



5th Malaysia Statistics Conference

29 November 2017

Sasana Kijang, Bank Negara Malaysia

2017

From Data to Knowledge : The Journey

Statistics for financial sector development and stability

*Malaysia's Experience in Managing the
Credit Registers*

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5th Malaysia Statistics Conference

Outline of Presentation

1. Statistical Compilation and Management Framework
2. Credit Reporting in Malaysia
 - Enabling legislations
 - Public Credit Register and Private Credit Bureaus
3. Operations of Credit Register
4. Relationship with Private Credit Bureau

Role of statistics... supporting surveillance and policy formulation

Monetary Policy & Economic Development

1. Promote monetary stability and ensure availability of adequate credit to finance economic activities
2. Provide research support and advice on growth-related issues to the Government

Investment & Operations

1. Manage domestic liquidity and exchange rates
2. Manage external reserves to safeguard its value
3. Provide advice and assistance to the Government in the area of debt and fund management

Regulation

1. Promote and ensure financial stability
2. Provide competitive environment for local financial industry to be resilient
3. Lead initiatives to enhance access to financing
4. Formulate policies and strategies towards building and positioning Malaysia as a premier integrated Islamic Financial Centre
5. Enhance the financial capability of consumers

Supervision

1. Develop, enhance and implement an effective surveillance framework to ensure safety and soundness of financial institutions and to enforce sound practices in them

Payment Systems

1. Develop policies and strategies to promote reliable, secure and efficient clearing, settlement and payment systems in the country

Statistical framework... centralised to meet stakeholders needs

Statistics Compiled

1. Banking Statistics
2. Insurance Statistics
3. Credit & Charge Card Operations
4. Development Financial Institutions Statistics
5. External Sector Statistics
6. Macroeconomics Statistics
7. Credit Statistics

Data Management

1. Data Origination
2. Data Quality and Integrity
3. Data Dissemination
4. Data Integration
5. Data Change Management
6. Metadata Management
7. Retention and Archiving

Users

Internal Departments

1. Monetary and Economic
2. Regulation
3. Supervision
4. Investment Management and Foreign Exchange Administration
5. Payment Systems
6. Financial Intelligence

External

1. International Organisations
2. Department of Statistics Malaysia
3. Government Agencies
4. Financial Institutions
5. Public

Statistical information and interlinkages... an overview

External Sector Flows and Stock

1. Non-resident Counter Party Profile
 - Name of Non-residents
 - Non-resident ID
 - Institutional Sector
 - Business Sector
 - Relationship
 - Non-residents
2. Investment Information
 - Type of Instruments
 - Country
 - Currency
3. External Assets & Liabilities Position
 - Opening Position
 - Transactions
 - Valuation & Other Charges
 - Closing Position
 - Investment Income

Details of Financial Assets and Liabilities

- | | | |
|---|---|--|
| <ol style="list-style-type: none"> 1. Securities <ul style="list-style-type: none"> • Maturity • Financing Concept • Collateral • Lender • Type/Instruments • Rating • Stock • Issuance Date | <ol style="list-style-type: none"> 2. Loans <ul style="list-style-type: none"> • Facility • Sector • Purpose • State • Maturity • Country • Currency • Financing Concept | <ol style="list-style-type: none"> 3. Deposits <ul style="list-style-type: none"> • Customer Type • State • Maturity |
| <ol style="list-style-type: none"> 4. Assets/ Liabilities <ul style="list-style-type: none"> • Fund • Business Class | | |

I. Financial Assets & Liabilities

- | | |
|---------------|-------------|
| 1. Equity | 4. Deposits |
| 2. Securities | 5. Others |
| 3. Loans | |

III. External Sector

IV. Macro-economics

- | | |
|------------|-------------|
| • Real | • Financial |
| • External | • Fiscal |

Entity Profiles

- | | |
|-------------------------------------|--------------------------|
| 1. Name | 4. Resident/Non-Resident |
| 2. ID/Registration No. | 5. Corporate Status |
| 3. Nationality/Country of Operation | 6. Industrial Sector |

Credit Information

1. Application Details
2. Loan Details
 - Approval Date/Limit
 - Facility Type
 - Purpose of Loan
 - Financing Concept
 - Repayment Term
 - Interest/Rebate Rate
 - Type of Pricing
 - Maturity Date
3. Account Position
 - Outstanding Balance
 - Months in Arrears
 - Installments In Arrears
 - Amount Undrawn
 - Account Status
 - Loan Sold to Secondary Market under SBBA
 - Amount Disbursed
 - Amount Repaid
4. Provision
 - Impaired Loan Tagging
 - Month In Arrears
 - Principal Outstanding
 - Interest/Income Outstanding
 - Other Charges
 - Individual Impairment Provision
 - Impaired Loan Written-back/Written-off
5. Account Collateral
6. Legal Action

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Credit information industry... supported by regulatory framework

1. Enforcement of Central Bank of Malaysia Act 2009 and Financial Services Act 2013
 - The central bank is allowed to collect credit-related information from participating financial institutions (PFIs) and disclose such information to the PFIs and credit reporting agencies, provided that the data subject has provided consent
 - Duty of participating financial institutions to submit timely and accurate credit information to the central bank
 - Secrecy requirement to maintain confidentiality of information
2. Enactment of Credit Reporting Agencies Act and Personal Data Protection Act 2010
 - Legal framework as a platform to facilitate the sharing of credit information while still protecting borrowers' right to privacy

Central Bank of Malaysia Act 2009

... supporting the operation of public credit registry

Section 47 enables Bank Negara Malaysia:

1. To collect credit information (including information relating to rejection of any cheque by reason of insufficient fund in the account)
2. To disclose the credit information collected to:
 - Financial institution for the purpose of assessing credit-worthiness of its existing and potential customers or to assess the eligibility of the customer to maintain or open a current account;
 - Borrower for the purpose of verifying the accuracy of the credit information; and
 - Registered credit reporting agency for the purpose of providing credit reporting or credit assessment services.
3. This section also protects Bank Negara Malaysia against any legal action.

Credit Reporting Agencies Act 2010^{1/}

... mainly to protect the rights of consumers

Coverage

Credit information relating to both natural persons and other entities, such as corporations, partnerships, cooperatives and other organisations

Regulation of Credit Reporting Agencies (CRAs)

- A registrar is appointed by the Minister of Finance to regulate CRAs
- CRAs are required to be registered to undertake credit reporting business
- The registrar also responsible for resolving complaints and disputes between credit customers and CRAs

Preserving privacy

- CRAs required to notify customers that information are being collected
- CRAs are also required to obtain the consent of the consumers on disclosures of information to third parties

Consumer rights

- Access own information held by the CRAs
- Shall not be charged for correcting any information that is inaccurate, incomplete or misleading

Accuracy and security of information

- CRAs are required to take reasonable steps to ensure that information held are accurate, complete, not misleading and up-to-date
- CRAs also obligated to put in place the necessary safeguards (e.g. systems, procedures and processes) to ensure the security and safety of information

Enforcement information

Penalties ranging between RM50,000 to RM1 million or a six months to three years imprisonment or both, depending on the severity of the offence

^{1/} Officially enforced on 15 January 2014.

Credit Reporting in Malaysia

... presence of both private and public credit bureaus

Public Credit Registry

- Non-profit and owned by Bank Negara Malaysia
- Participation of licensed banking institutions is mandated by law
- Collects information on credit facilities and dishonoured cheques
- Provides basic credit reports to members on reciprocal basis as well as to the public
- Governed by Central Bank of Malaysia Act 2009

Governance of Credit Registry's Operations by Bank Negara Malaysia

Financial Surveillance Department

- Policy formulation
- Business Development

Statistical Services Department

- Data reporting & quality management
- System administration
- Training & education

LINK^{1/} and Regional Office

- Manage general inquiries and public complaints in relation to the credit registry

^{1/} Refers to centralised point of contact to facilitate a rapid and effective response for members of the public in matters related to the financial sector

Credit Reporting in Malaysia

...presence of both private and public credit bureaus

Private Credit Bureaus (PCB)

- Privately-owned and profit-oriented
- Mainly rely on public information as main source
- No access to borrowing information of banks unless consented by borrowers
- 7 bureaus currently operating
- Governed by Credit Reporting Agencies Act 2010
- Regulated by Registrar Office of Credit Reporting Agencies under Ministry of Finance

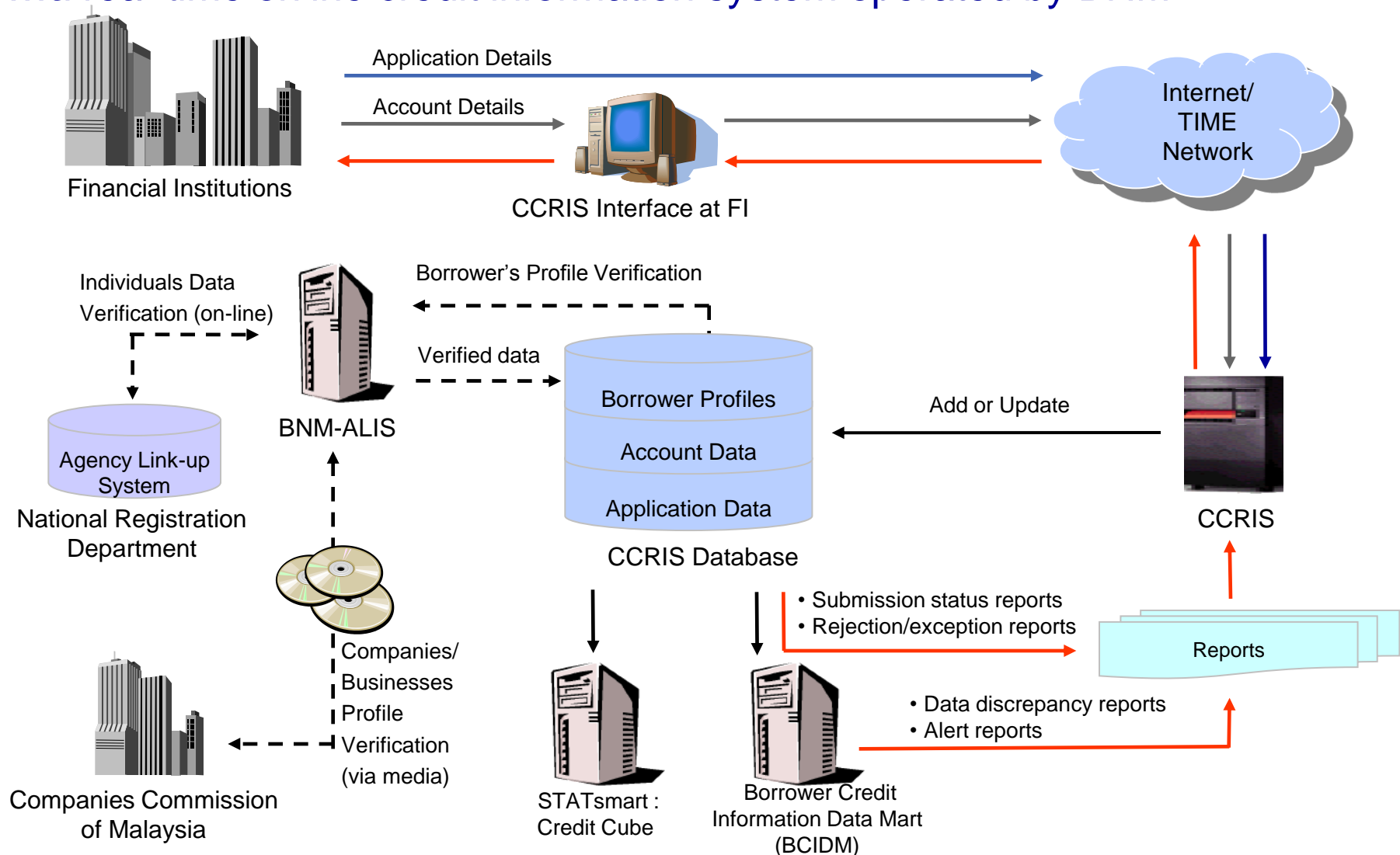
PCBs	Services Offered
PCB 1	<ul style="list-style-type: none">▪ One stop centre for financial institutions and other credit grantors to retrieve credit information and ratings for credit evaluation purposes▪ Platform for SMEs to build their track record and credit standings to facilitate faster processing of their credit applications
PCB 2	<ul style="list-style-type: none">▪ Collates factual information on legal proceedings against individuals and businesses as well as other information from public sources and captured into an electronic media for easy, fast and accurate retrieval
PCB 3	<ul style="list-style-type: none">▪ Registration of vehicle/equipment ownership claims to protect and safeguard the interest of all members▪ Prevent double financing of vehicles/equipment▪ Provide leading information for credit evaluation and monitoring
PCB 4, 5, 6 and 7	<ul style="list-style-type: none">▪ Provide business report which includes detailed information on companies, litigation check, credit information, financial information and analysis, clientele, business operations, industry analysis and credit risk rating

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Overview of Central Credit Reference Information System (CCRIS)

...a real-time online credit information system operated by BNM



Credit Application/Account Information Flow

...detailed information on borrowers and credit transactions



FI makes decision based on CCRIS credit report and other info

Credit Application

- FI Name
- Name of Applicant
- ID Number
- Date of Birth/Registration
- Nationality
- Application Ref. No.
- Amount Applied
- Application Date



Customer submits loan application to FI



Financial Institution (FI)

Application Update

- Status of Application (Approved/Rejected/Cancelled)
- Approval Date
- Amount Approved
- Reason for Rejection

Reporting to CCRIS:

- Stage 1: Credit application received
 Stage 2: Credit decision made, where:
- Rejected, Cancelled, Withdrawn by Customer before FI Decision – FI updates status and process ends here.
 - Approved – FI continues to submit data 1- 6.

Provision

- Impaired Loan Tagging
- Month in Arrears
- Principal Outstanding
- Interest/Income Outstanding
- Other Charges
- Individual Impairment Provision
- Impaired Loan Written-back/Written-off

Borrower's Details

- Name of Borrower
- ID Number
- Date of Birth/Registration
- Marital Status
- Nationality/Country of Operation
- Resident/Non-Resident
- Corporate Status
- Industrial Sector
- Address
- Telephone Number
- Employment Details

Loan Information

- Account Number
- Approved Limit
- Approval Date
- Facility Type
- Purpose of Loan
- Financing Concept
- Repayment Term
- Interest/Rebate Rate
- Type of Pricing
- Maturity Date

Account Collateral

- Collateral Reference Number
- Collateral Type
- Collateral Value
- Collateral Details

Account Position

- Outstanding Balance
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- Installments in Arrears
- Amount Undrawn
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- Loan Sold to Secondary Market under SBBA
- Amount Disbursed
- Amount Repaid

Legal Action

- Latest Legal Status
- Date of Latest Legal Status

Credit Reports from CCRIS

...provides positive and negative information on borrowers

CCRIS collates data collected & returns credit reports to financial institutions on demand, real-time

Types of credit reports:

1. Summary Credit Report – aggregate overall credit exposure of the customer including financial guarantees, if any
2. Detailed Credit Report – details on each loan account (e.g. credit limit, outstanding amount, conduct of accounts, legal action)
3. Customer Supplementary Report – historical employment, addresses, telephone numbers
4. Motor Vehicle Report – information on the source of financing of specific vehicles

Data Quality Management Framework

...ensure credibility of information for credit reference

Borrowers profile – data from financial institutions are verified against the official sources:

- Individuals – National Registration Department
- Businesses and Companies – Companies Commission of Malaysia

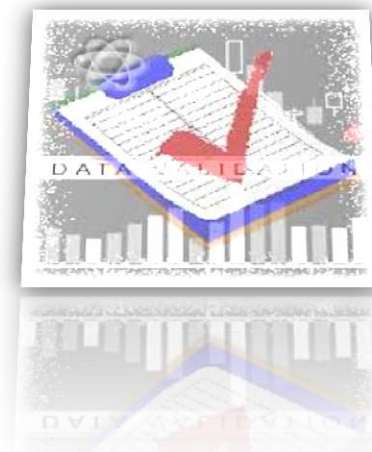


Data validation – during loading and processing, only data which pass validation will be loaded into the database.

Rejected records are returned to the financial institutions for rectification and resubmission.



Data verification – a data quality assurance framework to check possible data inaccuracies in data provided by the financial institutions e.g. cross-checking with other financial data and trend analysis.



Dishonoured Cheque Information System (DCHEQS)

...information on dishonoured cheque issuance

Information collected from financial institutions

- Profile of dishonoured cheque issuers (e.g. name, address, ID number etc).
- Account details (e.g. account number).
- Cheque details (e.g. cheque number, issuance date, amount).



Features of the DCHEQS

Features	Reporting
Information recorded	Every dishonoured cheque incidence
Frequency of submission	Real-time and daily batch
Dissemination of report	On-demand
Rectification of errors	Online by the financial institutions

Impact of Credit Bureau Information

...improved credit transactions and broadened access to finances

Greater Access to Credit

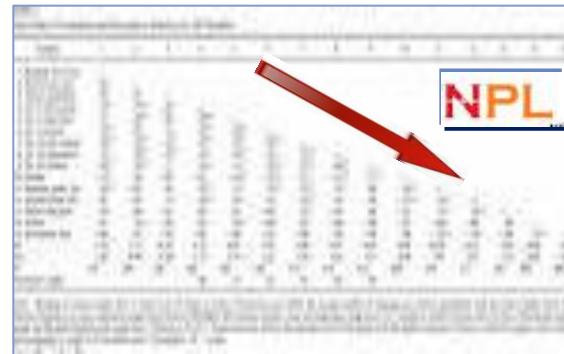
Increasing number of:

- Reports retrieval
- Total outstanding loans
- Number of loan accounts and borrowers



Higher Quality Loans

- Reducing NPL amount
- Reducing provisions amount



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Relationship with Private Credit Bureau

...as a source of credit information

1. Access to credit registry's information given based on careful consideration and is on case-to-case basis.
2. For approved applications, private credit bureaus are required to demonstrate sufficient measures are in place to ensure that the information will be:
 - a) properly and accurately recorded, maintained, collated, synthesised and/or processed;
 - b) protected against loss and/or damage; and
 - c) protected against unauthorised access, use, modification or disclosure.
3. After all conditions are met, the private credit bureau will sign an agreement with Bank Negara Malaysia which, among others, detailed the responsibilities of the private credit bureau and enabling Bank Negara Malaysia to revoke access in the event of any breach of any terms in the agreement.
4. Currently, three private credit bureaus have access to credit information from Bank Negara Malaysia's credit registry.

Useful Websites

Central Bank of Malaysia

<http://www.bnm.gov.my>

Credit Register

<http://creditbureau.bnm.gov.my>

Consumer Education Program

<http://www.bankinginfo.com.my/>

Thank you