

FROM A SOPHISTIATED CHARACTER LOAN to AN IMPIRICAL FACTUAL DECISION MAKING

Jaime Garchitorea
President

Credit Information Corporation



jaime.garchitorena@creditinfo.gov.ph
adi.cruz@creditinfo.gov.ph

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AGENDA

INEVITABLE: Points of Interest in the RA and IRR

PROFITABLE: General benefits of an centralised Credit Information System

OUR ROLES: Proposed Ecosystem



AGENDA

- FAMILY
- FRIEND
- INVESTOR
- CASUAL OBSERVER



AGENDA

- IT IS MANDATORY
- PERMISSIBLE ACCESS
- PENALTIES TO NON COMPLIANCE
AND IMPROPER USE



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INEVITABILITY

- R.A. 9510 ***Credit Information System Act (CISA)*** is a law passed in 2008 creating the ***Credit Information Corporation (CIC)***
- The **Securities and Exchange Commission (SEC)** is the **lead government agency** to implement the CISA, in coordination with other relevant government agencies in the adoption of the IRR with tight relationship with the BSP for Circulars.



REPUBLIC ACT NO.
10173
DATA PRIVACY ACT

What is the DATA PRIVACY ACT:

**AN ACT PROTECTING INDIVIDUAL PERSONAL
INFORMATION IN INFORMATION AND
COMMUNICATIONS SYSTEMS IN THE
GOVERNMENT AND THE PRIVATE SECTOR**



REPUBLIC ACT NO. 10173 DATA PRIVACY ACT

Section 4. Scope. – This Act does not apply to the following:

(e) Information necessary in order to carry out the functions of public authority which includes the processing of personal data for the performance by the independent, central monetary authority and law enforcement and regulatory agencies of their constitutionally and statutorily mandated functions. ***Nothing in this Act shall be construed as to have amended or repealed Republic Act No. 1405, otherwise known as the Secrecy of Bank Deposits Act; Republic Act No. 6426, otherwise known as the Foreign Currency Deposit Act; and Republic Act No. 9510, otherwise known as the Credit Information System Act (CISA);***

(f) Information necessary for banks and other financial institutions under the jurisdiction of the independent, central monetary authority or Bangko Sentral ng Pilipinas to comply with Republic Act No. 9510, and Republic Act No. 9160, as amended, otherwise known as the Anti-Money Laundering Act and other applicable laws; and



BANK DEPOSITS & CLIENT FUNDS

- **Excluded** from basic credit data, in the absence of **written waiver** by the borrower
- Confidential information are those under the following laws: **Law of Secrecy of Deposits, FCDU Act, General Banking Law of 2000** and **AMLA Law**



LEGITIMACY and TRANSPARENCY

CIC shall be owned **60%** by the National Government (NG) and **40%** by **industry associations of banks/quasi-banks** and **association of consumers**. Specifically, the 40 percent ownership is composed of

- Philippine Cooperatives Center (PCC),
- Bankers Association of the Philippines (BAP),
- Credit Card Association of the Philippines (CCAP),
- Chamber of Thrift Banks (CTB),
- Rural Bankers Association of the Philippines (RBAP)

The **Board of Directors** of CIC shall be composed of **15 members**:

- SEC Chairman (ex-officio chairman),
- 7 to be appointed by the president
- 5 coming from the private sector
- 2 independent directors



WHY CREATE THE CIC

To address the need for a **comprehensive, centralized, and reliable** credit information system intended to:

1. Improve the **overall availability** of credit to **MSMEs**
2. Provide credit information **at the least cost** to eligible participants
3. Ensure the **protection of consumer rights** and the existence of fair competition in the industry at all times
4. **Reduce the overall credit risk** thereby contributing to a healthier and more stable financial system
5. To provide a complete view and profile of the credit industry
6. BECAUSE NO ONE ELSE WANTED TO DO IT



DUTIES AND FUNCTIONS

Some of CICs more important functions:

1. To **receive** and **consolidate** basic credit data
2. To **act** as a **central registry** or **repository** of credit information
3. To **provide access** to reliable, standardized information on credit history and financial condition of borrowers
4. To protect the **data** we receive.
5. To protect our **data partners and the public** we serve
6. To create the penalties that protect the integrity of the system and assure compliance to the law.

What is Basic Credit Data?

Positive and **negative** credit information about the borrower's credit facility

- Any information on borrower's **creditworthiness**
- Other **factual** and **objective** information about the borrower



What is Positive Credit Information?

Refers to information or data concerning the **credit performance** of a borrower, such as, but not limited to information on **timely repayment** and **delinquency**.

What is Negative Credit Information?

Refers to information/data concerning the **poor credit performance** of a borrower, such as, but not limited to:

- a) **Past due**
- b) **Defaults on loans**
- c) **Details on the settlement on loans that defaulted**
- d) **Foreclosures**
- e) **Adverse court judgements relating to debts**
- f) **Petition or orders on suspension of payments**

g) **Corporate rehabilitation**

h) **Other pending court cases** (either plaintiff or defendant) **related to credit transactions** or **cases that will affect the financial capacity** of the borrower

i) **Inclusion in bouncing check checklist**

j) **Cancelled credit cards**

k) Other information that may be determined by CIC



BASIC DATA REQUIREMENTS

Every participating entity shall submit to CIC the following **basic credit data**:

- a. **individual**- *10 data elements*
- b. **corporation**- *13 data elements*
- c. **partnership**- *14 data elements*
- d. **cooperative**- *13 data elements*
- e. **exposure profile** (for each creditor)- *22 data elements*
- f. **credit cards**- *11 data elements*



SUBMITTING ENTITY

Any financial institution
that gives credit that is
accredited by the CIC



CORRECTION and RETENTION

Negative credit information **shall be corrected within 15 days** from the date of **payment, liquidation, or settlement** of debt and kept in record for 3 years after settlement.



CREDIT DATA ACCESS

- ***Accessing Entities***- refers to any submitting or other entity authorized by CIC to access basic credit data.
- ***Special Accessing Entities***- any duly accredited private corporation engaged primarily in business of providing credit reports, ratings, and other similar credit information products and services.



CREDIT DATA ACCESS

- ***Data Subjects***- any natural or juridical person, including any LGU, its subsidiaries and affiliates, that applies for and or avails a credit facility
- **What about a Non-Accessing Entity?** Refers to an entity other than a *Submitting Entity*, *Special Accessing Entity*, or *Borrower* that is authorized by the CIC to access credit information from a *Special Accessing Entity*.

BASIC RIGHTS OF THE BORROWER

A borrower shall have the following rights:

- The right **to know** the **causes of refusal** for the application for credit facilities or services from a financial institution that uses basic credit data as basis or ground for refusal
- The right **to have** ready and **immediate access to the credit information** pertinent to him subject to payment of a reasonable fee
- The right **to dispute erroneous, incomplete, or misleading** credit information
- d. The right **to be entitled** to a **simplified** dispute resolution process to fast track the settlement or **resolution of disputed credit information**
- e. The right **to be informed** of any **correction** or **removal** of any erroneous, incomplete, or misleading information **within 5 working days** from verification or conclusion of an investigation or from deletion of the disputed information
- f. The right **to be entitled to indemnity** in case of denial, without justification, of the aforementioned rights, and
- g. The right **to be informed** by a submitting entity of the latter's **obligation to submit and disclose** basic credit data to CIC.



DISPUTE RESOLUTION

- Data subject shall **file** with CIC of a **letter-complaint** in prescribed form
- CIC to **investigate** and **verify** the disputed information **within 5 days working days** from receipt of complaint



DISPUTE RESOLUTION

- If accuracy **cannot be verified and proven** despite the earnest effort to do so, the disputed information shall be deleted **at the end of the 5 day period** from the action taken by CIC
- Data subject, accessing entities and special accessing entities who have received information shall be informed of the corresponding correction or removal **within 5 working days** from deletion of the information



BENEFITS

- **More Information means BETTER DECISIONS**
- **More Information means LESS RISK**
- **More Information means GREATER GEOGRAPHIC REACH**
- **More Information means NEW MARKET DEVELOPMENT**



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BENEFITS

**PH banks not ready for Asean integration
S&P says 'overcrowding' a major
challenge**

By [Michelle V. Remo](#)
[Philippine Daily Inquirer](#)

BENEFITS

Standard & Poor's said it believed that banks in the Philippines were not yet prepared for the tougher competition that would result from the integration of Southeast Asian economies.

- banks in the country, although profitable and stable, have a much **smaller business scale compared with their counterparts in the region.**
- Philippine banks might **find it difficult to preserve market share with the free entry of foreign competition** that would follow the regional integration.
- “We believe banks [in the Philippines] will have to walk a thin line to preserve market share while pursuing profitable expansion
- The 10 members of the Association of Southeast Asian Nations (Asean) have agreed to integrate their economies with the aim of boosting economic activities, job creation and incomes.
- The target is to realize the integration by 2015, although policymakers in the region have agreed that the process could be extended through 2020.
- S&P said that **even the biggest banks in the Philippines were small** compared with the likes of CIMB and Maybank of Malaysia or DBS and United Overseas Bank of Singapore.

BENEFITS

- Since there **were too many players in the country's banking sector**, industry members could not scale up their businesses.
- “We believe **greater scale is essential for banks to deal with the more intense incoming competition**. Even the largest domestic banks are relatively small compared with banks in Singapore and Malaysia,” S&P said.
- **As of September 2013, there were 676 banks in the Philippines. Thirty-six were universal and commercial banks, 71 were thrift banks, and 569 were rural banks.**
- Another problem confronting Philippine banks was the **heavy concentration of credit to the corporate sector. This makes the stability of banks highly dependent on the performance of their big borrowers.**
- S&P noted that as of the end of last year, **82.7 per cent of loan portfolio of banks was accounted for by credit extended to corporate entities and that consumer loans accounted for a much smaller portion.** Out of the loans to the corporate sector, a substantial chunk was accounted for by large conglomerates.
- “The Philippine banking system is heavily skewed toward corporate lending. **Systemic risks also are heightened because the conglomerates account for a sizable share of bank capital,**” S&P said. It noted, nonetheless, that default by a conglomerate was highly unlikely at this point.
- Meantime, S&P said that pending the Asean integration, **banks in the Philippines were expected to continue reaping the benefits of a growing economy.**



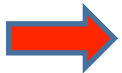
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RAW DATA



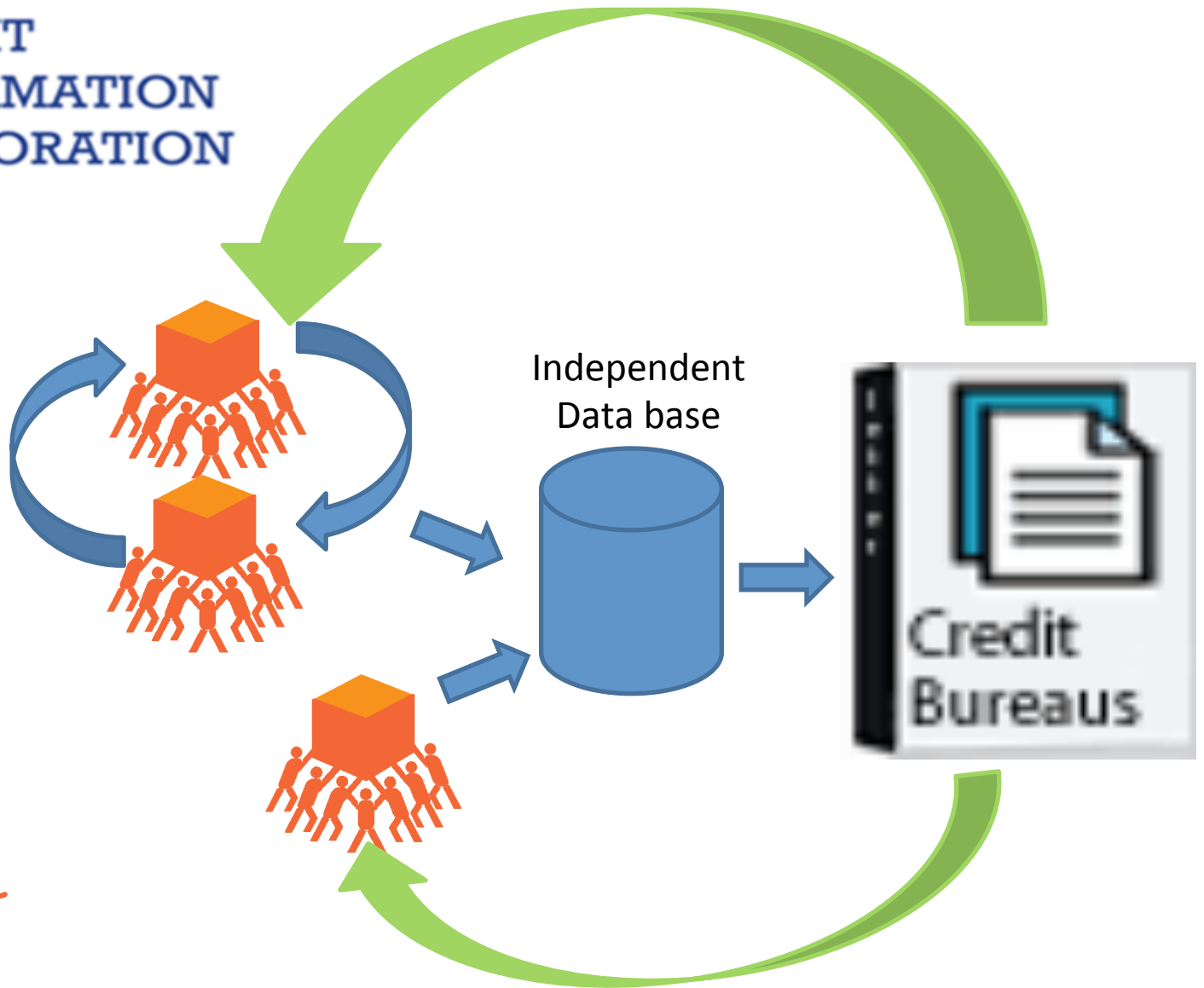
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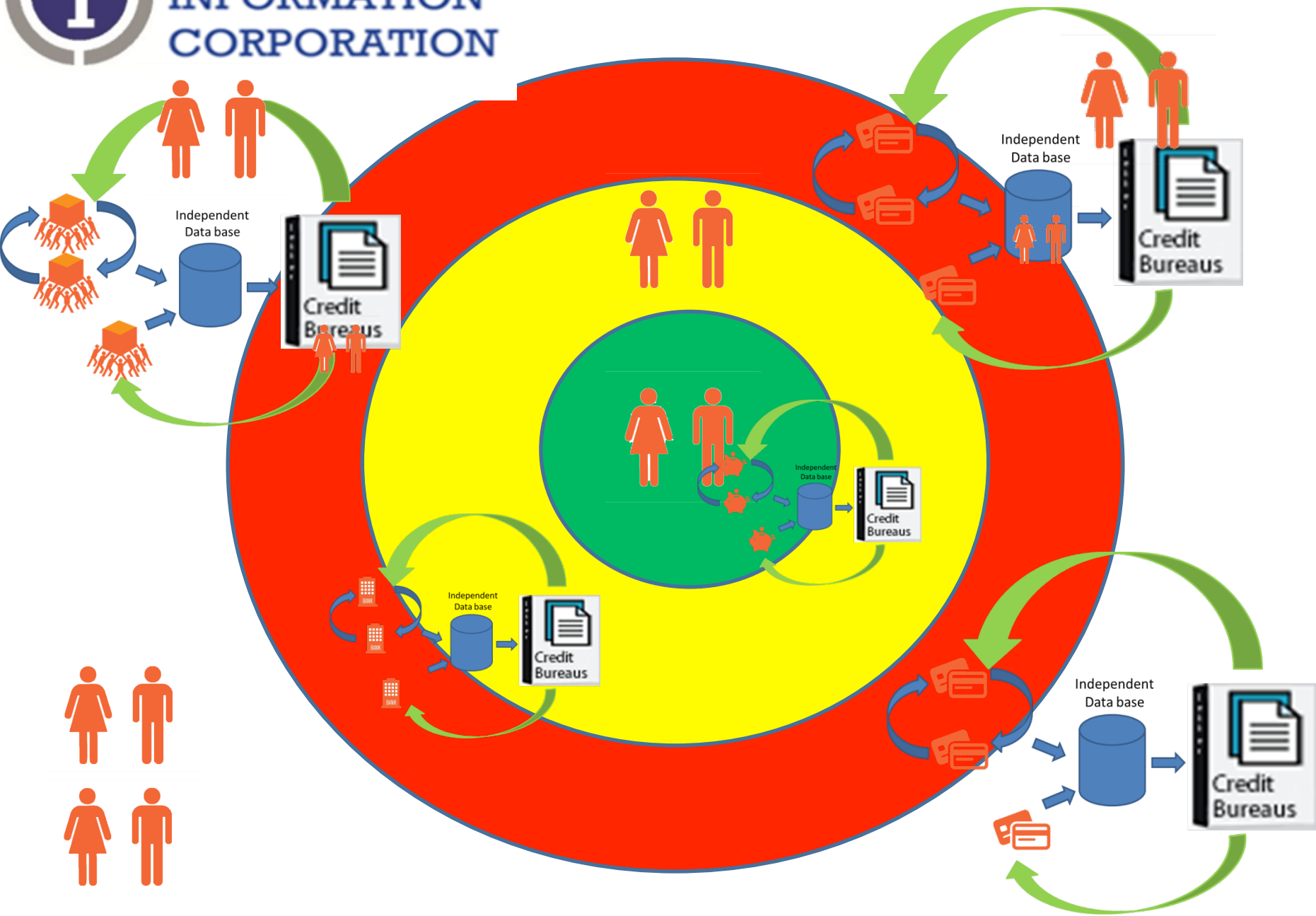


Industry Groups





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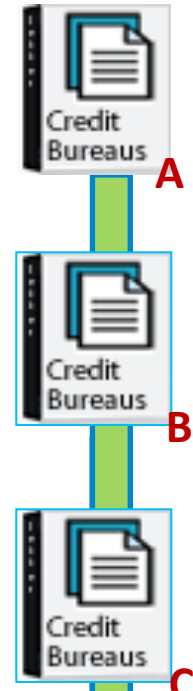
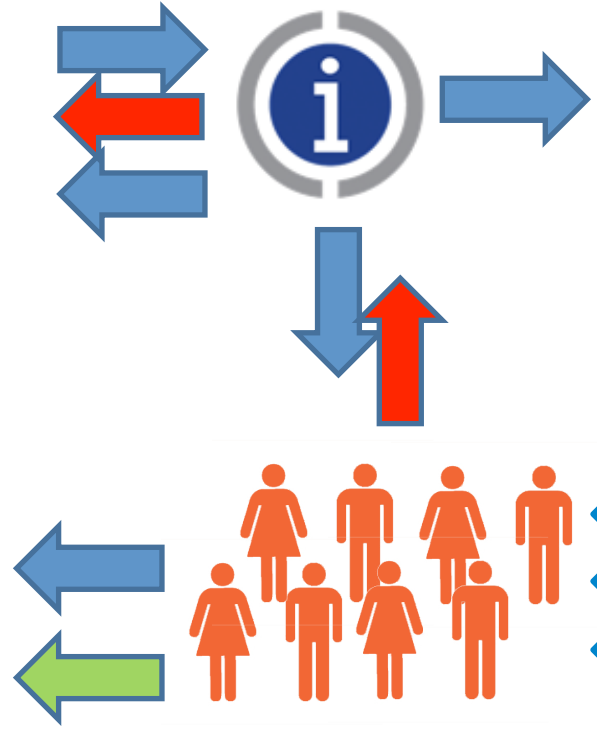
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PROPOSED ECOSYSTEM

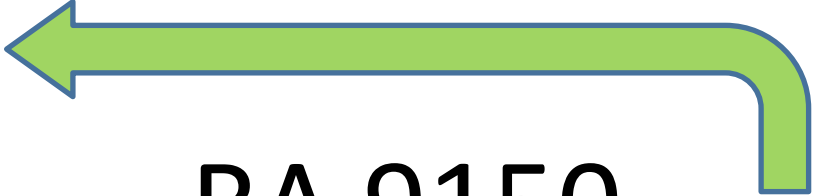


RECEIVES CREDIT DATA FROM CONSUMERS
SUBMITS BASIC CREDIT DATA TO THE CIC

RA 9150



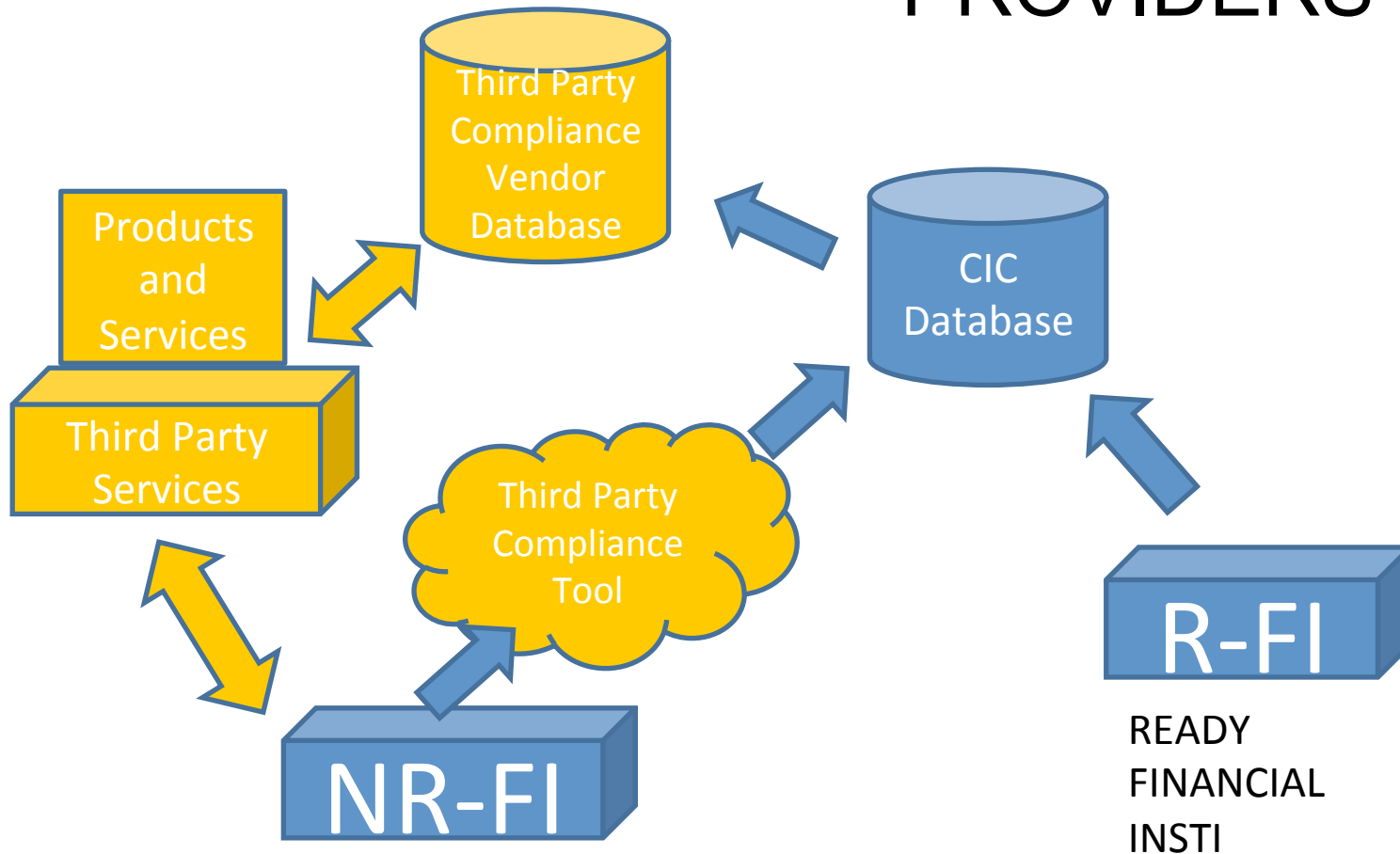
PROVIDES VALUE-ADDED SERVICES





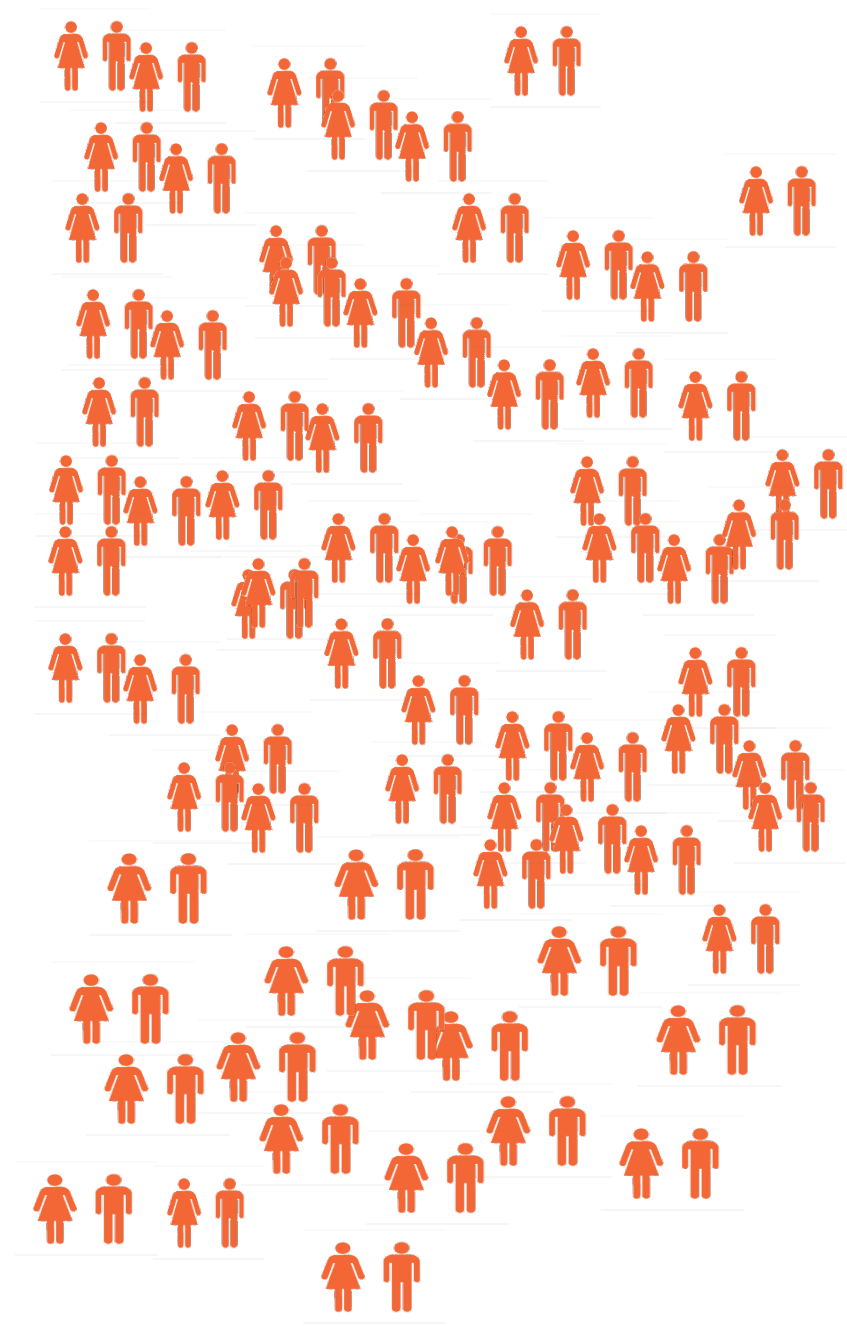
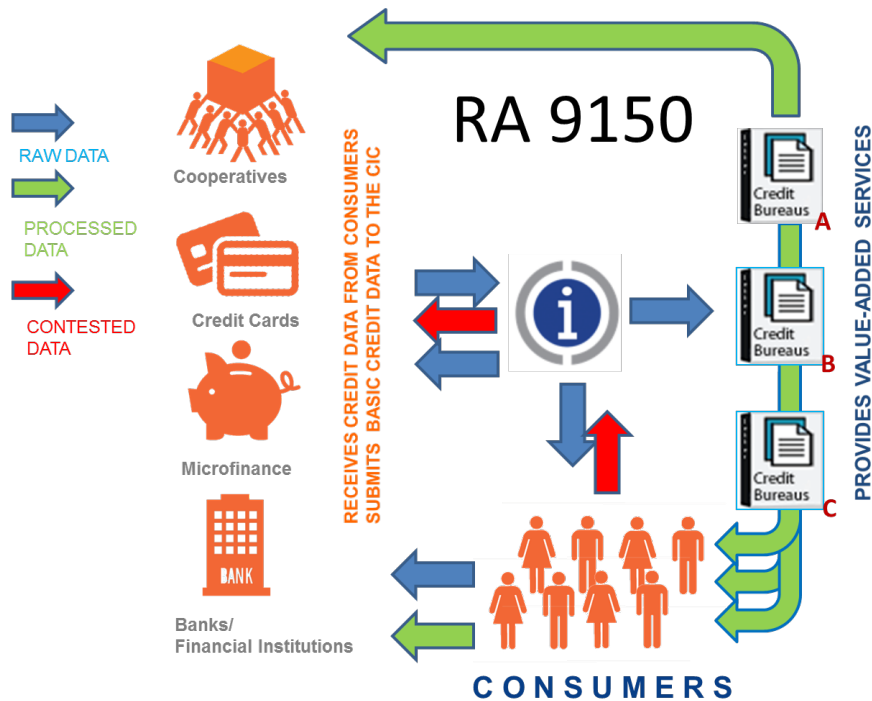
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ROLE OF THIRD PARTY COMPLIANCE PROVIDERS

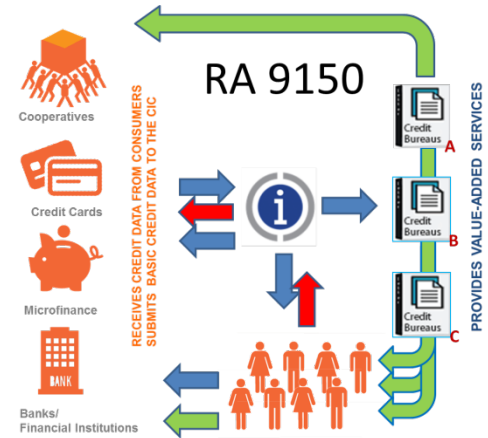


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1. Manages Risks associated with those in the current database to
2. allow expansion to new local markets
3. Global benchmarking of rates
4. Access to international capital



Project Roadmap

| Milestones | Target | Status |
|--|---------------------|-----------|
| Vendor Bid Evaluation and Selection (Re-Bid) | | |
| Eligibility and Shortlisting | Oct - Nov 2013 | Done |
| Technical and Financial Bid Evaluation | Jan - Mar 2014 | Done |
| Awarding and Contract Signing | May 2014 | Post Qual |
| Project Implementation | | |
| Business Requirements and Technology Infrastructure Definition | May – Aug 2014 | |
| Customization & Systems Testing | Sept - Dec 2014 | |
| User Acceptance Testing | Jan – May 2015 | |
| Initial Project Launch | June 2015 | |
| Database Build-up | June 2015 - onwards | |

CIC IN YOUR FUTURE: INEVITABLE AND PROFITABLE

Jaime Garchitorea
President

Credit Information Corporation





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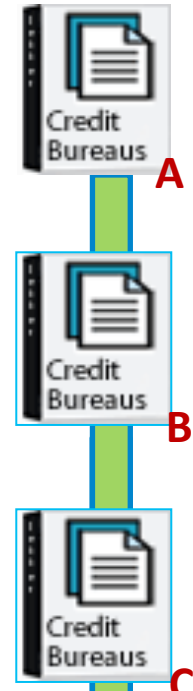
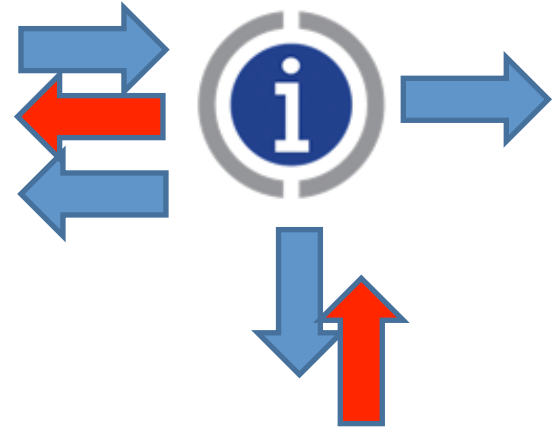
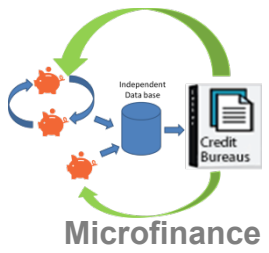
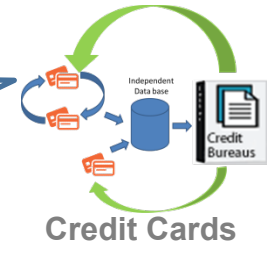
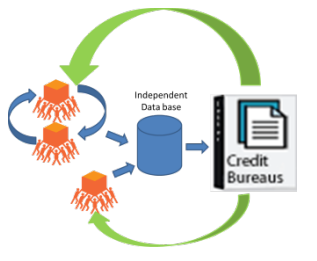
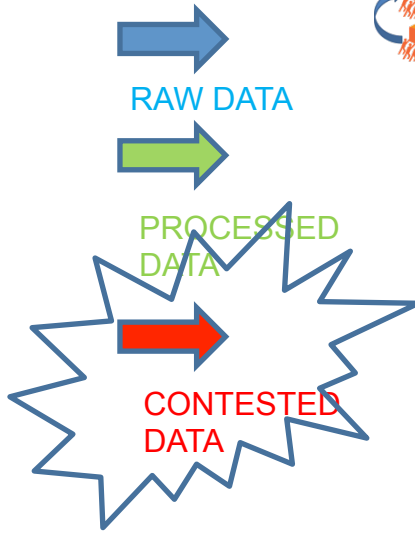
ECOSYSTEM: EARLY PHASE



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RECEIVES CREDIT DATA FROM CONSUMERS
SUBMITS BASIC CREDIT DATA TO THE CIC

PROVIDES VALUE-ADDED SERVICES



CONSUMERS



TYPES OF DATA

