



CLIENT PROTECTION CERTIFICATION

*Report for Arnur Credit, Shymkent, Kazakhstan
Certified in OCTOBER 2016*

Mission Conducted by MicroFinanza Rating
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“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”

- *Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by MicroFinanza Rating, a licensed certifier of the Smart Campaign's Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted for Arnur Credit. MicroFinanza Rating is pleased to announce that Arnur Credit became client protection certified in October 2016.

Certification missions entail a streamlined desk review of institutional policies and procedures, followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#), proven by complying with [standards](#) associated with principles related to institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Public announcements are made only for organizations that pass the certification. Certification status is valid for up to two years, after which an institution must undergo a certification check-in mission.

This summary presents selected excerpts from the analysis conducted throughout the certification process, which in total covers 25 standards of care. The evidence presented is not exhaustive, but rather meant to illustrate what the certification standards look like in practice and to highlight specific practices by Arnur Credit. We encourage readers to refer to the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign's website <http://www.smartcampaign.org/certification>.

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Selected Examples of Practices

Client Protection Principle 1 – Appropriate Product Design and Delivery

- Arnur Credit provides individual loan products with various terms including three types of repayment schedules that are offered based on the borrower’s cash flows. Staff is trained on importance of matching products to clients’ financial needs and capacity.
- Upon loan disbursement and full repayment, staff independent from lending operations conducts a client satisfaction survey, results of which are aggregated and discussed by management on a quarterly basis.
- To prevent aggressive sales, the institution trains its staff on how not to sell aggressively and uses role-plays to practice appropriate and inappropriate sales techniques. The institution defines quantitative levels for monthly loan disbursements that trigger additional monitoring on behalf of the head office.

Client Protection Principle 2 – Prevention of Overindebtedness

- Loan approval is based on cash flow analysis and considers only stable/reliable sources of income. Family expenses are taken into account (P&L statements). Existing loans from other institutions are checked through the Credit Bureau and taken into account in the repayment capacity analysis.
- Repayment capacity ratios are prudent and differ by product.
- Arnur Credit conducts annual refresher trainings on loan analysis to its staff and quarterly centralized trainings for its new-hires.
- Clients can prepay loans at any time. If clients request repeat loans after early prepayment, Arnur Credit alerts loan officers to investigate the justification for such a request.
- Management including branch management receive formalized reports on portfolio performance with analysis by branch/sub-office, product and client segments on a monthly basis. Portfolio concentration limits are set and strictly monitored.

Client Protection Principle 3 – Transparency

- Arnur Credit has a checklist for loan officers with a list of information that needs to be communicated to clients as well as a checklist for clients with important facts to keep in mind.
- Arnur Credit's staff is trained to explain pricing, terms and conditions of the credit products.
- Arnur Credit provides pricing details and product terms to its clients through product flyers at offices, website and during oral consultations. Clients during focus group discussions confirmed that actual product terms were the same as those initially described by loan officers.

Client Protection Principle 4 – Responsible Pricing

- The Board of Directors monitors Arnur's performance and ensures its pricing policy is aligned with the interest of clients.
- The institution did not increase interest rates on loans but rather cut its profit margin despite bearing higher financial expenses for its foreign borrowers after currency devaluation.
- Arnur Credit allows prepaying loans free of charge.

Client Protection Principle 5 - Principle 5 - Fair and Respectful Treatment of Clients

- Arnur's Code of Ethics spells out institutional values and expected staff behavior. The document also lists prohibited behaviors and a chart of applicable sanctions.
- Human Resource policies and procedures reinforce the standards. Inception program

Selected Examples of Practices

includes a module on the Code of Conduct training.

- In case of third party collection agents, Arnur Credit trains them on collection procedures and the Code of Conduct including a list of prohibited actions.
- Staff evaluation includes reviews of adherence to the code of conduct, ethical behavior and the quality of interaction with customers. In case of third party collection agents, staff calls a sample of delinquent clients to ensure their fair and respectful treatment.

Client Protection Principle 6 – Privacy of Client Data

- Arnur has a documented process that spells out steps relevant staff (loan officer, credit administrator, cashier) must follow in handling client data.
- Staff sign a confidentiality agreement.
- Third party collection agents are trained on importance of protecting client data privacy.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Arnur Credit provides several channels for complaint submission: complaint boxes in the branches, email address, head office land line, mobile number of the Head of Security at the Head Office and the institution's website.
- Arnur has a dedicated training module on Complaint Resolution that includes several diagram charts to show how complaints received from various submission channels should be handled.
- A dedicated staff member responsible for handling complaints exists within the organization that needs to report to management on a monthly basis.
- Arnur Credit provides delinquent clients with a written notice stating that their loans are transferred to third-party collectors and that they can use Arnur's complaint channels to file any grievances (to report any misconduct) to Arnur Credit.