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## STS 564 CCRIS and its Role in Promoting Financial Stability

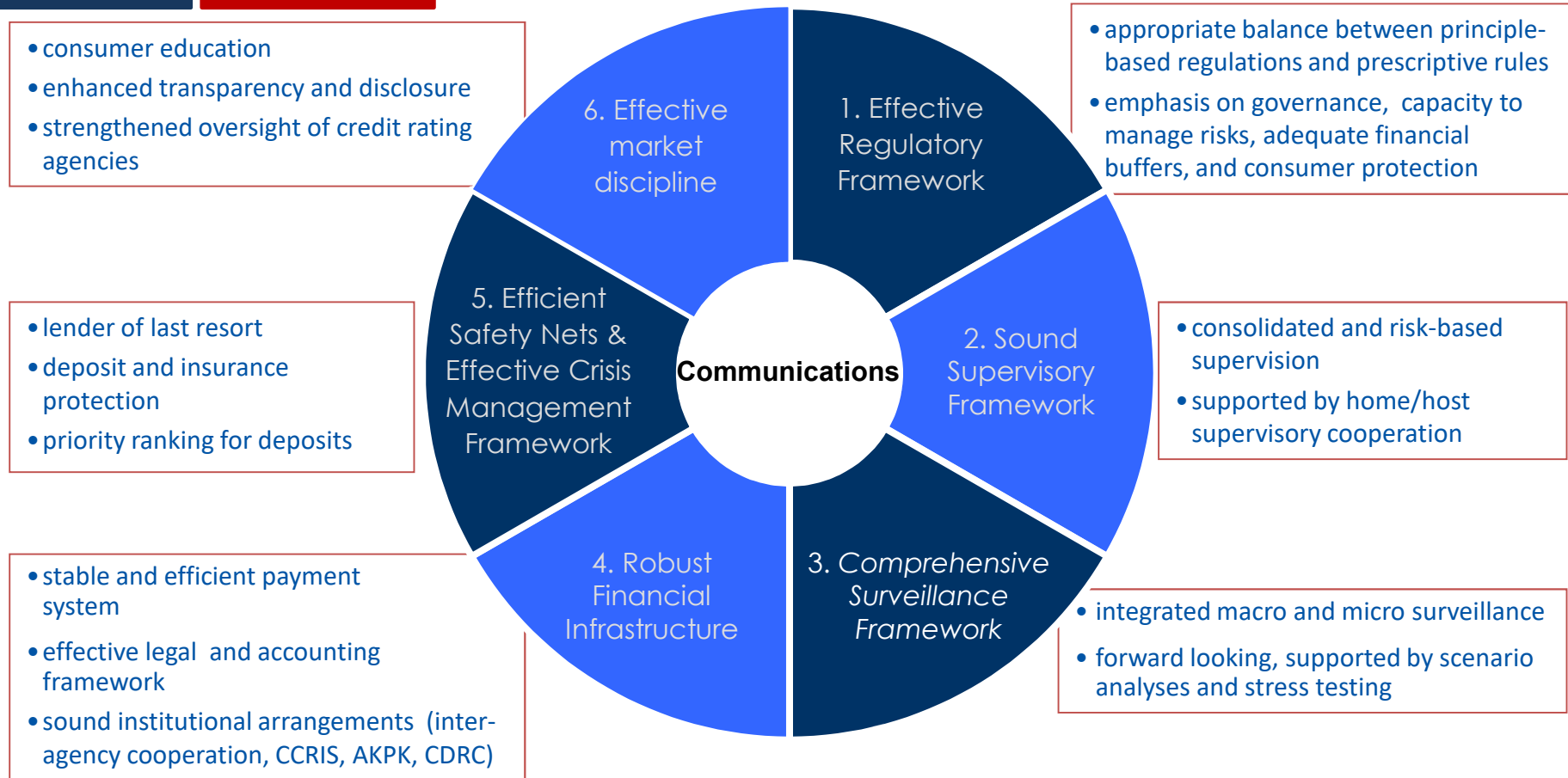
Rosnizam Saari  
Bank Negara Malaysia  
19<sup>th</sup> August 2019, 10.30 am – 12.30 pm

## Outline/Content

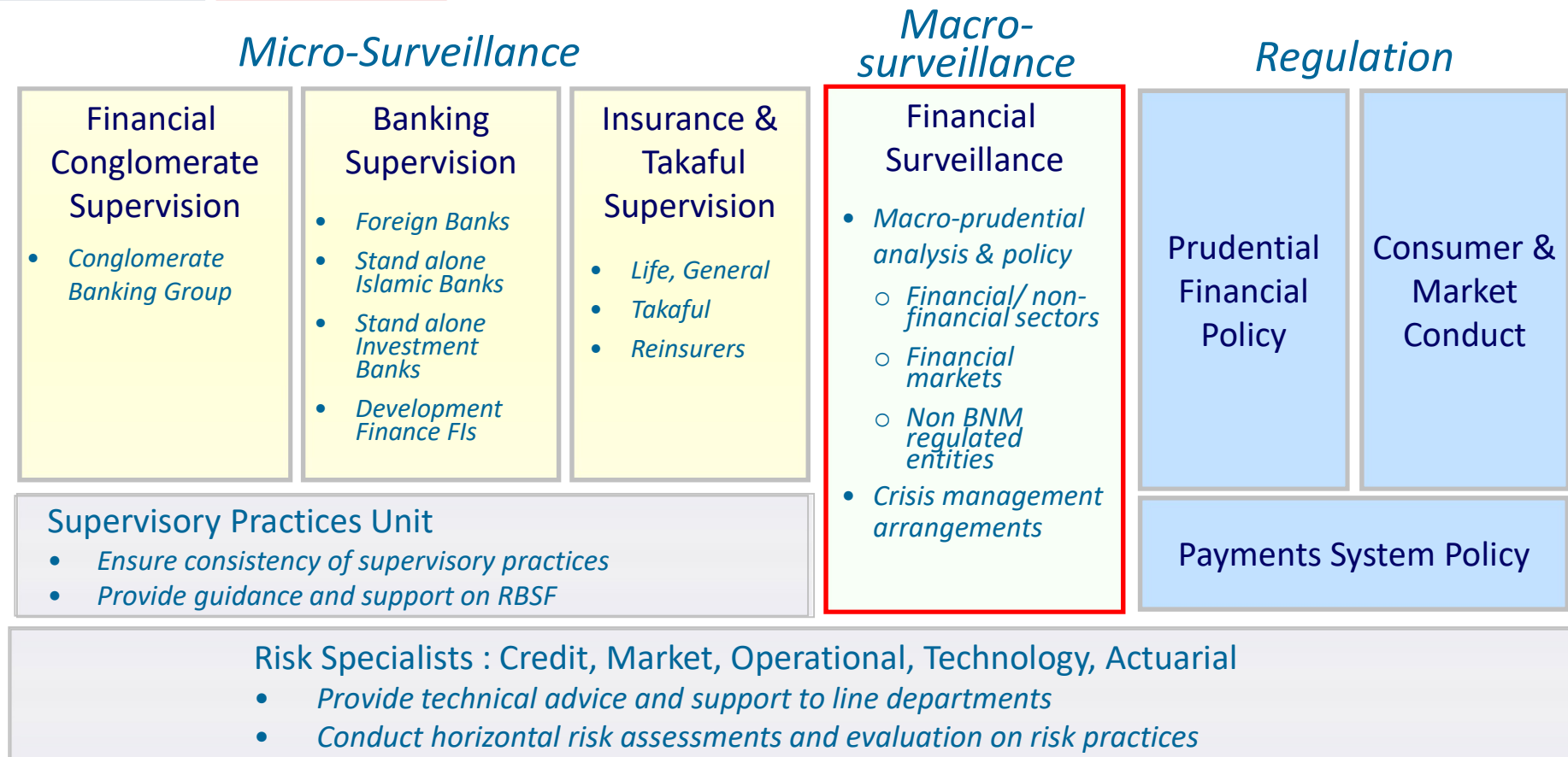
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1. Financial Stability Framework
2. Credit Reporting in Malaysia
  - Enabling legislation
  - Private credit bureaus and public credit registry
3. Operations of Central Credit Reference Information System (CCRIS)
4. Relationship with Private Credit Bureau
5. Moving towards Integrated Statistical System (ISS)
6. Challenges

# Core Components of Financial Stability in Malaysia



# Organisational Structure based on Components of Financial Stability Framework



# Credit Information to Facilitate Financial Surveillance

## 1 Credit information in CCRIS

- Delinquencies
- Outstanding amount
- Facility type
- Loan applications, approvals & rejections
- Demographic information

## 2 Credit information from capital market

- Private debt securities (PDS) outstanding
- PDS holders

## 3 Credit information from external market

- External loans
- External PDS

To facilitate assessment of

### Business sector

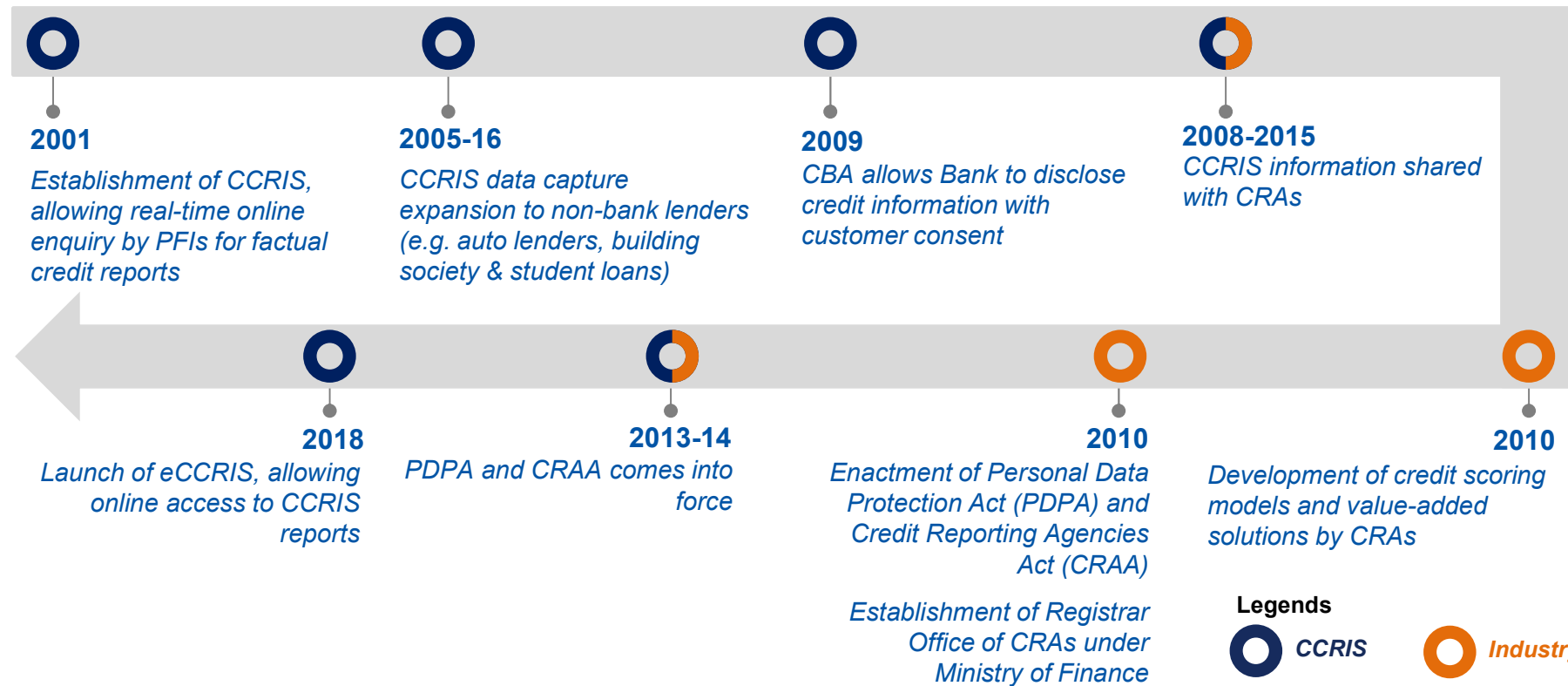
- Systemic impact of selected large borrowers' exposure to the banking system
- Migration of financing from commercial papers to banking system
- Exposures of banking system to property-related sector

### Household sector

- Default trend analysis of selected loan portfolios (by purpose / by location / by age)
- Impaired loans analysis
- Analysis on borrowers with multiple housing loans

# Progression of Malaysian Credit Reporting Ecosystem

... in tandem with development of CCRIS



# Credit Information Industry Supported by Enhanced Regulatory Framework

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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. Enforcement 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

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... 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 the Central Bank against any legal action.

# Credit Reporting Agencies Act 2010

... 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)	<ul style="list-style-type: none"><li>• A registrar is appointed by the Minister of Finance to regulate CRAs</li><li>• CRAs are required to be registered to undertake credit reporting business</li><li>• The registrar also responsible for resolving complaints and disputes between credit customers and CRAs</li></ul>
Preserving privacy	<ul style="list-style-type: none"><li>• CRAs required to notify customers that information are being collected</li><li>• CRAs are also required to obtain the consent of the consumers on disclosures of information to third parties</li></ul>
Consumer rights	<ul style="list-style-type: none"><li>• Access own information held by the CRAs</li><li>• Shall not be charged for correcting any information that is inaccurate, incomplete or misleading</li></ul>
Accuracy and security of information	<ul style="list-style-type: none"><li>• CRAs are required to take reasonable steps to ensure that information held are accurate, complete, not misleading and up-to-date</li><li>• CRAs also obligated to put in place the necessary safeguards (e.g. systems, procedures and processes) to ensure the security and safety of information</li></ul>
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

# 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	Statistical Services Department	LINK <sup>1/</sup> and Regional Office
<ul style="list-style-type: none"><li>• Policy formulation</li><li>• Business Development</li></ul>	<ul style="list-style-type: none"><li>• Data reporting &amp; quality management</li><li>• System administration</li><li>• Training &amp; education</li></ul>	<ul style="list-style-type: none"><li>• Manage general inquiries and public complaints in relation to the credit registry</li></ul>

<sup>1/</sup> 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

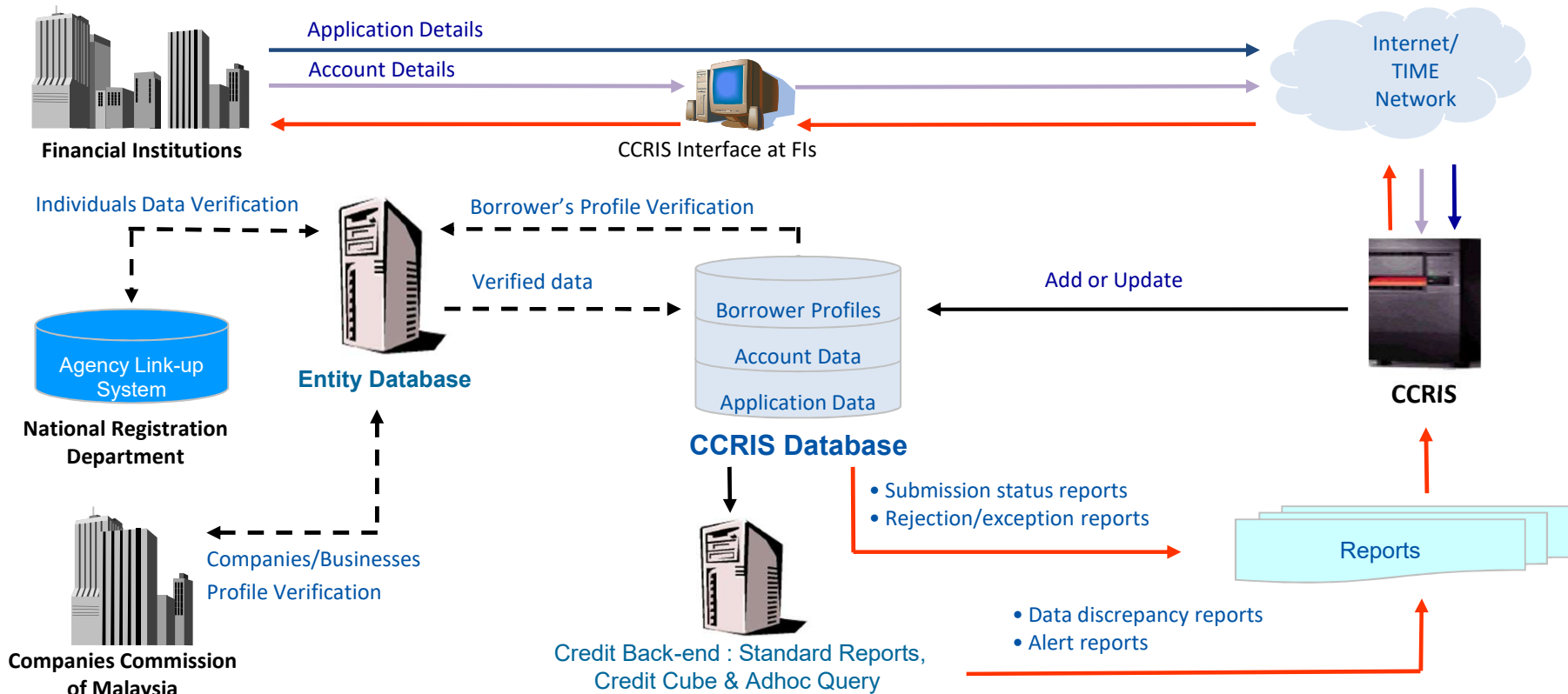
## Private Credit Bureaus (PCB)

- Privately-owned and profit-oriented, mainly rely on public information as main source
- No access to borrowing information of banks unless consented by borrowers
- 6 bureaus currently operating which 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"><li>▪ One stop centre for financial institutions and other credit grantors to retrieve credit information and ratings for credit evaluation purposes</li><li>▪ Platform for SMEs to build their track record and credit standings to facilitate faster processing of their credit applications</li></ul>
PCB 2	<ul style="list-style-type: none"><li>▪ 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</li></ul>
PCB 3	<ul style="list-style-type: none"><li>▪ Registration of vehicle/equipment ownership claims to protect and safeguard the interest of all members</li><li>▪ Prevent double financing of vehicles/equipment</li><li>▪ Provide leading information for credit evaluation and monitoring</li></ul>
PCB 4, 5 and 6	<ul style="list-style-type: none"><li>▪ 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</li></ul>

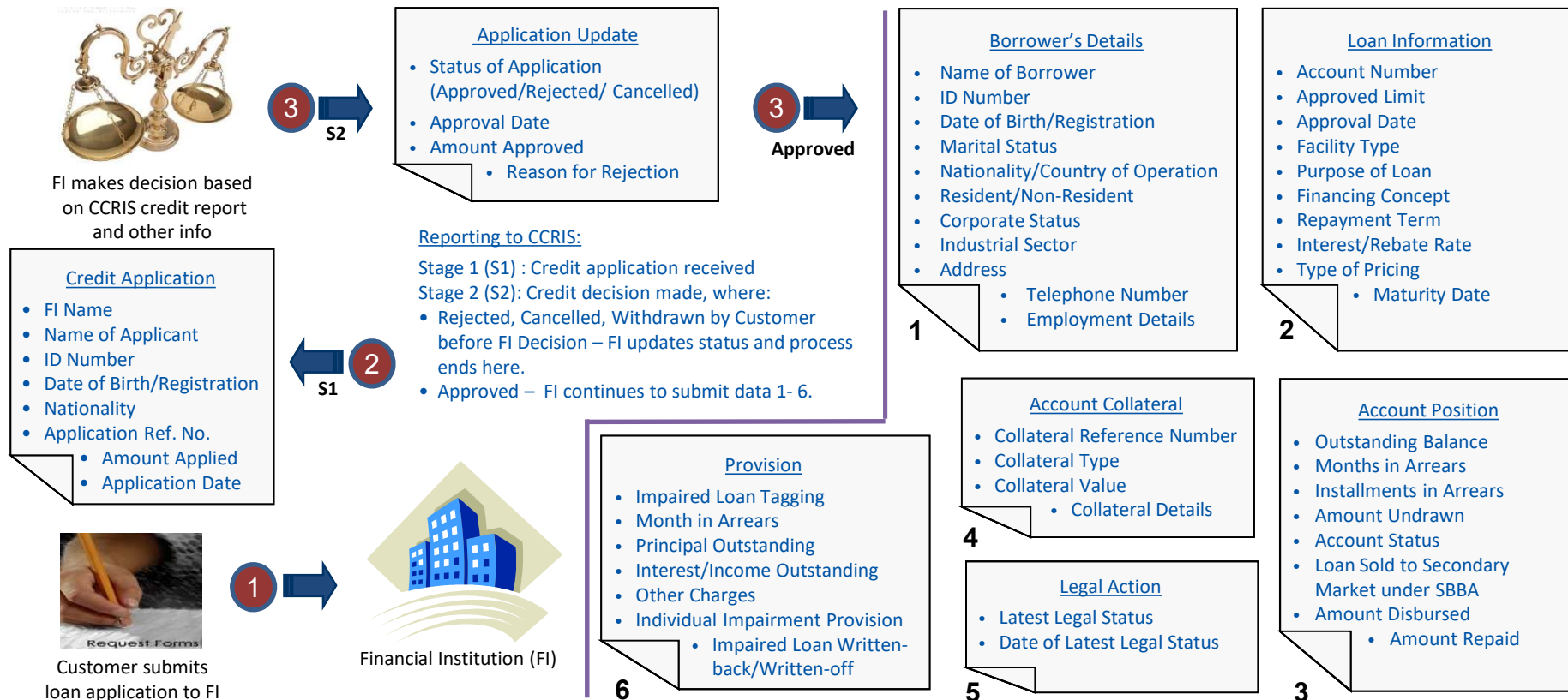
# Overview of Central Credit Reference Information System (CCRIS)

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



# Credit Application/Account Information Flow

... detailed information on borrowers and credit transactions



## 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 basis

### Types of reports generated to facilitate credit assessment and recovery:

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 – info on the source of financing of specific vehicles

# Dissemination and Communications

... various channels and diverse users

## 1. Reports

- Standard reports
- Filterable by common dimensions
- View data at granular level based on access rights

## 2. Analytical tools

- Users granted access to Business intelligence tools such as SAS and Business Objects to facilitate generation of data by different dimensions
- Able to view to transactional details

## 3. Publications

- Statistics collected are published in:
  - BNM's periodic reports such as the Annual Report
  - Reports of international agencies such as IMF and World Bank

# Data Quality Management Framework

...ensure creditability 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.

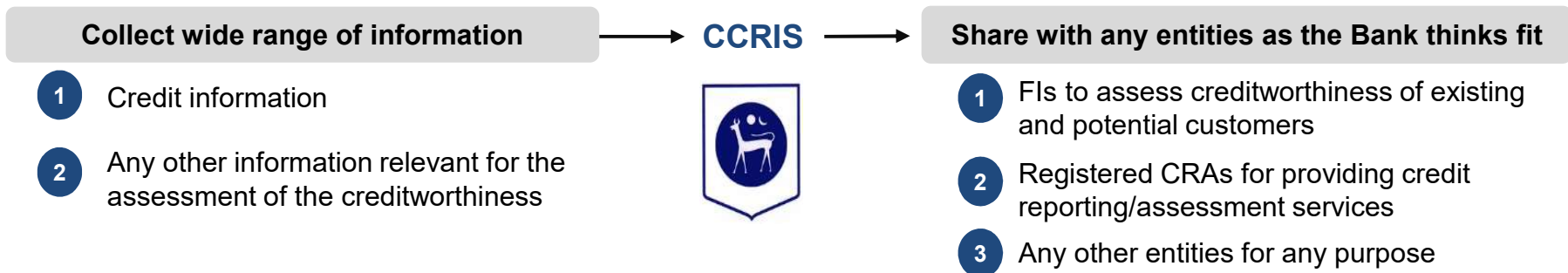
**Data verification** – a data quality assurance framework to check possible data inaccuracies in data provided by the financial institutions e.g. cross-checking with other financial data and trend analysis.



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# Impact of CCRIS Reporting

The Bank is empowered under the S47 of Central Bank Act 2009 to establish credit bureau to...



Since establishment in 2001, CCRIS has...

Improved credit risk management practices of lenders	Facilitated the Bank's surveillance of risks in the financial system	Promoted sound credit culture among borrowers
<p><b>+3.6%</b> CAGR of credit report extractions since 2012</p> <p><b>1.5%</b> Gross NPL ratio (2001: 15.7%)</p>	<p>Broad data capture <b>72 PFIs</b> &gt; RM2 trillion loans outstanding</p> <p>Granular loan-level data for surveillance &amp; policy formulation</p>	<p>Convenient access to basic credit reports</p> <p>Collaborations with relevant stakeholders to promote financial education initiatives</p>

Note: Data as at December 2018 Source: Bank Negara

## 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.

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# Moving Towards Integrated Solution

## ... Integrated Statistical System (ISS)

### Objective

Effective and efficient data management to meet the Bank's business needs and desired outcomes

### Deliverables

1. Enterprise data governance (EDG) policies and processes to instill discipline in data management Bank-wide
2. An integrated statistical system with agile IT infrastructure for end-to-end data management from data submission, storage to dissemination

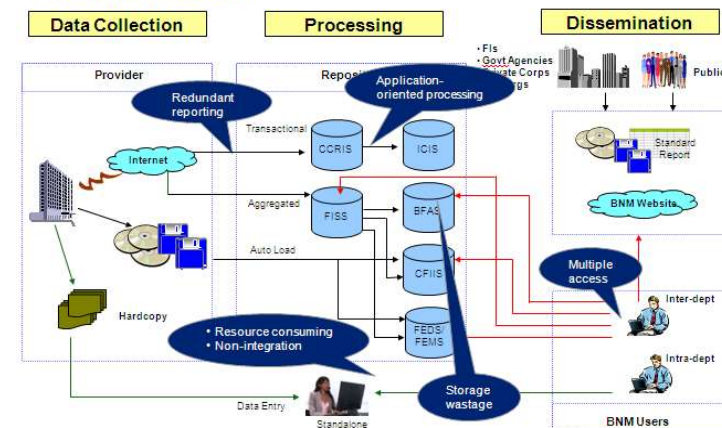
### Benefits

1. More efficient data management Bank-wide
2. Easy and fast access to timely, credible and relevant data
3. Reduced reporting burden by eliminating data duplication
4. Ease of IT maintenance and support

## Statistical Information and Interlinkages

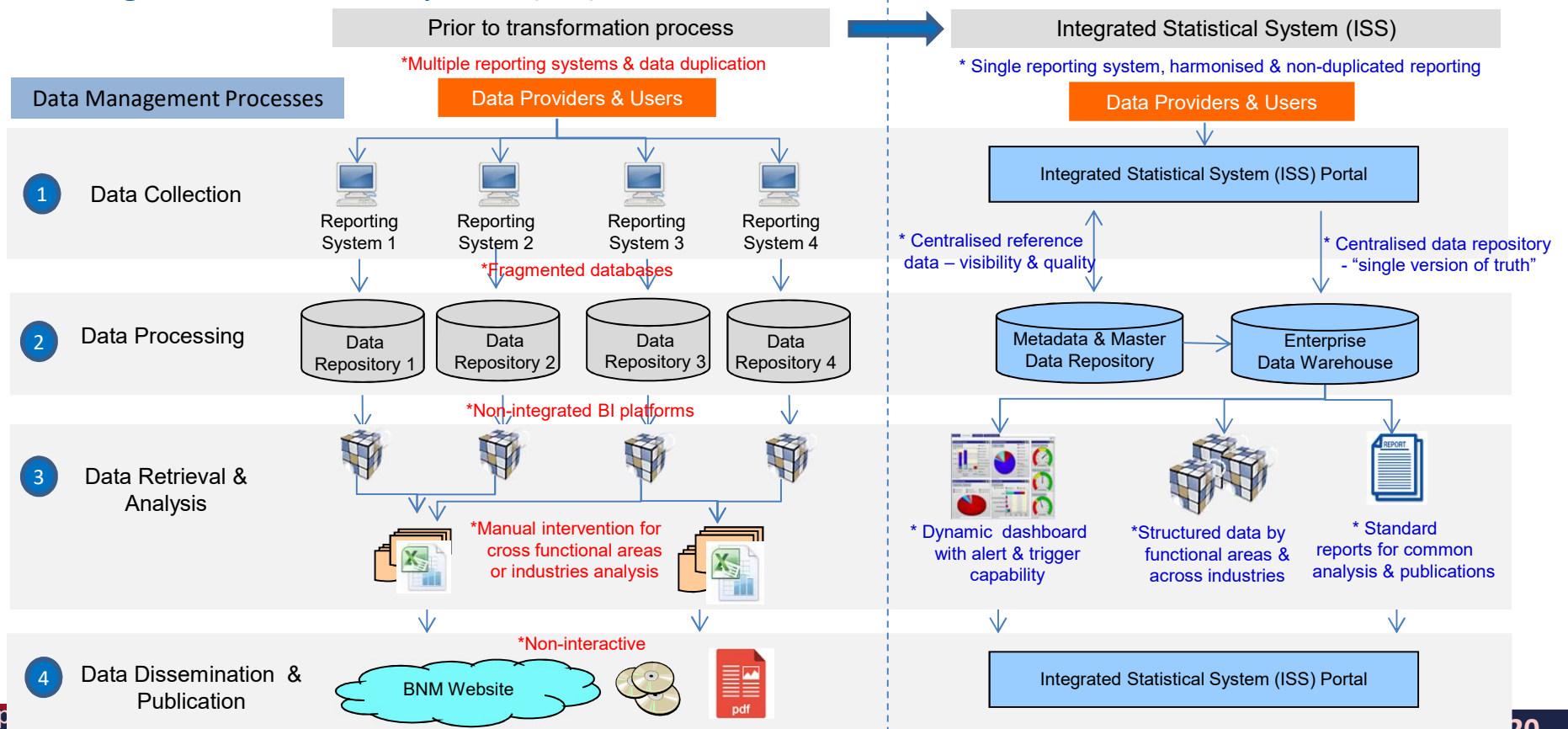


## Previous Process



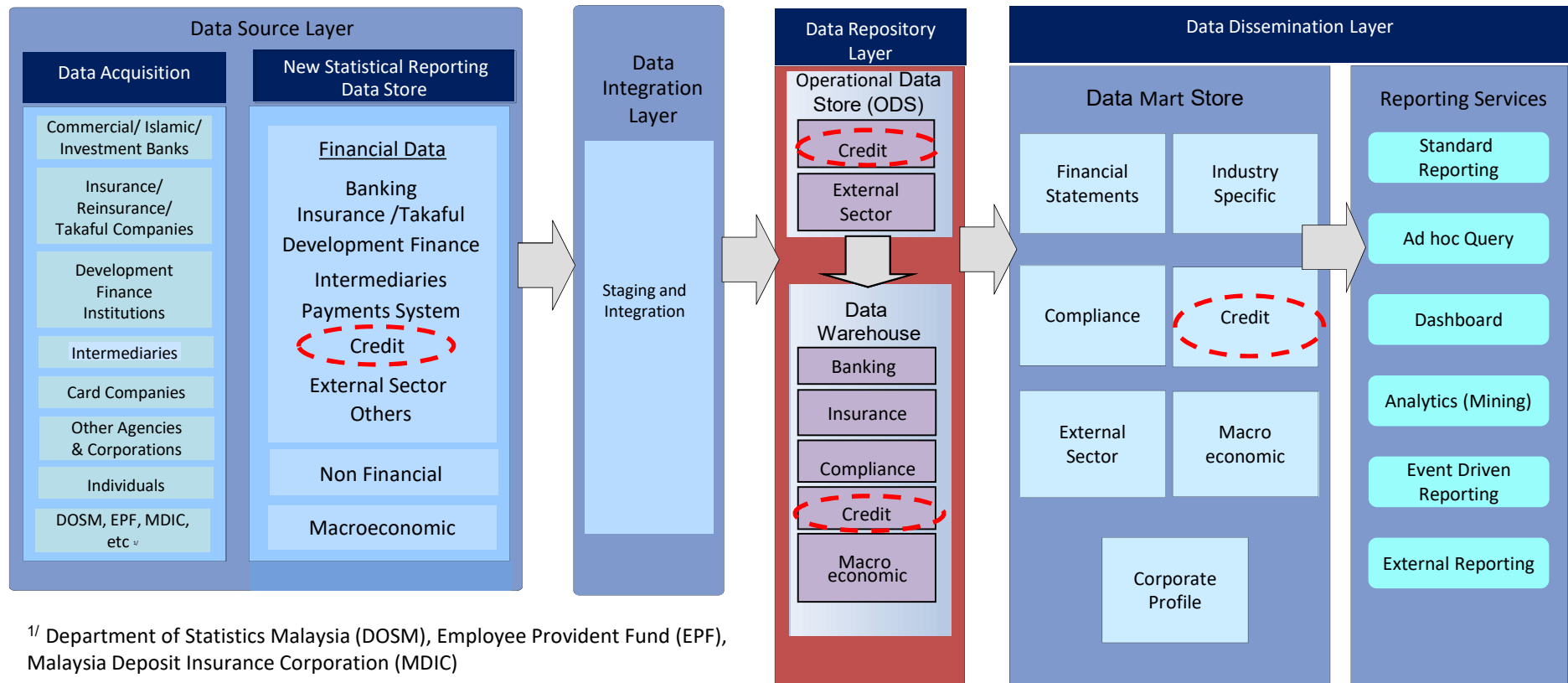
# Moving Towards Integrated Solution

## ... Integrated Statistical System (ISS)



# Moving Towards Integrated Solution

## ... Integrated Statistical System (ISS)



<sup>1/</sup> Department of Statistics Malaysia (DOSM), Employee Provident Fund (EPF), Malaysia Deposit Insurance Corporation (MDIC)

# ISS Implementation Phases

Phase 1 (2011-2014)	Phase 2 (2015-2017)	Phase 3 (2016-2018)
1. Standard Platform for Data Submission to BNM by All Reporting Entities		
<p><b>❑ Statistics on:</b></p> <ul style="list-style-type: none"> <li>▪ Banking Institutions</li> <li>▪ Payment System Operators</li> <li>▪ Devt Financial Institutions</li> </ul>	<p><b>❑ Statistics on:</b></p> <ul style="list-style-type: none"> <li>▪ External sector statistics</li> <li>▪ Macro-economic data (from government agencies)</li> <li>▪ Basel (capital adequacy)</li> </ul>	<p><b>❑ Statistics on:</b></p> <ul style="list-style-type: none"> <li>▪ Insurance Companies, Takaful Operators and Intermediaries</li> <li>▪ Credit</li> <li>▪ Non Financial data</li> </ul>
<p>2. End-to-end IT infrastructure for all components of ISS</p> <p>3. Centralised data repository and migration of historical banking, payments and development finance data</p> <p>4. Statistical information portal for banking, payments and development finance data</p> <p>5. Enhancements and interfaces from/to legacy statistical systems</p>	<p>2. Migration of external sector, macroeconomic and Basel data</p> <p>3. Statistical information portal for external sector, macroeconomic and Basel data</p> <p>4. Interfaces from/to legacy statistical systems</p>	<p>2. Migration of historical insurance, takaful, intermediaries and credit data</p> <p>3. Statistical information portal for insurance, takaful, intermediaries, and credit data</p> <p>4. Develop business continuity plan and set up recovery environment</p> <p>5. Decommission of legacy statistical systems</p>

# Challenges

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1. Infrastructure readiness
  - Institutions may be at varying stages of infrastructure development
  - Large initial outlay
2. Buy-in of relevant stakeholders
  - Some agencies may be reluctant to share “sensitive” information
  - Legal framework may be necessary to facilitate sharing of information
3. Technical resources
  - Ensuring data quality
  - Data mining, interpretation and analytics



## Useful Websites

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Central Bank of Malaysia

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

Credit Registry

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

Consumer Education Program

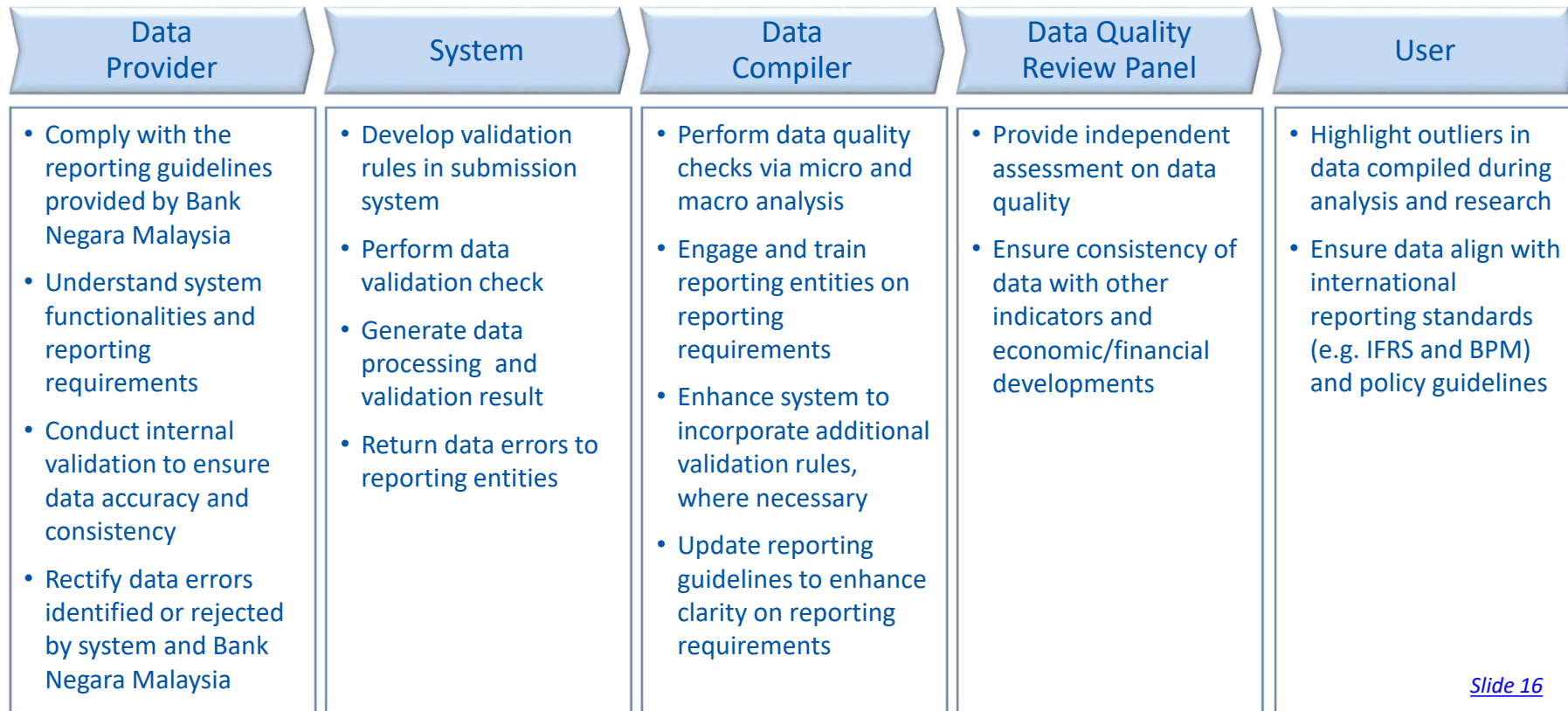
<http://www.bankinginfo.com.my/>



**THANK YOU**

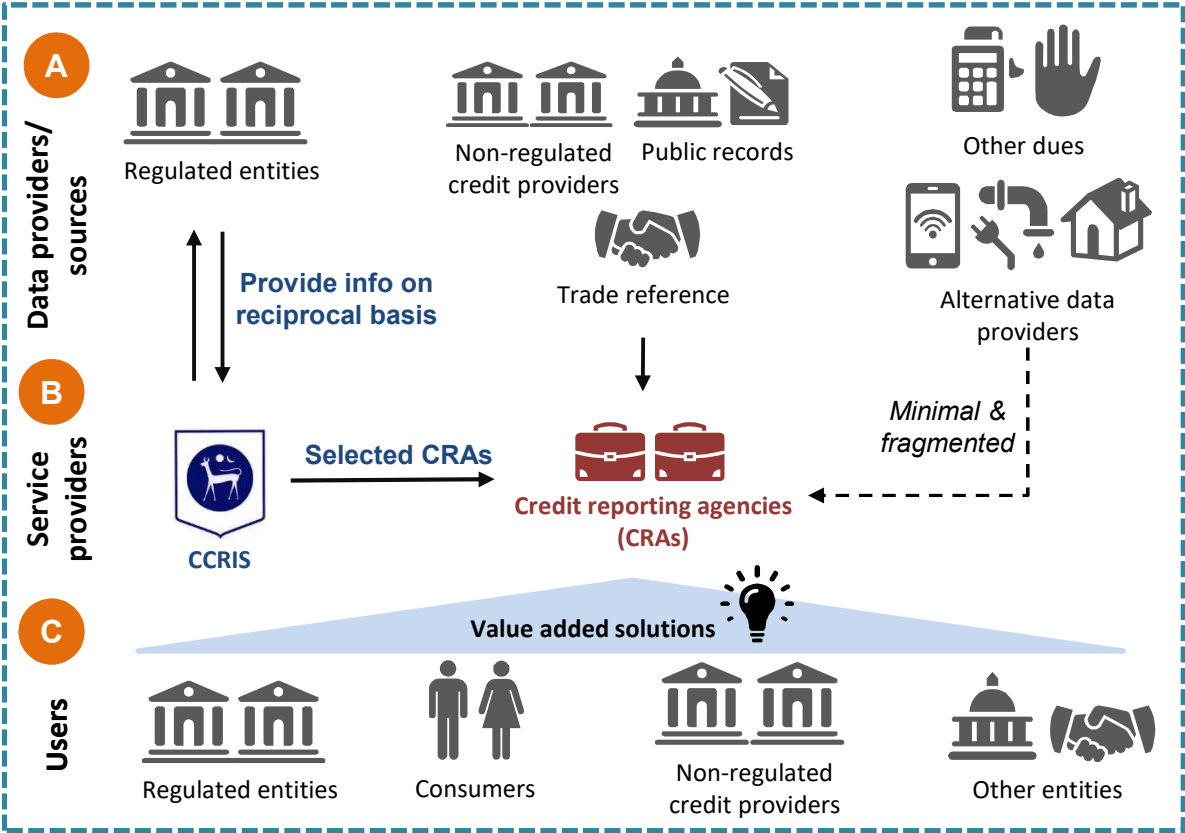
# Comprehensive Data Quality Assurance Process

...end-to-end from data providers to users



# Malaysian Credit Reporting Ecosystem

...as an important source of credit information, CCRIS remains integral to the Malaysian credit reporting ecosystem



**Legal & regulatory framework**

- Central Bank of Malaysia Act 2009** - governs CCRIS operations
- Credit Reporting Agencies Act 2010** - governs activities of CRAs in Malaysia
- Personal Data Protection Act 2010** - governs sharing and use of personal data

**Other regulators**

- Registrar Office of CRAs, MOF
- Department of Personal Data Protection, KKMM

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