy over individual countries national laws on data privacy ;
 - existence of one single Supervising Authority (BCEAO) with regional outreach, empowered to oversee Private Credit Bureaus.



III. CREDIT REPORTING LEGAL FRAMEWORK



Legal framework snapshot (cont.)

- Regulates the creation and operations of credit information sharing in the whole WAMU 8 member states ;
- Establishes the concept of mandatory consent (prior, free, informed) before any sharing / inquiry / diffusion of data concerning the borrowers ;
- Allows the Credit Bureau that has been allowed the license to establish branches in any other states ;
- Mandates lenders to share data with / and inquiry the Credit Bureau before lending a new loan.

IV. TECHNICAL INFRASTRUCTURE OF THE REGIONAL CREDIT REPORTING SYSTEM

Highlights

- Development of a single information sharing system/platform between data suppliers and Credit Bureau via BCEAO's sharing system ;
- The BCEAO collects the data from regulated entities through its platform and then supplies the database to the Credit Bureau ;
- Non regulated entities supply data directly to the credit bureau (always with borrower's consent).

IV. TECHNICAL INFRASTRUCTURE OF THE REGIONAL CREDIT REPORTING SYSTEM

Main technical features of the UMOA credit reporting system

- **Regional, modern, best practice system**, ensures the same standard quality and services to all the 8 WAMU member states ;
- **Hub & Spokes** : one system based in one of the WAMU countries supplies services to the credit industries of the 8 countries, with considerable economies of scale ;
- **Indirect model means a pivotal role for the BCEAO which** :
 - Becomes the interface between regulated lenders and the Credit Bureau facilitating a complex information sharing flow with the 8 countries ;
 - Ensures the data flow to the credit bureau through its existing data exchange mechanism (VSAT, secure access network, internet).
- **High security level through encrypted protocols.**



V. BENEFITS OF CROSS-BRODER DATA SHARING

Cross-border data sharing should :

- Allow the determination of a global indebtedness level at regional level, therefore allowing also a improved oversight of systemic risk ;
- Facilitate financial inclusion and borrowers ;
- Allow lenders operating at regional level to use standards policies, services, providers, tools ;
- Allow considerable economies of scale, reduced investment and prices ;
- Allow best quality and same system performance even in countries that otherwise, because of size and economies, would not have the same technical/financial possibilities and capacity ;
- Facilitate monetary and economic integration by the amalgamation of large economic jurisdictions ;
- Contribute to the harmonization of national legal framework into a combined uniforme legal framework.



V. BENEFITS OF CROSS-BRODER DATA SHARING

□ The main components of WAMU information sharing system on credit have just been put in place and the sharing of data between stakeholders is starting up. Consequently, it is difficult at this step to measure precisely expected effects on WAMU economies of cross-border data sharing.

VI- LEARNED LESSONS

Main challenges encountered concerning the legal framework

- Some delay in the process of adoption of the Regional Law by some of the WAMU member states ;
- Definition of the perimeter of responsibility between the BCEAO and the national Privacy Data Authorities ;
- Awareness raising need among the lenders about new provisions introduced by the law (e.g. mandatory borrowers' consent, form of the consent clause, mandatory inquiry, etc.).

VI- LEARNED LESSONS

1) Learned lessons about legal framework enabling

□ The drafting and adoption of a Regional Law credit bureau, with cross-border sovereignty applicable and effective in multiple countries requires a thorough assessment of the national legislation enforced in each countries on :

→ Personal data privacy and protection ;

→ Mandatory borrowers' consent allowing prior sharing and inquiry of data ;

□ The consultation, and agreement of all the relevant stakeholders and national authorities in charge of data privacy and borrowers' protection.



VI- LEARNED LESSONS

1) Learned lessons about legal framework enabling (Cont.)

- A continuous and never-ending awareness raising and lobbying action in each countries to keep the momentum ensuring a rapid adoption of the Regional Law ;
- The support of international experts to draft the law provision of such a multifaceted and complex matter like credit reporting.

VI- LEARNED LESSONS

1) Learned lessons about legal framework enabling (Cont.)

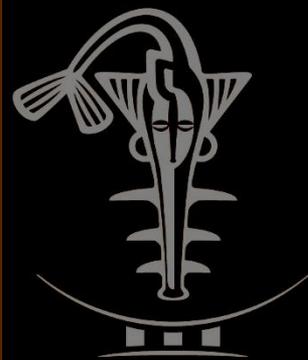
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VI- LEARNED LESSONS

2) Learned lessons about the project results and success

- Active and relentless engagement of the main actors in the project, initially the credit institutions and the large MFIs, to start with ;
- Active engagement of other relevant bodies, and relevant stakeholders, particularly the public opinion and consumers ;
- Quick start of borrowers consent collection in order to create a sound initial database ;
- Awareness raising campaigns among lenders and borrowers on consent and borrowers' rights over own data privacy ;
- Engagement if possible of consumer protection agencies if existing.

Thank you for your attention.



BCEAO

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