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Business Information Industry Association

Regional Meeting

Phnom Penh, Cambodia

March 14th to 15th, 2018

Event sponsored by:

CBC

CBS Credit Bureau Singapore

CRIF Together to the next level

NOVA

Event supported by:

International Finance Corporation –part of the World Bank Group

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Business Information Industry Association

Introduction to BIIA

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Introduction to BIIA

- Who We Are
- BIIA Mission
- Membership Benefits
  - Outreach & Market Engagement
  - Industry Advocacy
  - Information Resources
  - Conferences & Networking
- Current Membership
- BIIA Governance - Leadership

BIIA

Who We Are

The Business Information Industry Association (BIIA) is a trade association for providers of a wide range of BOTH business and consumer information services that help businesses manage growth and reduce risk.

Our members' services spectrum includes information providers, platforms, workflow software, decision systems, identity and authentication services, compliance and risk assessment tools.

The largest member segments are consumer credit bureaus, commercial credit information companies, business information and software providers supporting digital commerce.

BIIA was formed in 2005 in Hong Kong by regional industry members as a regional association. By 2007 the association had achieved global membership.

BIIA is registered in Hong Kong as a Limited Liability Corporation by Guaranty. BIIA is a Not-for-Profit Organization.

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BIIA Mission

- Provide a neutral, open forum through which business and consumer information providers and users, regulators, and government and public information sectors can debate and resolve common issues
- Promote the information content industry by demonstrating the value of information for businesses and national economies
- Serve as a resource on industry standards, trends, technological developments, and policies
- Advocate a legal regulatory environment beneficial to the industry
- Provide a valuable platform for networking

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Member Benefits - Outreach

BIIA monitors and compiles data and insights on industry and regulatory developments almost on a daily basis.

The BIIA database contains over 9,000 articles of industry announcements, white papers and market research documents.

Information Resources: Members are entitled to have free access to BIIA.com proprietary industry and regulatory data compiled and analyzed on behalf of the membership.

Networking: Conferences

Market Engagement: BIIA Participates in International and Regional Forums on behalf of its members. BIIA works on international councils such as the World Bank's International Committee on Credit Reporting, The IFC's SME Finance Forum, Financial Infrastructure Development Network (FIDN), a part of the APEC / ABAC financial infrastructure; B20 Taskforces on access to finance for SMEs and Digitization

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Member Benefits: Industry Advocacy

BIIA Regulatory News

- BIIA regards industry advocacy as one of BIIA's principal responsibilities to keep membership informed of regulatory developments and assist with best demonstrated practices when needed.
- BIIA publishes a monthly *Regulatory Newsletter* keeping members informed of significant developments in policy dossiers being worked on particularly in Europe (most prolific) and in other geographical territories.
- The industry advocacy activity is ably supported by the regulatory committee.

Committee Chair Tony Hadley, Senior Vice President, Government Affairs and Public Policy at Experian

Dennis Ambach, Vice President Government Relations at TransUnion

Dr. Axel Bysikiewicz: Section Manager for Corporate Governance at SCHUFA Holding AG. Germany

Peter Sheerin, BIIA APCCIS Committee Chair & Member of the Executive Committee

Lawrence Yee, BIIA Director – China Regulatory Affairs

Neil Munroe, BIIA Deputy Managing Director, BIIA Executive Committee CRS Insights Ltd.

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Member Benefits - Information Resources

- **Technology Drives Digitization - An Imperative for BIIA Members to Stay Informed - BIIA Monitors the Ecosystem**

LATE BREAKING NEWS BY CATEGORIES

Analytics/AI

Blockchain

Business Information

Compliance

Cyber Security

Credit Bureau News

Data

Digitization

E-Commerce

Financial Inclusion

Fintech

Fraud

Identity

Privacy

Regulatory News

Technology

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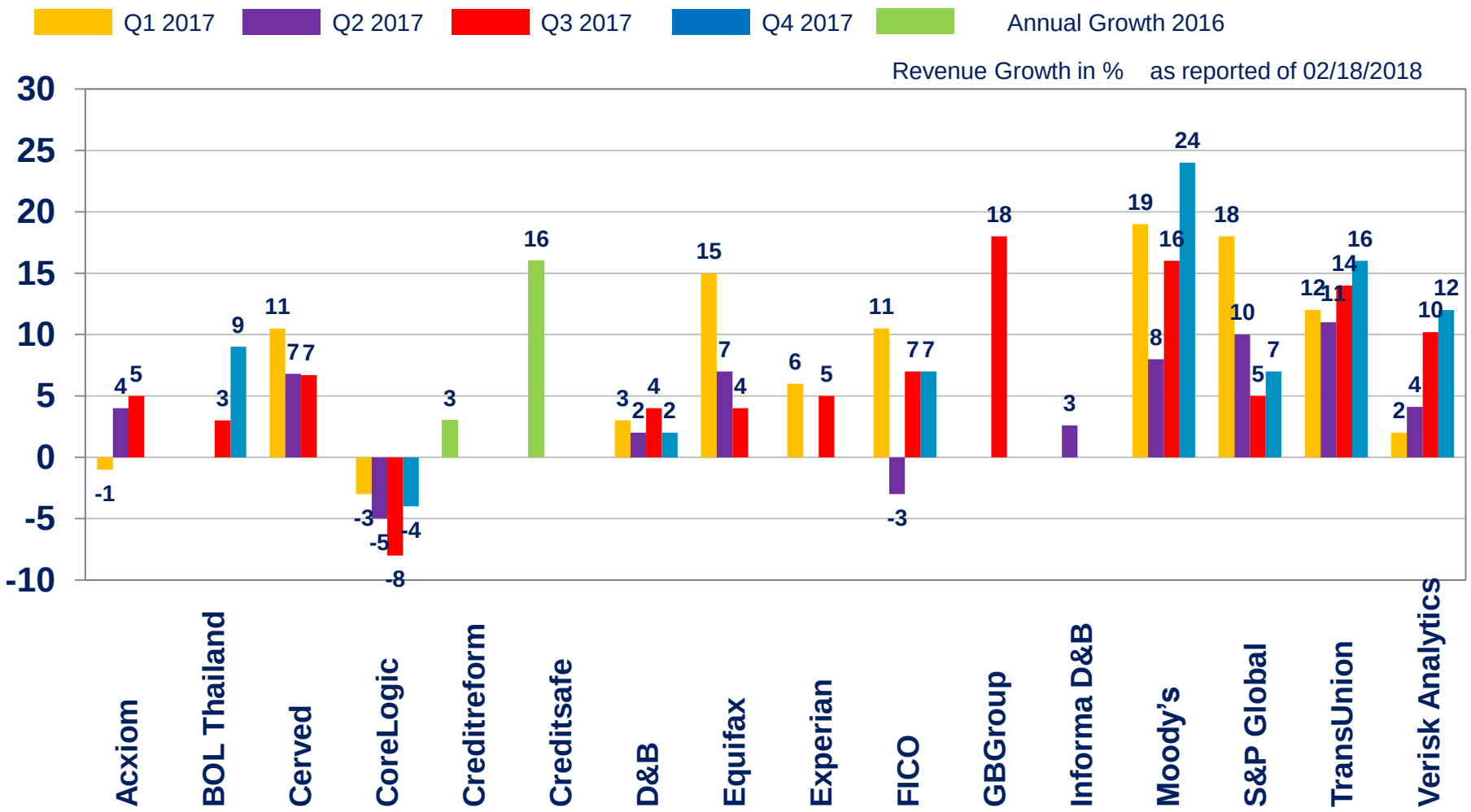
Information Resources - Example 1

- **Who Grows – who does not? - A quarterly review of revenue growth**



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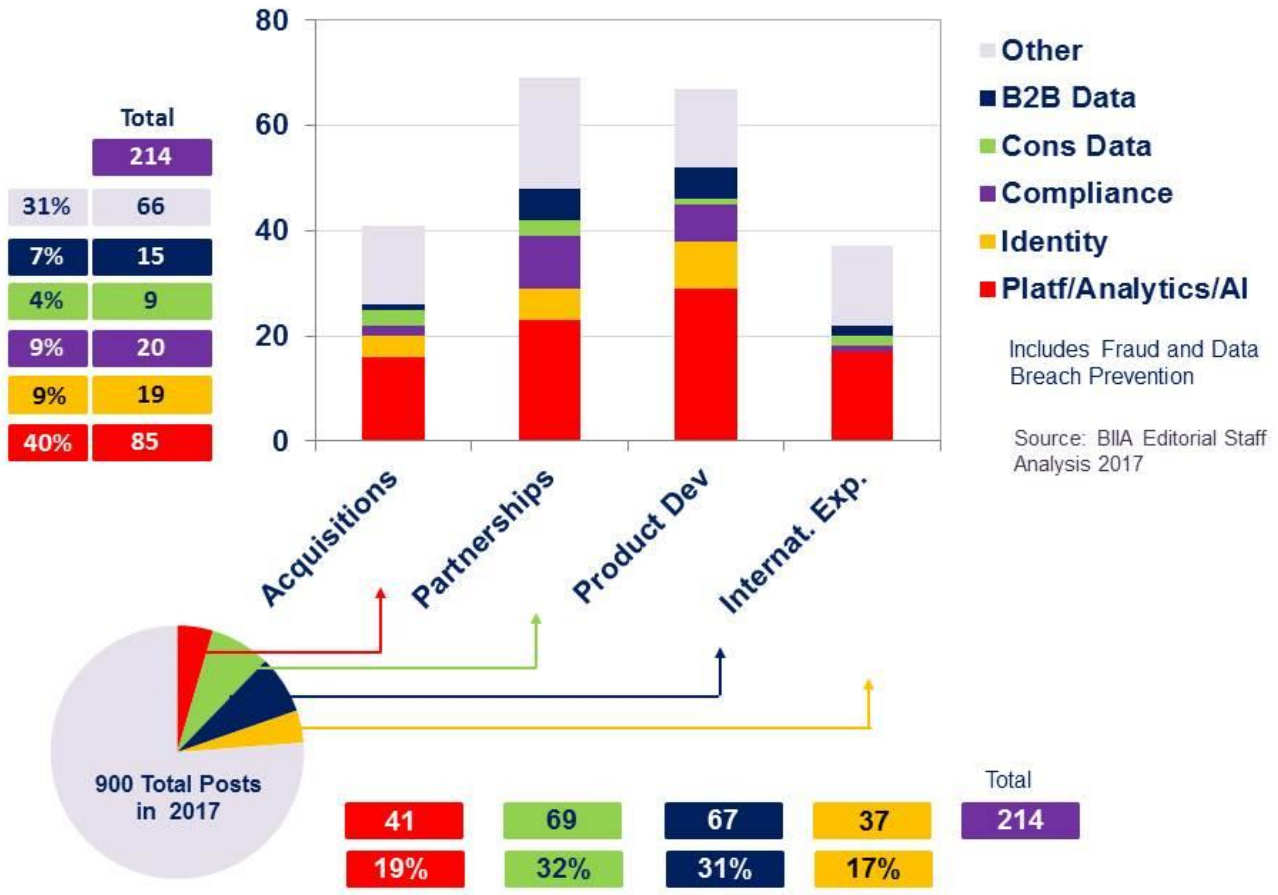
Information Resources - Example 2

- **Who acquires what? - A quarterly review of acquisitions, partnerships, internal product development and international expansion**



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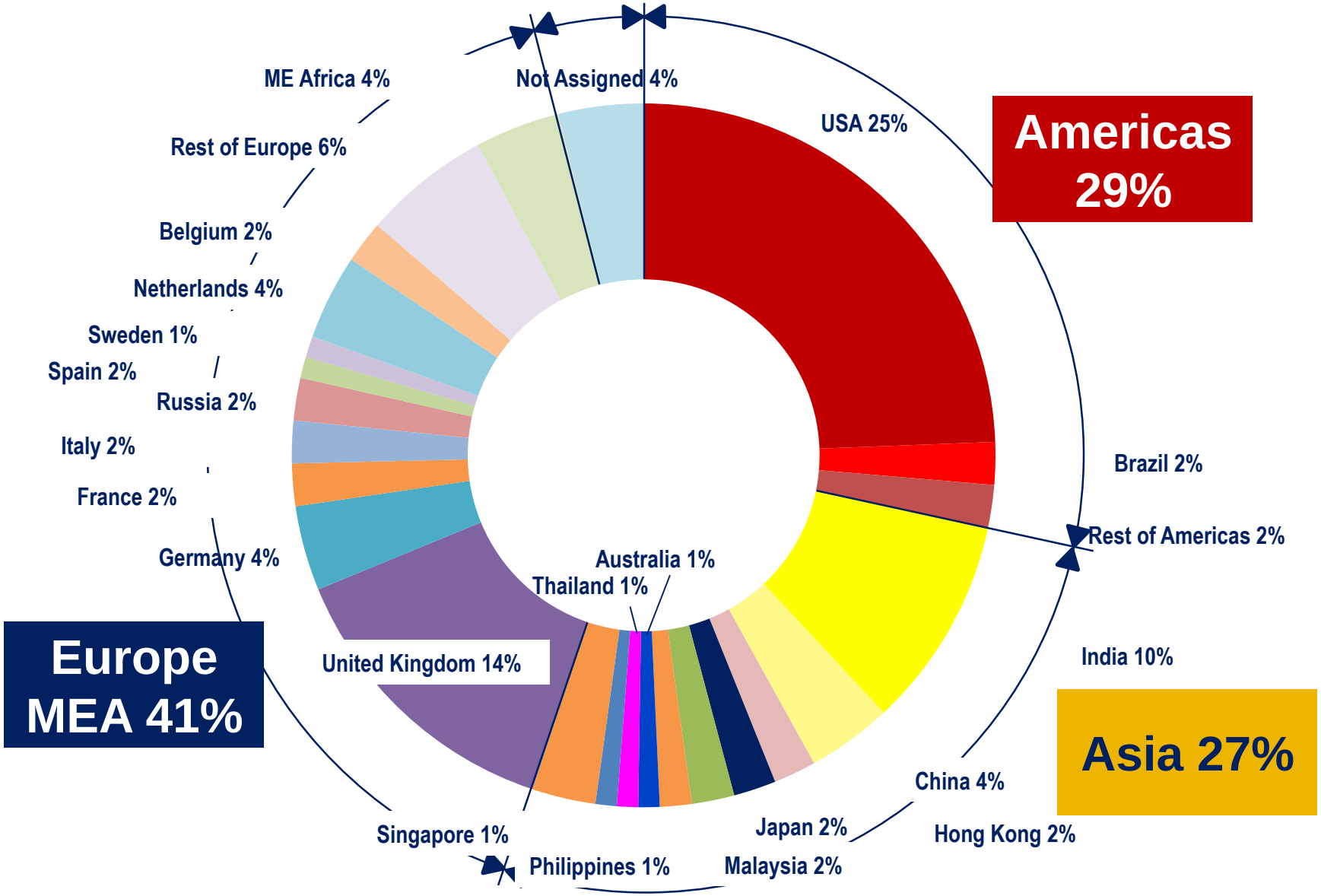
Global Readership BIIA Website



Source: Google Analytics (differences in totals due to rounding).

Conferences and Networking

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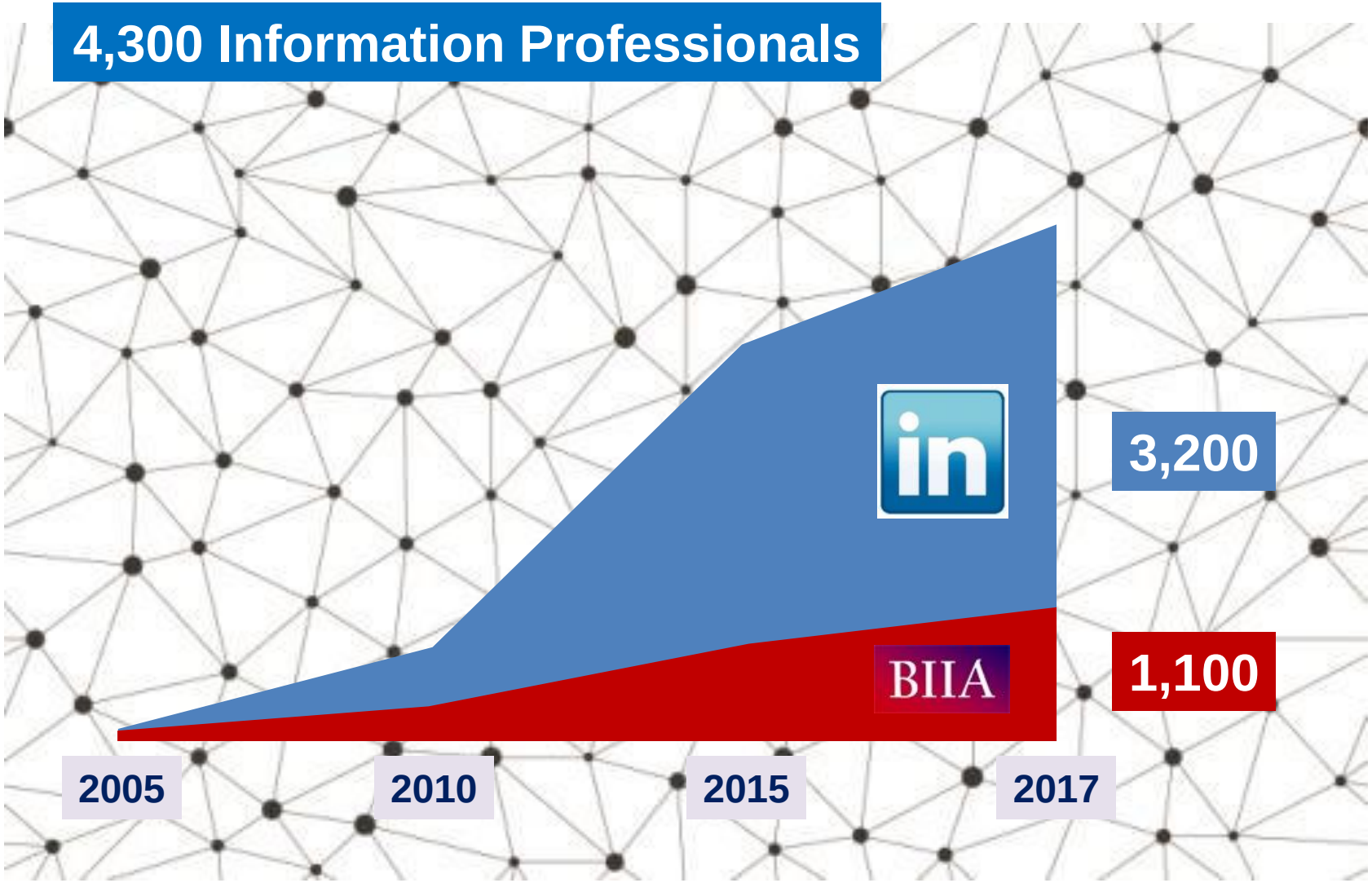
BIIA The BIIA Network



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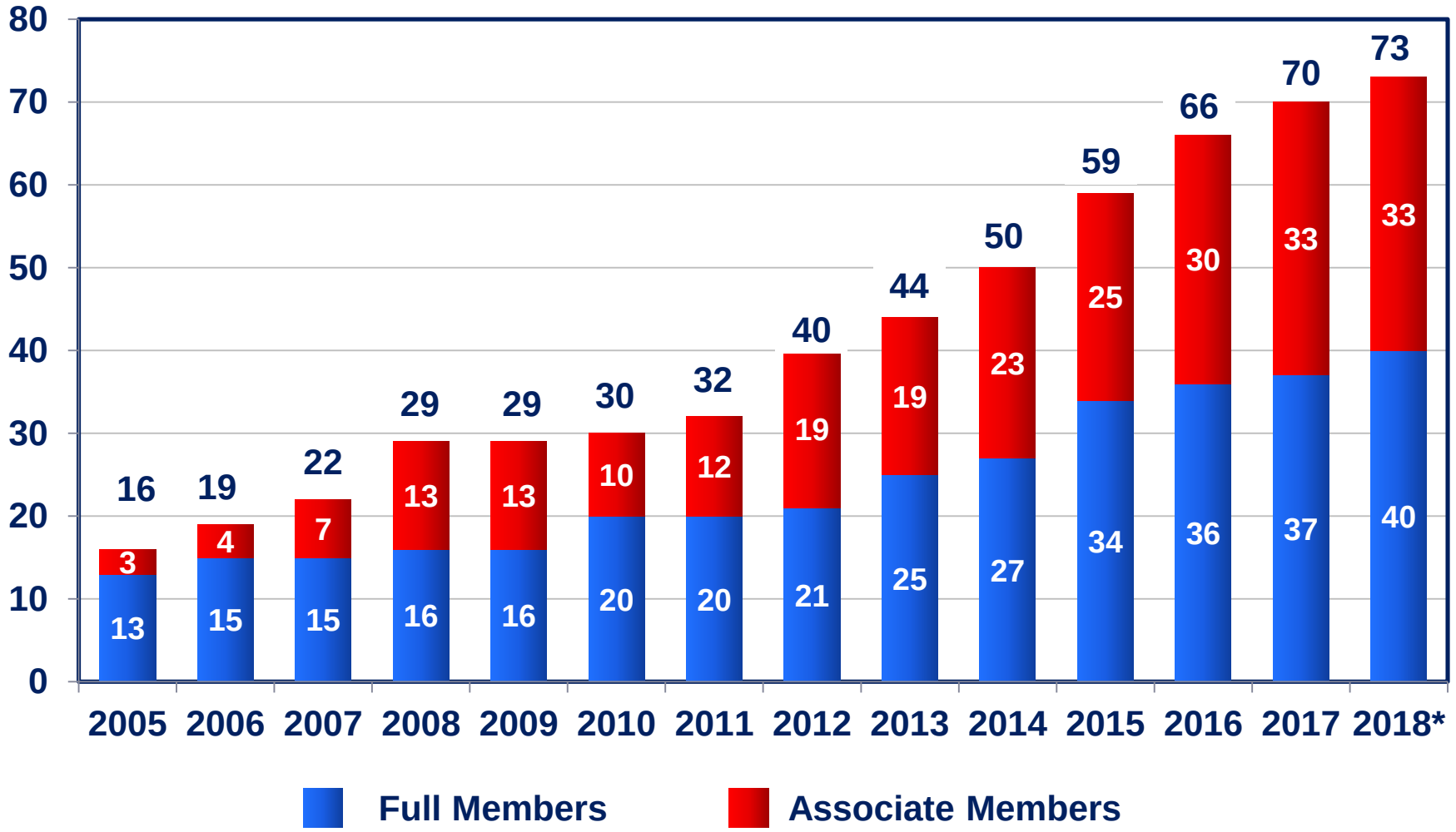
Current Membership



*As of February 25, 2018.

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Full Members

ACB HOLDINGS
AECB
aR
bia Business Information Agency
Bisnode
BOL
BSG
Cedar Rose CR
ACBC
CBS Credit Bureau Singapore
CIBI Information, Inc.
CONSUMER CREDITSCORE
CREDITINFO
CREDIT BUREAU MALAYSIA
Credinform
creditsafe
惠国征信 CREDIT STATE
CRB
CRIF Together to the next level
ctos
dun & bradstreet
EQUIFAX
Experian A world of insight
GBG
IEI
联信集团 INTER-CREDIT
KBIJ
kompany
METROPOL reach new heights
MMCB MYANMAR CREDIT BUREAU LTD
NCB National Credit Bureau
OUTSELL
PCB
PURLIEU INTERNATIONAL
QARAR قرار
reciprocus
schufa
SIMAH
SINGAPORE COMMERCIAL CREDIT BUREAU
TDB
THOMSON REUTERS Financial Crime & Reputational Risk
Tinubu Square
TransUnion
trunarrative
全联征信有限公司 United Global Credit Reference Co.,Ltd.
wand
VelinkData
WORLD BOX Business Intelligence Worldwide

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Associate Members

Full Membership: Participation in Industry Advocacy and Association Governance: Board Membership, Voting Rights, Policy Decisions

Associate Membership: Passive, Access to News

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BIIA Governance: The Leadership Team

Mr. Thirachai P., BIIA
Chairman (nominated)
Former Central Banker
and Former Finance Minister
of Thailand

Joachim C Bartels,
Co-founder of BIIA,
Managing Director &
Executive Committee
Member

Neil Munroe, BIIA
Deputy Managing
Director, BIIA
Executive Committee
CRS Insights Ltd.

Enrico Lodi, BIIA
Executive Committee,
CRIF

Peter Villa, BIIA
Executive Committee,
Schufa

David Worlock, BIIA
Chairman retiring
Industry Expert

Adrian Ashurst,
Worldbox

Mark Cochrane
Business Strategies
Group

Shahid Charania
Equifax

Dan Meder
Experian

Ruth P. Stevens
B2B Marketing Expert

Surapol Opasatien
National Credit Bureau
of Thailand

Lawrence Tsong
TransUnion

Lawrence Yee
Entrepreneur

- Industry Know-How
- Leadership
- Competence
- Experience

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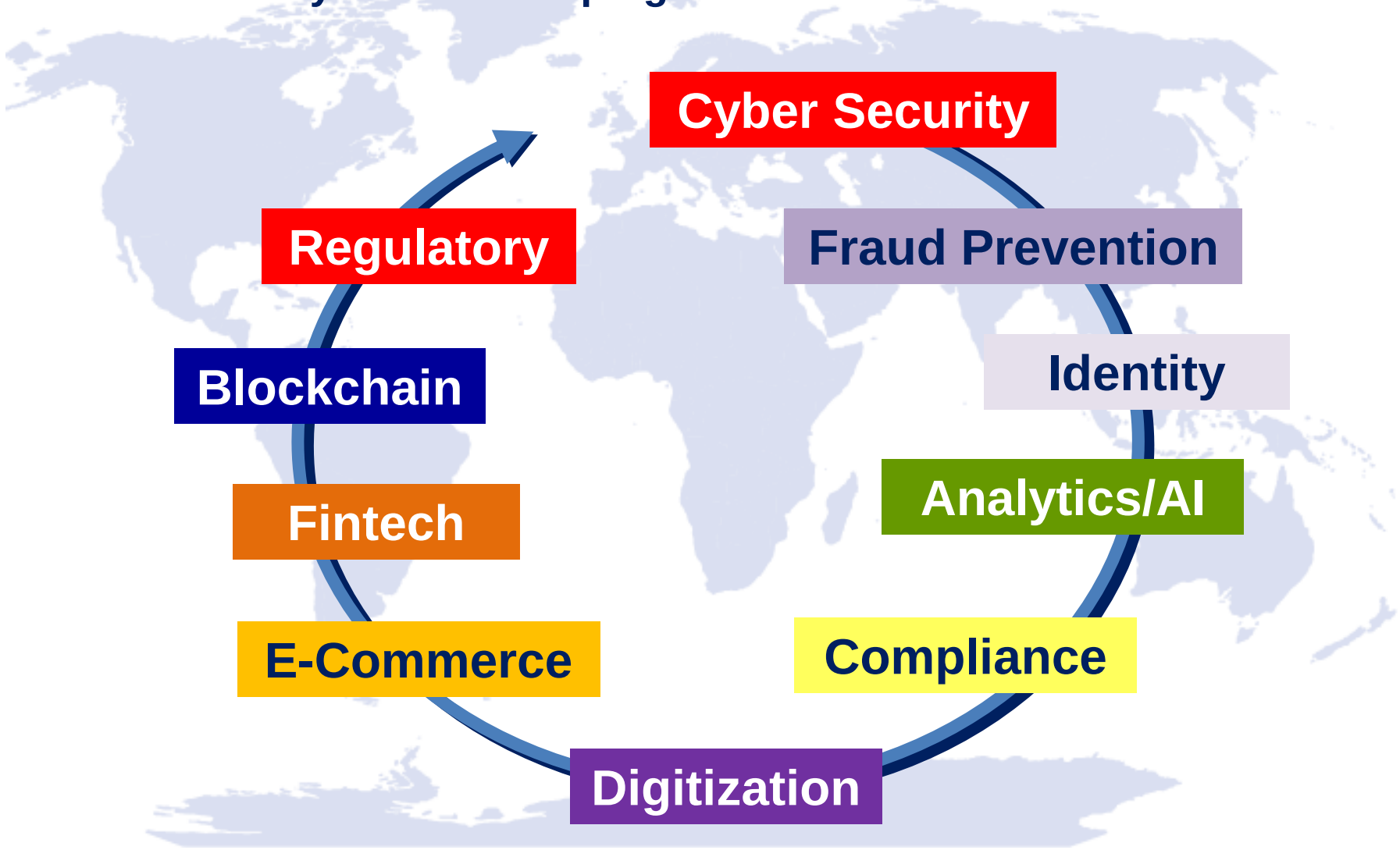
Global Industry Trends and Key Regulatory Themes

Global Industry Trends and Key Regulatory Themes

10 Key Trends Keeping Information Executives Awake



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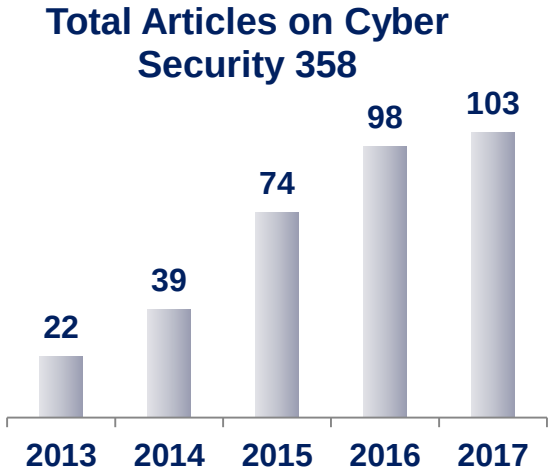
Cyber Security

Current Trends / Takeaways

- 2013 BIIA alerts members about data breaches and cyber security risk
- 2014 BIIA enters into an alliance with Cyber Security Intelligence - proving insights on key issues
- 2015 BIIA 10th Anniversary featured a session on cyber security: Prevention / Preparedness / Incident Management
- 2017 BIIA Biennial Conference: Panel discussion on cyber security – key issues
- 2018 BIIA to intensify the monitoring of Cyber Security Risk



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Locked in an Arms Race

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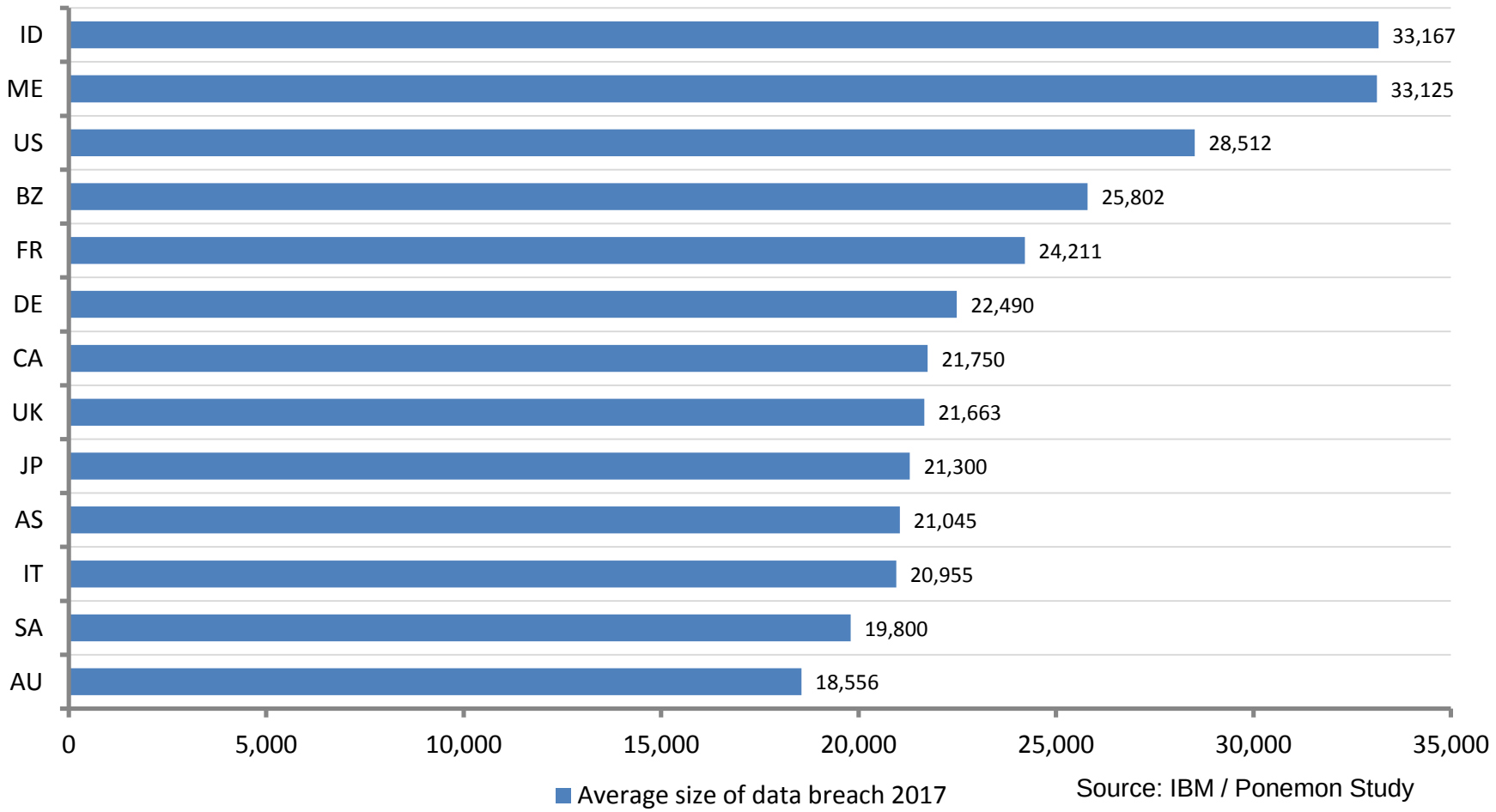
Cyber Security

Magnitude of Data Breaches

The average number of breached records by country or region
Global average = 24,089



Source: IBM / Ponemon Study

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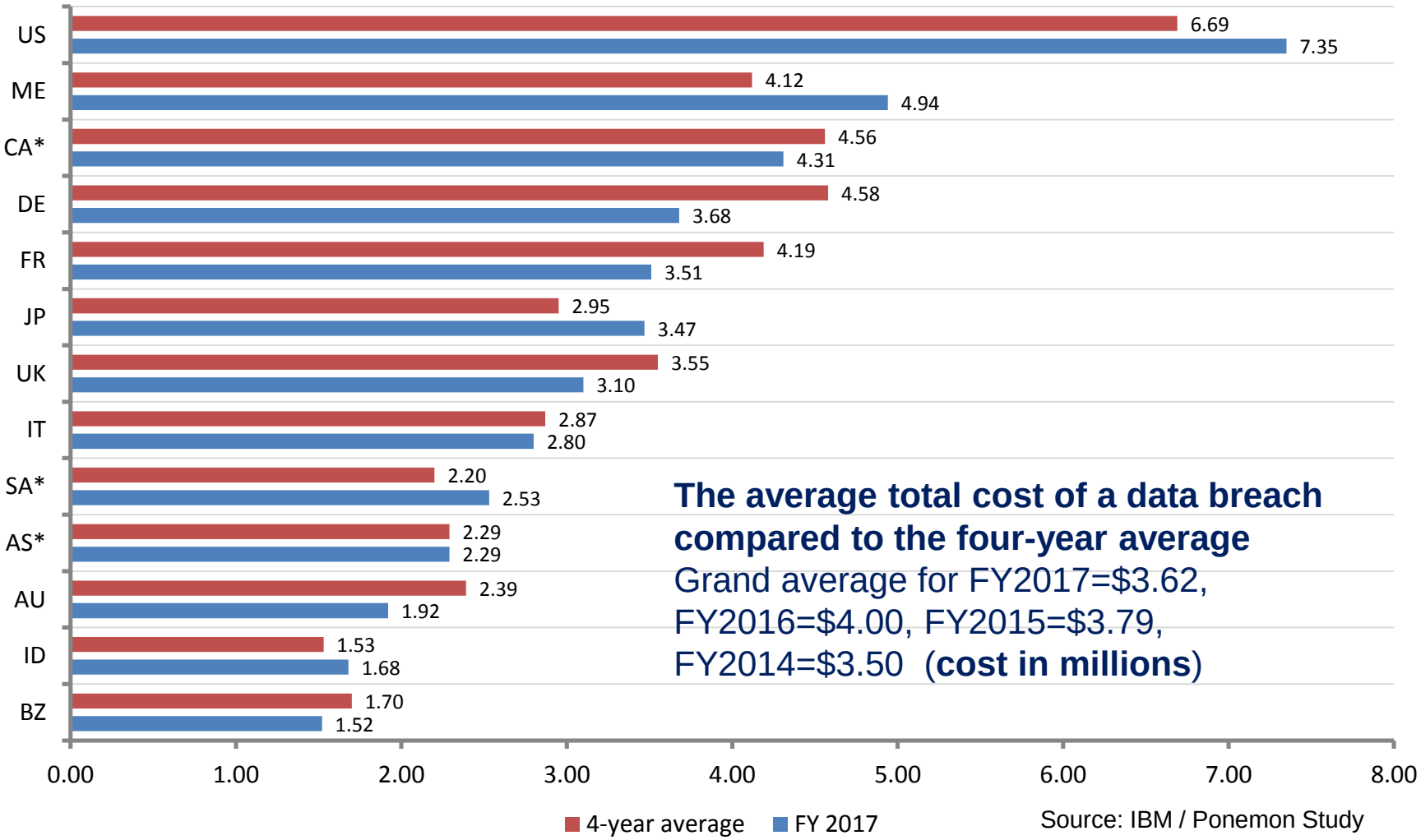
Cyber Security

Average Cost per Data Breach



The average total cost of a data breach compared to the four-year average

Grand average for FY2017=$3.62, FY2016=$4.00, FY2015=$3.79, FY2014=$3.50 (**cost in millions**)

Source: IBM / Ponemon Study

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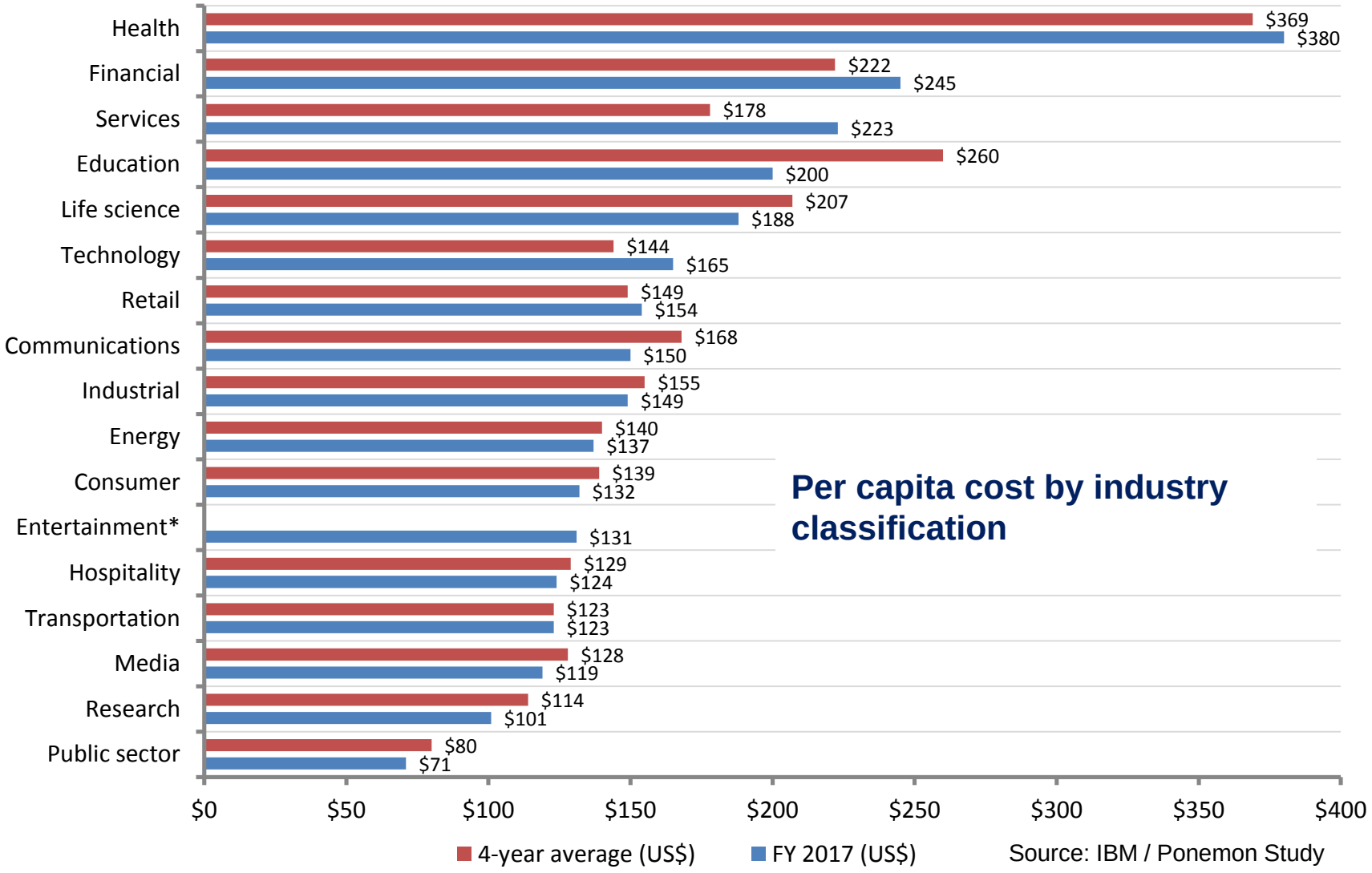
Cyber Security

Per Capita Cost



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Cyber Security

Current Trends / Takeaways

1. Undeniably now a strategic risk
2. Ranks high on scale of business risks
3. Expect escalation of attacks – insider risk underinvested
4. Cyber Risk Score (Preparedness) may become as important as a Credit Rating (FICO) (Moody's)
5. Run on Cyber Insurance
6. Run on talent - 2018 compensation to increase by 8%
7. Enterprise average cost in 2017: US$6.69 – US$7.35mil – cost varies by country and industry (USA)
8. Enterprise Cost for Equifax in 2017 was US$ 164 mil (net US$114 after insurance)
9. Economic Cost - Exceeding US$1trillion
10. Regulators - Spotlight widens becoming more complex

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Fraud Prevention

Current Trends / Takeaways

Identity Theft Prevention

- Online fraud now considered to be the most common criminal offence in many countries
- Increasing cross-over with cyber crime, financial fraud and identity theft
- Online crime wave hits consumers, financial services and businesses alike
- Consumers and SMEs need education and help
- Identity is critical in preventing fraud
- Fraudulent synthetic identities are on the rise

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Fraud Prevention | Identity | Analytics/AI

Current Trends / Takeaways

- Machine learning and AI to speed fraud detection
- Credit information Industry and its clients make significant investments in fraud prevention technology
- Equifax said it had launched 55 new products in 2017
- Companies with leading edge applications of Analytics / AI are more competitive , grow faster and are rewarded with a higher valuation (revenue multiplier) (S&P)
- Acquisitions and partnerships are used as fast track methods to acquire analytics capabilities, platforms, products and talent

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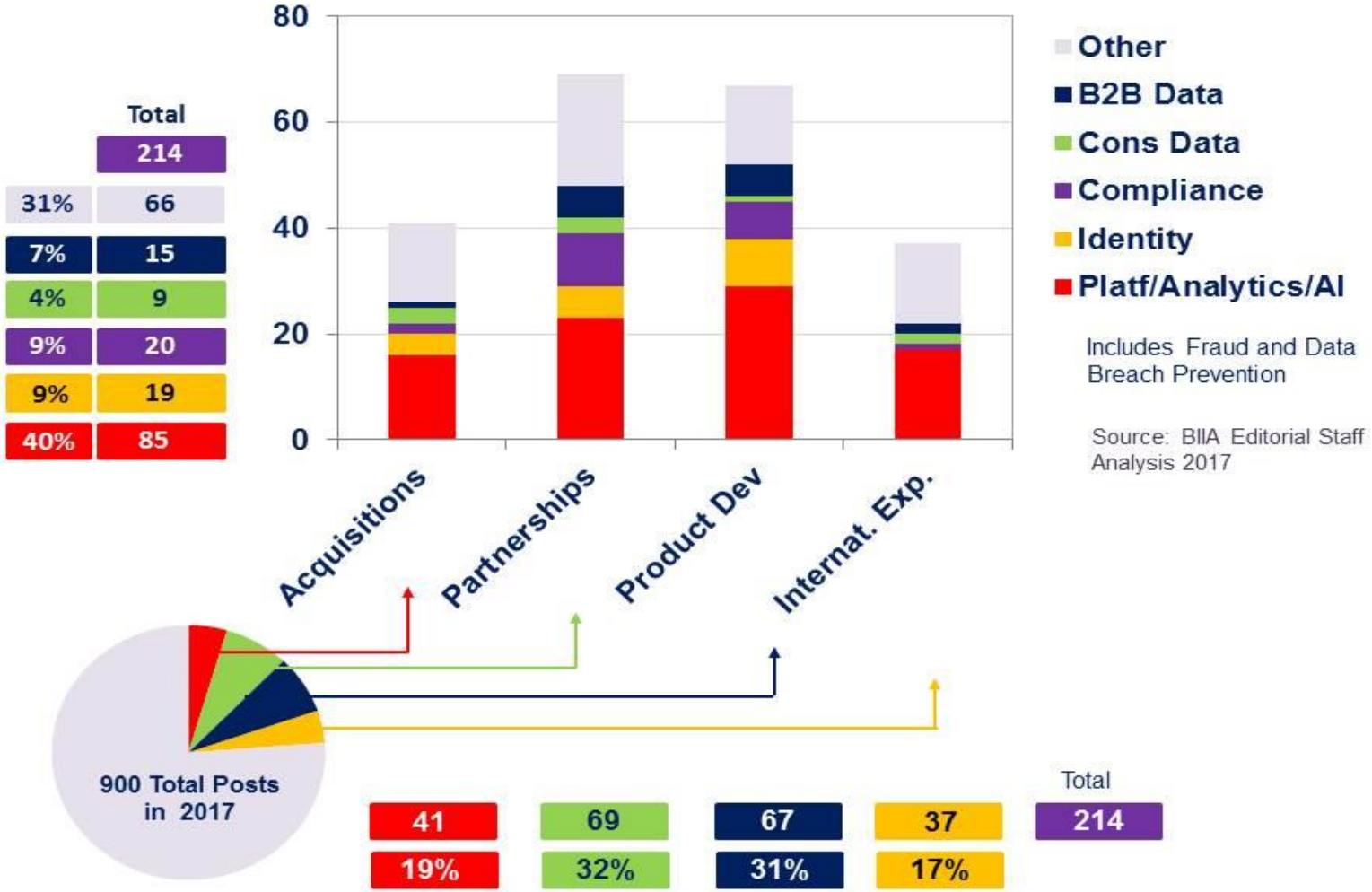
Fraud Prevention Platforms / Analytics / AI

BIIA analysis of 900 company announcements in 2017



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Digitization Current Trends / Takeaways

- Digitization has become a reality
- Solutions vs Products
- Welcome to Robot Land – Automation in Credit Granting
- Farewell to the credit manager – perhaps not quite as yet
- Growth opportunities par excellence
- Cyber crime has raised the strategic risk
- Resource allocations shift to balance opportunity and risk
  - Welcome Chief Information Security Officer (CISO)
  - Welcome Chief Risk Officer (CRO)
- Not ready for digitization? You better get used to it …

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Digitization

From Credit Reporting to Risk Management

	Credit Infrastructure			
Type of Credit	Capital Markets	Bank and Trade Credit		Consumer Credit
Information	Credit Rating Indices	Commercial Credit Information		Consumer Credit Information
Recipient of Credit	Large	Medium	Small	Micro / Consumers

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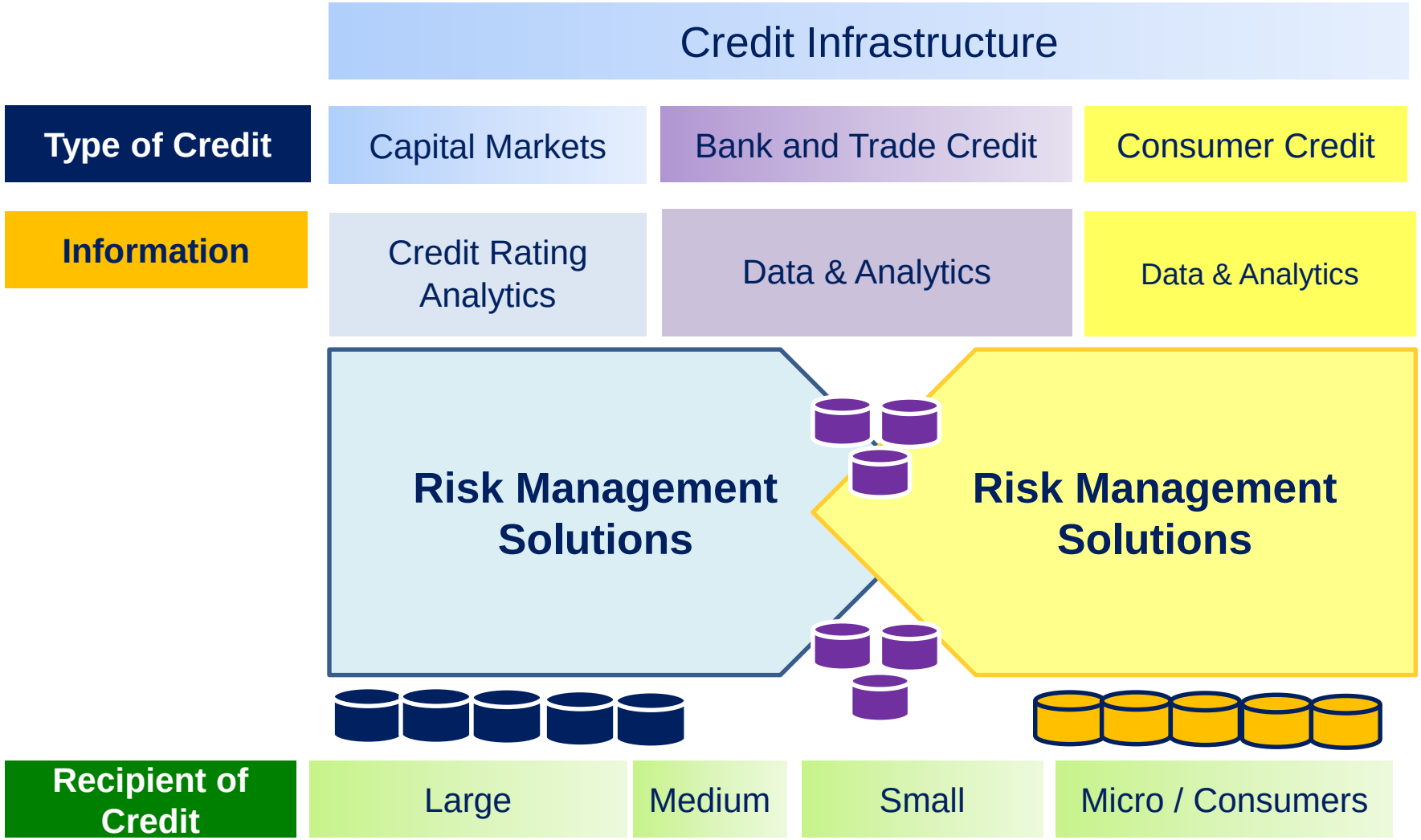
Digitization

From Credit Reporting to Risk Management



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Digitization

What happened to yesterday's users?

Type of Credit	Capital Markets	Bank and Trade Credit		Consumer Credit
Talent	Analyst Rating Committee	Underwriter Loan Officer	Credit Manager	Loan Officer
Recipient of Credit	Large	Medium	Small	Micro / Consumers

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Digitization

Welcome to Robot Land – Today's Users

Type of Credit	Capital Markets	Bank and Trade Credit		Consumer Credit
	Analytics / AI	Analytics / AI		Automated Systems Analytics / AI
Talent		Robots	Data Scientists	
Recipient of Credit	Large	Medium	Small	Micro / Consumers

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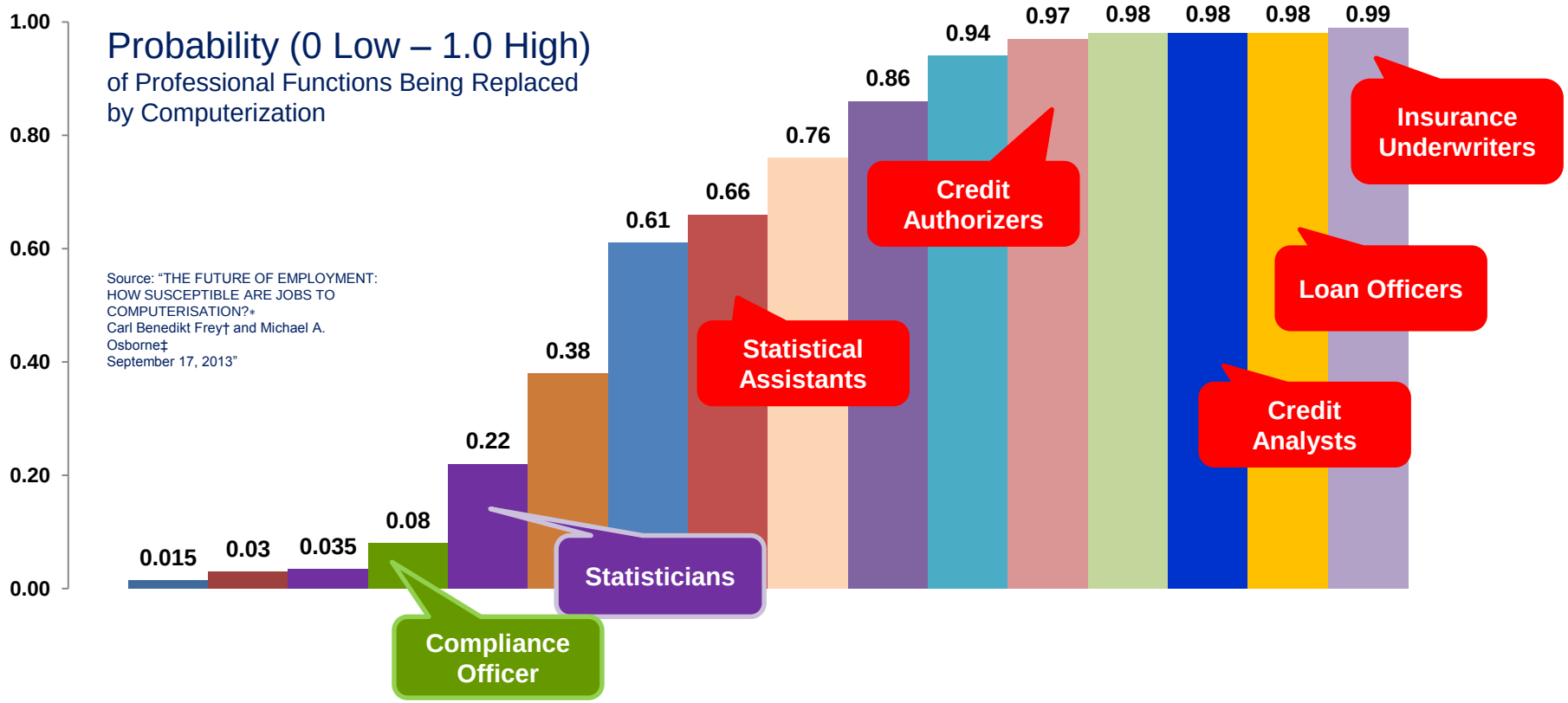
Digitization

The Impact of Technology on Employment

Type of Credit	Capital Markets	Bank and Trade Credit	Consumer Credit



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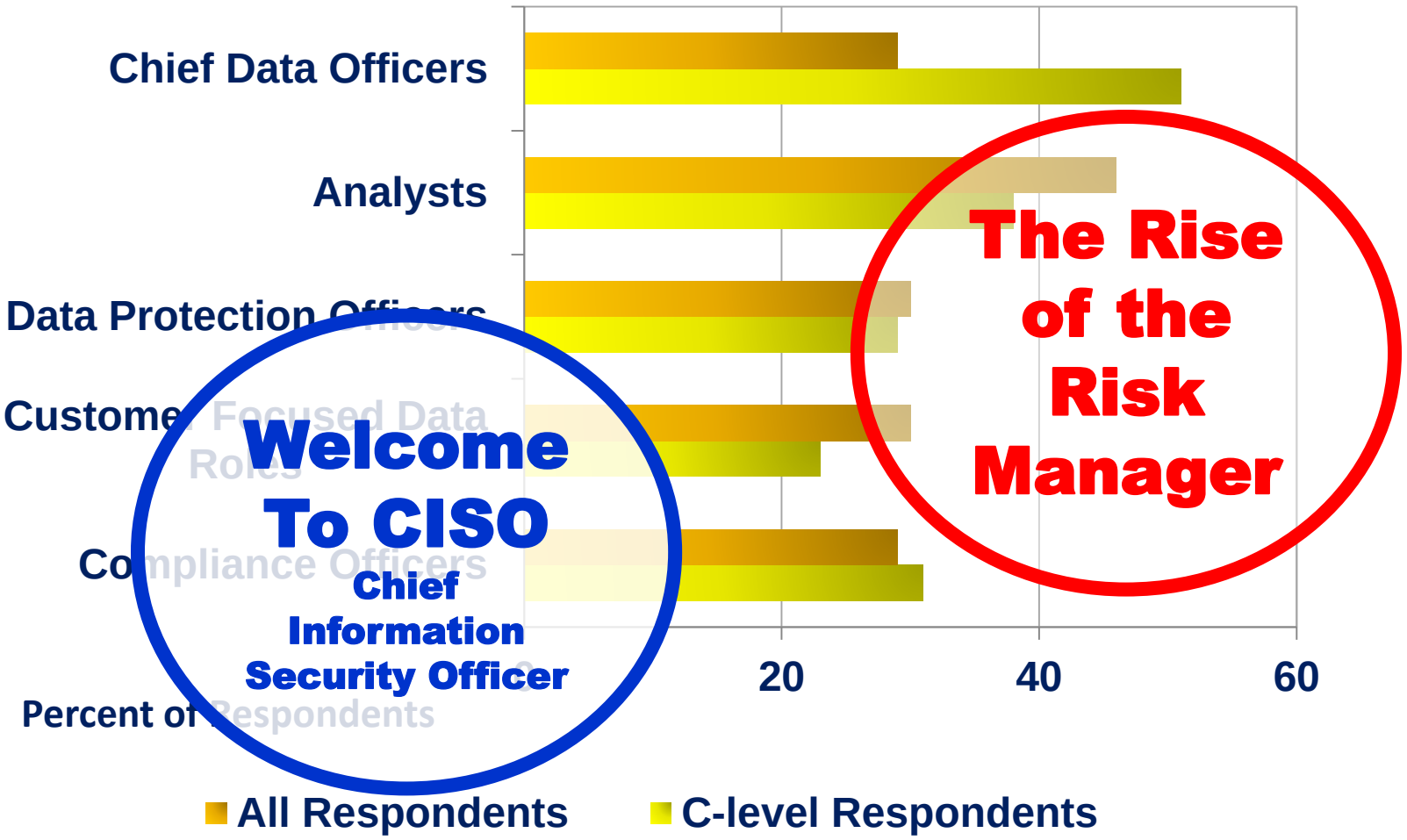
Digitization

Top Data Related Roles U.S. Organization's Plan to Hire in 2017 Vs Today



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Compliance Current Trends / Takeaways

- Banks are forced to become serious about compliance
  - AML / Beneficial Ownership / KYC
- Businesses have additional issues:
  - Supply Chain problems with slave labor, child labor, environmental issues

- Escalating costs
- Lack of information – it is all about identity
- Inefficient compliance leads to:
  - Customer dissatisfaction – loss of customers
  - Potential erroneous flagging as high risk

Source: The 2016 Global Data Management Benchmark Report by Experian

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E-Commerce Current Trends / Takeaways

The Collapse of the Supply Chain: Impact on Information?

American Online Retailing Growing Rapidly (% of Core Retail Sales)

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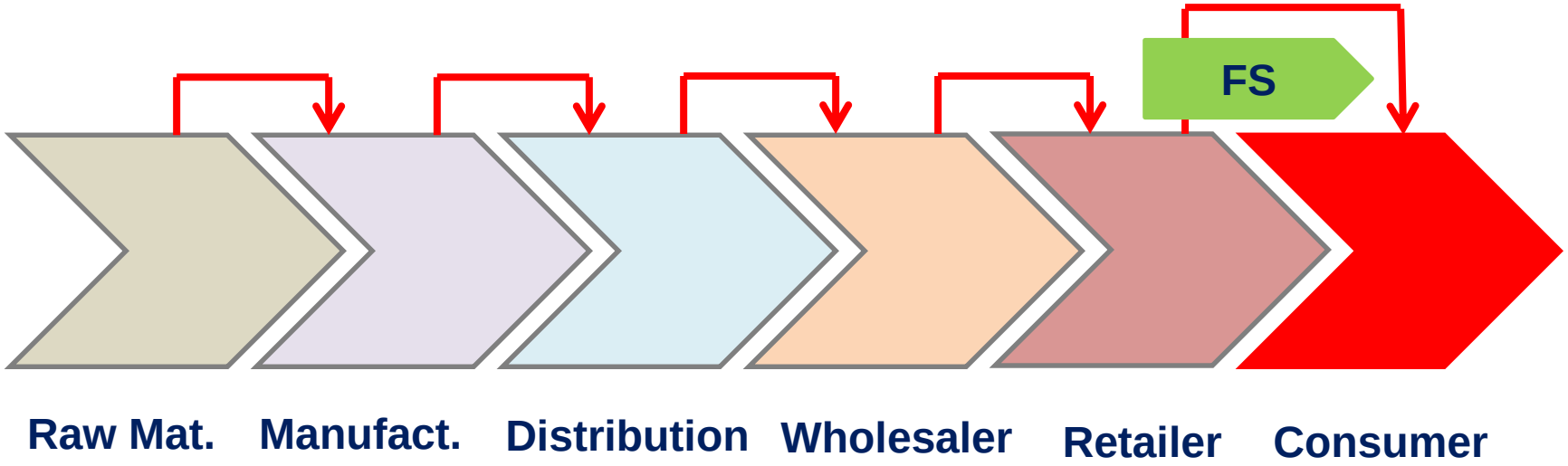
E-Commerce

E-commerce and the Collapse of the Supply Chain: Impact on Information?



External Information

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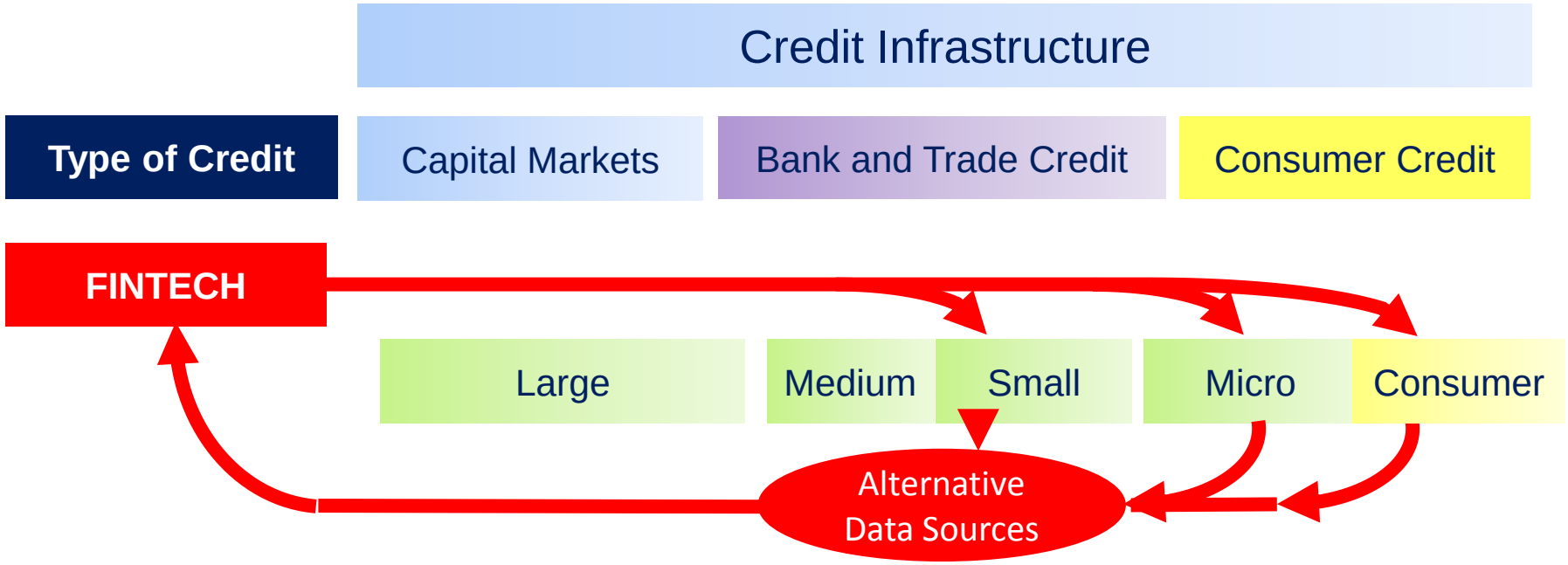
Fintech

Hello Disrupters: Fintech More Competition?



The Definition Conundrum

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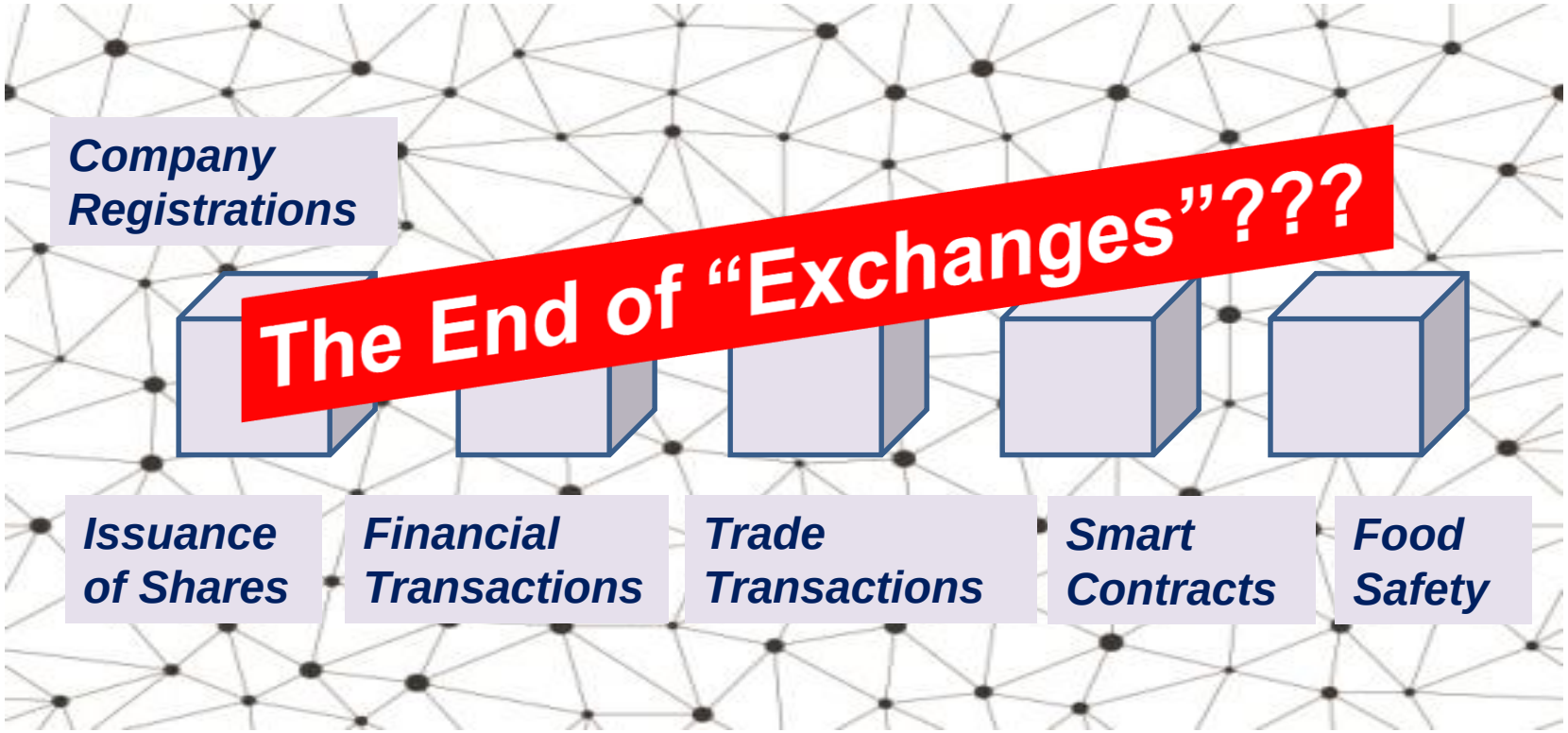
Blockchain

Hello Disrupters: Blockchain

	Credit Infrastructure		
Type of Credit	Capital Markets	Bank and Trade Credit	Consumer Credit



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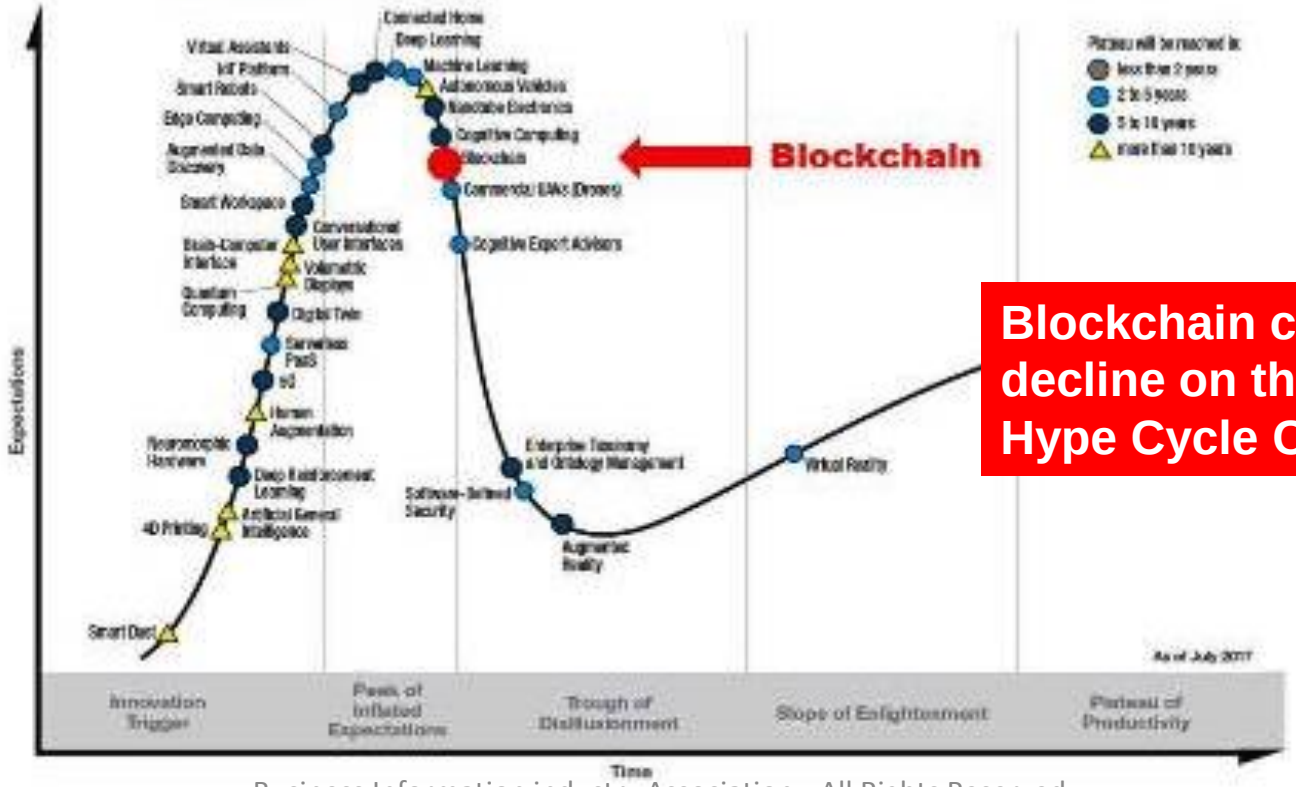
Blockchain Current Trends / Takeaways

- From early beginnings too much hype and empty promises
- Great Expectations – Great disappointments
- 2018: More empty announcements expected
- Don't use Blockchain until you need one!

Gartner Hype Cycle for Emerging Technologies, 2017



Blockchain concept in decline on the Gartner Hype Cycle Chart

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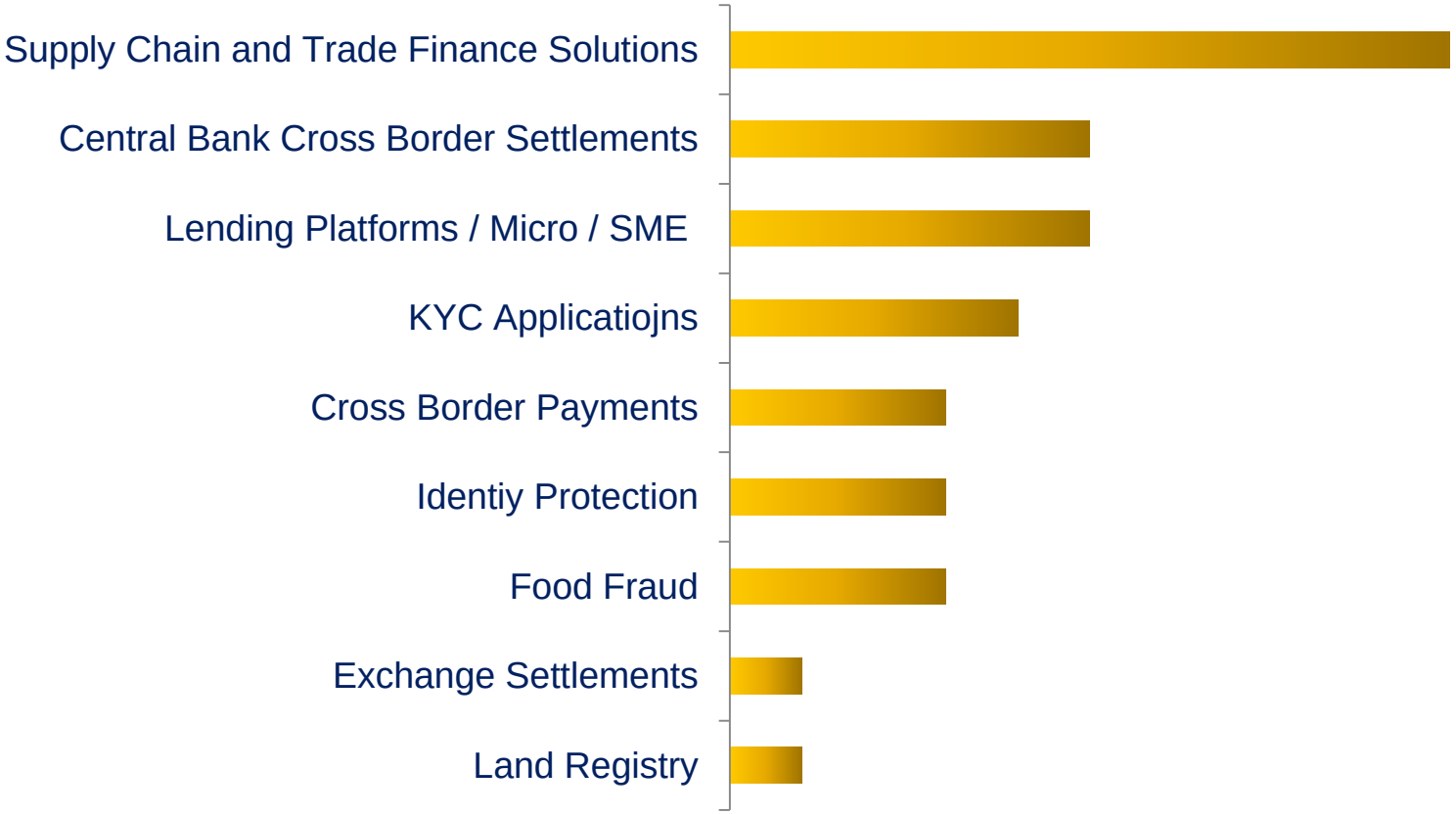
Blockchain Current Trends / Takeaways

- **Concentration of Proof of Concepts and Beta Projects**



Source: Sample of Intensity of Concepts Observed by BIIA 2016 / 2017 Based on 161 Company Announcements

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Regulatory

- Specific developments in Europe impacting the credit reporting industry
- Access to Credit in the Digital Data World
- Regulatory approach to innovation
- Sharing of Credit Data on SMEs – the UK example

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Specific developments in Europe impacting the credit reporting industry

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Key Policy drivers

Financial stability

Growth

Citizens Rights

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Specific developments impacting the credit reporting industry

- Financial stability/financial reform
  - Consumer Credit Directive (CCD)
  - Mortgage Credit Directive (MCD)
  - Anti-money laundering
  - Over indebtedness and assessment of affordability
  - Capital Requirements Directive – fourth edition (CRD IV)
  - ECB and Anacredit

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Specific developments impacting the credit reporting industry

- Growth
  - Capital Markets Union – SMEs
  - Payments Accounts Directive – access to bank accounts
  - Payment Services Directive
  - Retail Financial Services Green paper
  - Digital Single Market
  - FinTech
  - Big Data
  - Crowdfunding

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Specific regulatory developments impacting credit reporting

- Citizens Rights
  - Data Protection Regulation
  - To be implemented by 25th May 2018
  - Key areas of change that could impact credit reporting
    - Consent
    - Legitimate interest
    - Data portability
    - Right to be forgotten
    - Profiling
  - US – EU 'Privacy Shield'
    – The new 'Safe Habor'

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Access to Credit in the Digital Data World

(Disrupting the Credit eco-system)

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The Credit eco-system is changing

- **Factors enabling disruption**
  - **The ‘explosion’ of digital data**
    - New data
      - Social media
    - Greater access to existing data resources
      - APIs, Open Data programme, ‘blockchain’
    - Transactional/behavioural data in e-trading and e-payment platforms
  - **New approaches to lending (the so called ‘dis-intermediation of banking’)**
    - Crowdfunding/P2P
  - **New lenders leveraging their detailed relationship and ‘trusted’ brand status with the consumer/small business (customer centric)**
    - E commerce merchants
    - E payment service providers
    - Social media/communication channels
  - **Big Data analytic platforms**
    - Ability to go beyond the traditional data provided by CRAs, unlocking the broader insights available through digital data (Big data is no longer regarded as ‘unstructured’)

The Credit eco-system is changing

- **What is driving the growth of the new eco-system?**
  - **The 'Millennials' (Generation 'Y')**
    - Tec savvy and connected – super users of new technology and social media
    - Growing purchasing power
    - Less established credit histories
    - Different attitude to banking facilities
      - Recent study showed more than 50% of them don't think their bank offers anything different than other banks and many expect more innovation and banking solutions from the technology sector
  - **Credit trends require a fresh approach**
    - Temporarily impaired credit as a result of the recession - alternative data points can be more effective in identifying one-time versus recurring credit issues and provide more insight into consumer behavior.
  - **New services offer better rates and faster service**
    - Driven by lower operating costs, enhanced information and use of online technology.

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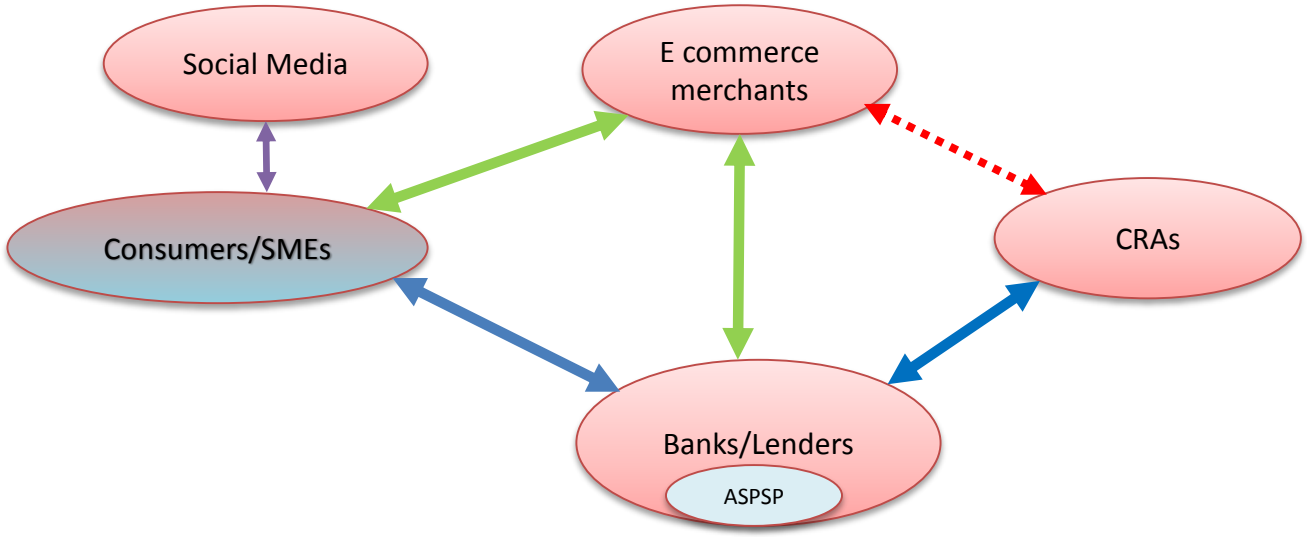
Access to Credit in the Digital Data World

The current eco-system



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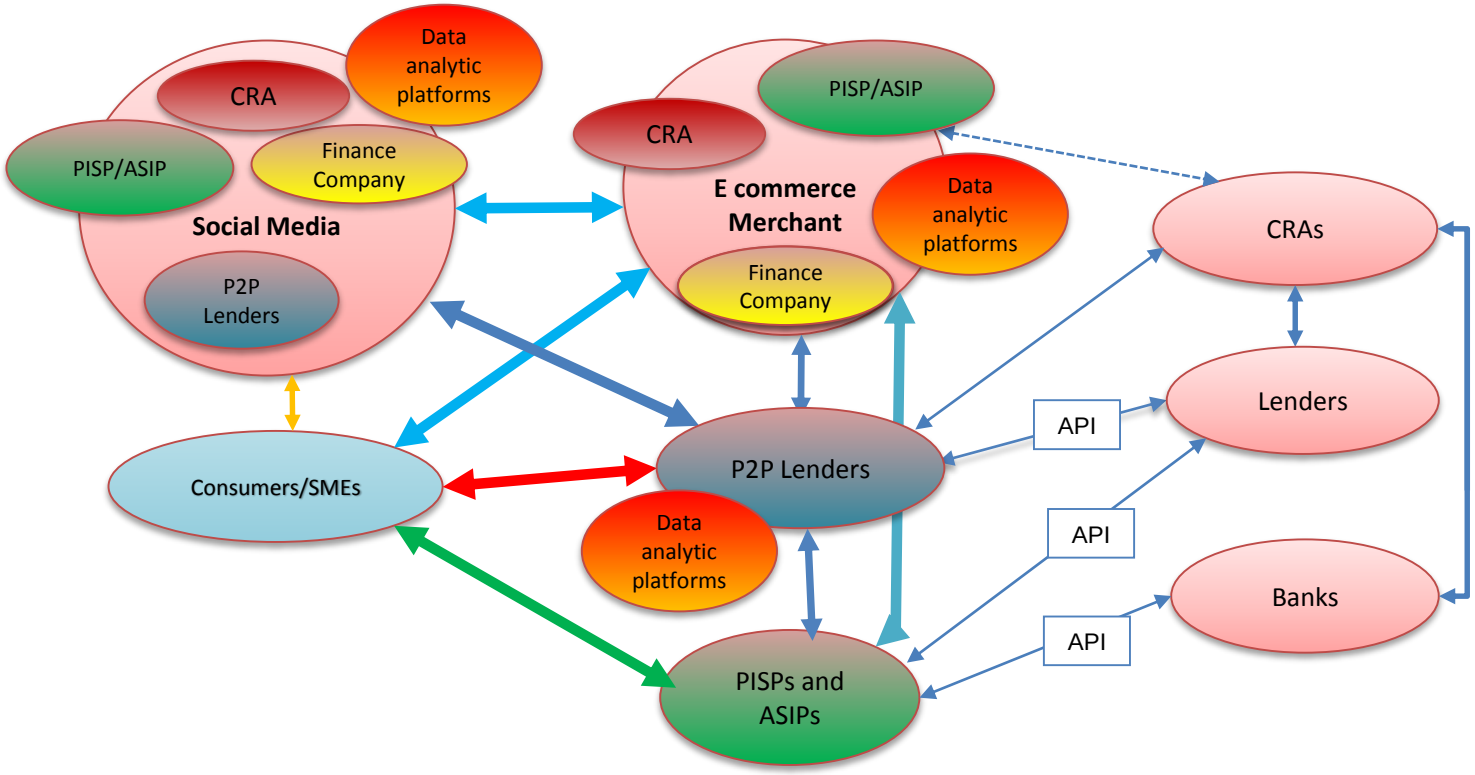
Access to Credit in the Digital Data World

The new eco-system



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Access to Credit in the Digital Data World

The potential impact of the disruption on lenders

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Access to Credit in the Digital Data World

- **The potential impact of the disruption on lenders and traditional CRAs and how can they respond?**
- **CRAs**
  - Pressure will continue to open up the data – will this cause a rethink of the traditional model – ‘facilitator’ rather than ‘owner’?
  - Look to enhance existing data with new social media and transactional data sources to avoid minimalisation of role
  - Develop analytical skills that understand the new data
  - Real time, dynamic databases will be critical
  - Invest in the new platforms or become part of one of them?

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Regulatory approaches to innovation: European experiences

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EU Policy and regulatory priorities

- Data protection and data-related policy initiatives
  - data as a core asset in the new economy, need for a new policy approach
  - The new EU General Data Protection Regulation
    - Profiling
    - Lawfulness of data processing (consent, legitimate interest)
    - Right to be forgotten/right to object
    - Accountability principle
- Digitalisation and Innovation
  - EU Digital Single Market Strategy
  - New E-Privacy Regulation
- Revamping of EU financial services regulation
  - as response to the recent financial crisis but also to adapt to market developments and digital world (40 + major legislative and policy initiatives on the financial sector in 2009-2017)

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EU Policy initiatives

- A whole range of EU initiatives focused on innovation in the digital data world
- Common themes:
  - recognition of the potential of the use of data to bring significant improvements to the credit and financial markets: financial inclusion (alternative data), access to credit, risk management and preventing over-indebtedness, fraud prevention
  - highlighting of risks related to the expanding use of data in the digital world (risk of financial exclusion of certain groups, privacy breaches, questions around the use of social media data).
- The EU policy approach to these issues is still being developed

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EU Work on FinTech

- FinTech identified as a priority by the EU Commission in 2016
  - recognition of FinTech as a potential contributor to growth, financial inclusion and other benefits for consumer, increased competition
- Special FinTech Task Force at the EU Commission (cross-department)
  - no specific output (e.g. policy or legislative proposal) has been committed to
  - rather monitoring of developments, early thinking
- EU Action Plan
  - Launched this month.
- Credit Reporting industry response:
  - Fintech is a significant opportunity for companies (old and new) and consumers
  - Need for the right regulatory framework to encourage innovation
  - Regulatory level playing field between established and new players, EU and non-EU players

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National Work on FinTech

- UK – FCA Innovation Hub including the “Regulatory Sandbox“

- France – AMF "Regulatory Soundbox"

https://www.youtube.com/watch?v=YUb3dc90y_g&index=3&list=PL6Bvf2KRQCCcXVQmjKrAXGRfzdxRP3tE_

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Sharing of Credit Data on SMEs – the UK example

HM Treasury

GOV.UK

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Policy Objectives

- Increase competition in the SME credit market by lowering barriers to entry providing SMEs with a wider choice beyond their existing credit provider leading to an increased availability of credit
  - Achieved by improving the availability of SME credit data amongst lenders to reduce information asymmetries and enable newer lenders to better differentiate high and low risk borrowers, removing a barrier to entry for newer credit providers
  - Improved access to SME credit data will improve SME credit scoring and therefore the availability and price of credit for SMEs, particularly for smaller and newer businesses which have no credit footprint

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The Regulation

- Designated Banks to provide credit information about their SME customers to designated CRAs
- Designated CRAs to provide this credit information to other finance providers for the following purposes:
  - credit assessment
  - debt collection
  - complying with its statutory or other legal obligations relating to the provision of the credit (AML. KYC etc.)
- Supply of information by the Banks and by the CRAs requires agreement of the SME customer
- Under the Regulation a business is an SME business if:
  - It has annual turnover of less than £25million
  - It carries our commercial activities
  - It does not carry out regulated activities as its principle activity, and
  - It is not owned or controlled by a public authority

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The Regulation

- Credit information to be shared
  - Information relating to:
    - loans
    - credit cards
    - current accounts
    - business type indicator (e.g. limited liability company or non-limited business);
    - business name and address
    - company registration number (if applicable)
    - telephone number
    - VAT number (if applicable)
  - The finance provider receiving the credit information is required to agree reciprocally to provide credit information that it holds about its SME customers to the designated CRA within 12months of accessing the information from the Banks.

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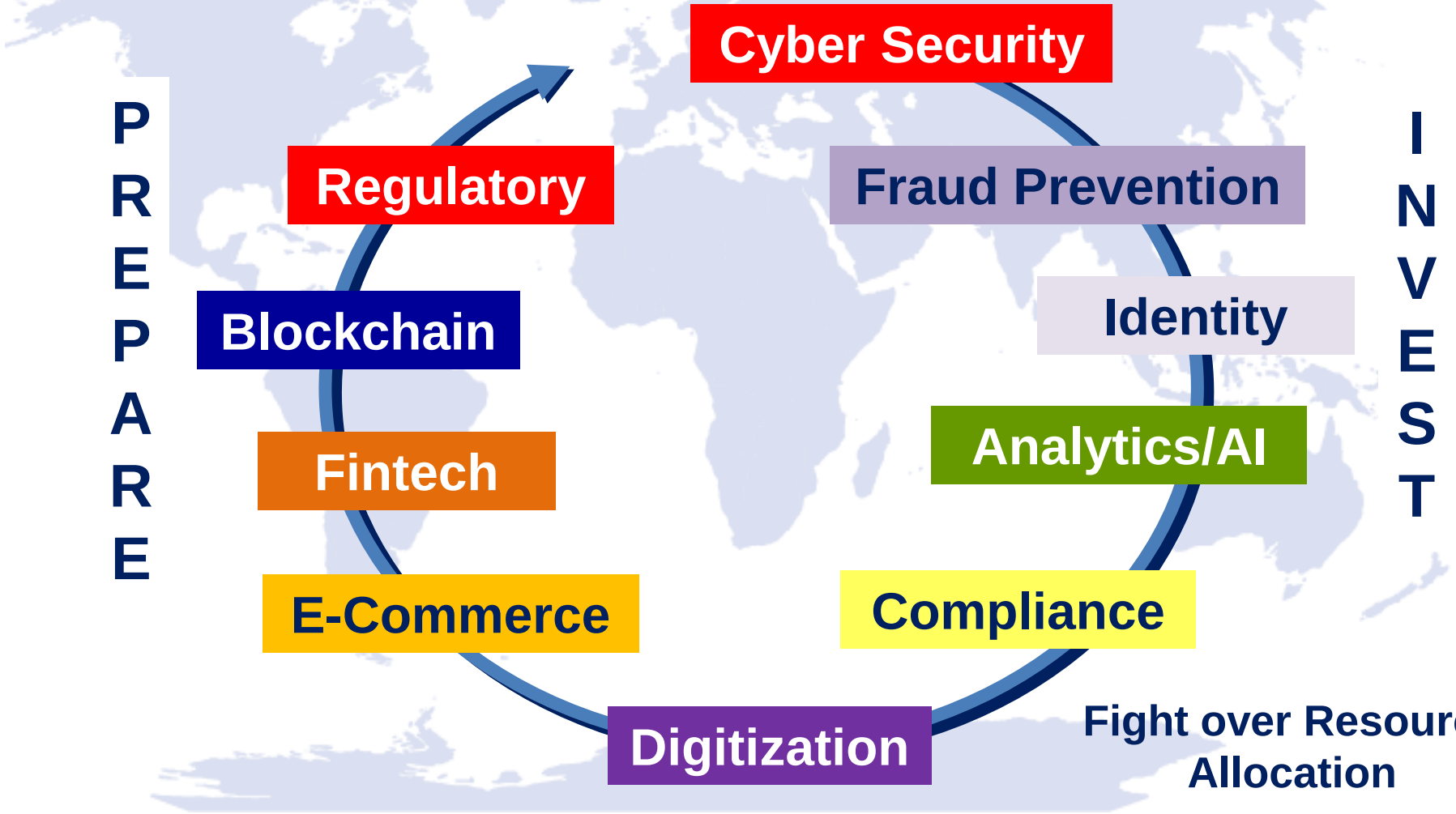
Global Industry Trends and Key Regulatory Themes

10 Key Trends Keeping Information Executives Awake



Fight over Resource Allocation

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Thank You

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