



Eastern Caribbean Central Bank

CREDIT REPORTING LEGISLATIVE FRAMEWORK FOR THE EASTERN CARIBBEAN CURRENCY UNION (ECCU)

December 2021



Outline

- ▶ **Background**
- ▶ **Objectives of an Official Credit Reporting System (CRS)**
- ▶ **ECCU Credit Reporting Legislative Framework**
- ▶ **Conclusion**



Background

- ▶ The work towards the establishment of the ECCU Credit Reporting System commenced in 2009 as part of the World Bank Group Caribbean Credit Bureau Project.
- ▶ The objective of the Project is the establishment of an adequate legislative environment to facilitate the operation of an advanced credit reporting system.



Background

Consultations on the development of credit reporting legislation for the ECCU were held with stakeholders, including:

1. Relevant ministries of ECCU member governments;
2. Credit information providers; and
3. Designated credit information providers.



Background

- ▶ The Monetary Council approved the ECCU Credit Reporting Bill in March 2017.
- ▶ The establishment of the ECCU Credit Reporting Legislative Framework has been protracted.



Objectives of an Official CRS

A Credit Reporting Act to create a fair and accurate Credit Reporting System that will enable the following:

- ▶ Credit information sharing
- ▶ Objective credit decision-making and risk management
- ▶ Data protection and security
- ▶ Regulation and oversight of CRS participants
- ▶ Single space for regulation of CRS



ECCU Credit Reporting Legislative Framework

- ▶ The ECCU Credit Reporting Act and Credit Reporting Regulations are key pillars of the ECCU Credit Reporting Legislative Framework.
- ▶ The Credit Reporting Act comprises eleven parts.



Part I – Key concepts

- ▶ Credit information (“positive” and “negative”)
- ▶ Credit information provider
- ▶ Credit provider
- ▶ Credit report
- ▶ Credit reporting service
- ▶ Credit score
- ▶ Data subject
- ▶ Subscriber
- ▶ Subscriber agreement



Objectives of an Official CRS

Powers, Duties and Functions of the Central Bank:

- 1. Supervisor and regulator of the CRS**
- 2. Responsible for overseeing all CRS eco-system activities, including, protection of rights of consumers, compliance by all CRS participants.**
- 3. Power to license, audit, inspect, penalize and sanction.**



Part III – Licensing of Credit Bureau

Establishes the Conditions for licence

- ▶ Credit bureau cannot operate without a licence
- ▶ Application materials (company incorporation, business plan, and so forth)
- ▶ Power to refuse licence
 - ▶ Notify prior, provide opportunity to represent, take into consideration
 - ▶ Right to appeal
- ▶ Terms and conditions of licence



Part IV – Credit Reporting Activities

Activities of a licensed Credit Bureau

- ▶ Collect, store, organise, update data
- ▶ Produce credit reports and other value-added products
- ▶ Correct information, provide training, educational materials, research and statistical reports



Part IV – Credit Bureau Activities

- ▶ **The Credit Reporting Act restricts credit reports to certain types of information.**
- ▶ **Credit bureaus are required to perform specific responsibilities and refrain from certain actions.**



Part IV – Credit Bureau Activities

Permissible Purposes:

A credit bureau may, with a data subject's consent, provide to a subscriber a credit report or value added product in respect of the data subject, on the basis of information contained in the credit file of the data subject for –

a) the consideration of –

(i) an application for credit; or

(ii) an offer to act as guarantor of an application for credit.



Part IV – Credit Bureau Activities

Permissible purposes

(b) Use in connection with –

- i. the purchase or collection of a debt of a data subject;
- ii. the entering into or renewal of a tenancy agreement with a data subject;
- iii. the underwriting of insurance involving a data subject.

(c) pre-employment check of a data subject for a position that entails significant financial responsibilities



Part IV - Credit Reporting Activities

An Inquirer of credit information must:

- (i) Submit sufficient information to the CB to enable the CB to confirm and validate the identity of the data subject and that of the Inquirer;**
- (ii) Submit evidence of data subject consent;**
- (iii) Agree to properly dispose of data subject information so that the information cannot be easily read or reconstructed.**



Part IV - Credit Reporting Activities

Rights of Data Subject

- 1) Informed about contents of credit reports/credit information
- 2) Can request corrections to erroneous data
 - process of correction is detailed in regulations
- 3) Has access to one free credit report per annum
 - all other times for a fee (report to be delivered within three [3] days)



Part IV - Credit Reporting Activities

- ▶ **Credit information providers (mandated)**
- ▶ **Credit information providers (designated)**



Part IV - Credit Reporting Activities

Duties/Obligations of Credit Information Providers

- 1) Supply credit information on data subjects
- 2) Subscriber Agreement
- 3) Periodic basis (at least once per month)
- 4) Use of data format prescribed by the credit bureau
- 5) Continual updates of information
- 6) Ensure security and confidentiality of data and disposal of data



Part IV - Credit Reporting Activities

Dispute Resolution

- ▶ Provides dispute resolution opportunities to the credit bureau(s), data subjects and subscribers
- ▶ Apply alternative dispute resolution mechanism prior to court system



Part IV – Credit Reporting Activities

Cross-border Data Flows

- ▶ Permitted if the Central Bank approves
- ▶ Must provide at least equivalent level of data protection and security



Part V – Supervision by the Central Bank

Tools for the Central Bank

- 1) Information gathering (periodic reporting, books and records)
- 2) Inspections (on-site and entry and search in case of non-compliance)
- 3) Orders to amend/delete/not share information based on inquiry
- 4) Audited statements and annual reports
- 5) Appeal to High Court in case of non-compliance



Part VI – Civil Liability

- ▶ **Liability for non-compliance leading to injury/damage to data subject**
 - actual damages plus cost of the action
- ▶ **The credit bureau or credit information provider has burden to prove it is not the source of error**



Part VII – Review Commission

Independent Mechanism to Resolve Disputes

- ▶ Appointed by Minister
- ▶ Review disputes by credit bureau(s), data subjects
- ▶ Fee for review
- ▶ Refer to High Court



Part VIII – Appeals

- ▶ **After Central Bank and Review Commission, appeal to High Court**
- ▶ **Court of Appeals in accordance with Civil Procedures Law**



Part IX - Miscellaneous

- ▶ Agreement with other Regulators, Central Banks
- ▶ General offences and liabilities
- ▶ Penalties
- ▶ Liquidation of databases
- ▶ Regulations that Minister may make



Schedules

- ▶ **Public registers**
- ▶ **National Review Commission constitution and rules of operation**



Regulations

Main contents

- ▶ **Licensing requirements**
 - application materials, non-refundable fees
 - operations manual, policies and procedures, systems manual
 - fee structure
- ▶ **Complaints and disputes**
- ▶ **Correction of erroneous data subject information**
- ▶ **Obligation of credit bureau, CIPs and subscribers**
- ▶ **Start-up capital requirements**
- ▶ **Fees for licence, renewal, re-instatement**
- ▶ **Subscriber agreement**
- ▶ **Restrictions on disclosure**



Conclusion

The ECCU Credit Reporting Legislative Framework is being established to facilitate the operation of adequately capitalized, modern and efficient credit bureaus, which should result in:

- 1) Reduced information asymmetry
- 2) Increased financial inclusion
- 3) More efficient and accurate credit decision-making processes
- 4) Enhanced credit monitoring and risk management

Eastern Caribbean Central Bank



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