

BIIA in Action: 2013 Asia Pacific Forum on Financial Inclusion Batam Island Indonesia

Phil Cotter, Deputy Managing Director, BIIA chaired a session at the 2013 Asia Pacific Forum on Financial Inclusion held in Batam Island Indonesia 11-12 June.

The forum was jointly organised by APEC Business Advisory Council, the Ministry of Finance, the Government of Indonesia, Asian Development Bank Institute and The Foundation for Development Cooperation. BIIA were requested to send a representative by the IFC who were supporting the event.

The session entitled Financial Infrastructure: Financial Identity and Data Flows, included presentations from Tony Hadley, SVP Public Policy, Experian; Dr Robin Varghese, Chief Operating Officer, Policy & Economic Research Council; Ms L Ceren, Director, Finance Ministry, Peoples Republic of China and : Mrs. P Chandara, Deputy Chief, Financial Institution Supervision Department, Bank of Lao PDR.

The presenter's made a number of key recommendations:

Data Protection Regulation

Data Protection legislation needs to strike a balance between individual rights to privacy and the requirement for transparency of an individual's credit history to enable a functional consumer/SME credit market to operate.

The legislation should be clear in establishing the following:

- What data can and cannot be shared when assessing an individual or SME's creditworthiness and the data that can be shared for the purposes of identity verification and fraud prevention as part of the credit assessment process.
- The level of consent required from a consumer/SME to enable their data to be used in the credit assessment process
- The rules that apply to the operation of Private Credit Bureaus and Public Credit Registries in the market

Legislator's should also consider the fact that European and US data protection regimes, for example, have developed over a number of years and that the legislation operating in developed markets may not be entirely appropriate for developing markets

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Data Sharing

The sharing of traditional credit data (for example: bank loans, mortgages, credit cards, overdrafts, and retail store credit) may not be sufficient to promote optimal financial inclusion as consumers and SME's without access to mainstream credit will not be included in these data sets.

Consideration should be given to the inclusion of other data sets that may be used to assess creditworthiness such as:

- Mobile phone data, contract and pre-paid phones
- Educational Loan data
- Rental Payment data
- Tax payments
- Utility Payment data
- Micro-finance loans
- Trade Credit Payment data
- Pre-paid debit & credit cards

When considering the data sharing infrastructure regulators should consider how to create the broadest data sharing to optimise financial inclusion whilst protecting consumer and SME rights.

Establishing an individual's Identity

It was recognised that in some developing markets establishing the identity of an individual, either as a consumer or owner of an SME, may be a challenge and that identities are key to a properly functioning credit market

- The establishment of a broad data sharing scheme as outlined in the previous section can help to address this issue by providing multiple sources that can be used for identification purposes
- In some markets however the basics of identity verification such as birth certificates or official documents may not be fully available. In these cases the panel recommend the consideration of specific financial identity schemes which may rely on methods such as interviews of applicants and their families or associates and biometrics to establish an individual's identity.

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- Once an identity is established the use of biometrics or the presentation of a secure token or document can be used to verify identity as part of the credit process.

Other points for consideration

The panel felt that regulators & legislators in developing markets should approach the issue of Financial Infrastructure, Identity & Data Flows as an evolutionary process.

Getting the basics in place such as a clearly defined and balanced data protection regime was an important step in both creating an environment in which data could be shared and encouraging private credit bureaus and lenders to invest in a market.

Sharing some data was better than none at all and governments should adopt an approach focused on ensuring that those data sets which would improve financial inclusion for the most people were a priority. Once these data sets are being shared other data sets could be included to extend financial inclusion further.

Finally these structural changes should take place alongside a programme of education so that individuals and SME's understood the importance of establishing good credit records and how data sharing could improve their access to credit as well as support the economic growth of the country.

BIIA believe that it's involvement in this event which attracted a large number of regional organisations, as well as many of the leading global information players was important recognition of its reputation as a leading industry authority and the value it brings to such events.



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