



CLIENT PROTECTION CERTIFICATION

*Report for Bai Tushum Bank, Bishkek, Kyrgyzstan
Certified in May 2014*

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*

Selected Examples of Practices

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 at Bai Tushum Bank. Bai Tushum Bank became client protection certified in May 2014.

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](#) as evidenced by meeting [standards](#) associated with each principle in institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Only organizations that pass certification will be made public. Certification status is valid for up to two years, after which an institution must undergo a new certification mission.

This summary presents selected excerpts from the certification mission analysis, which in total covers 30 standards of care. The evidence presented is not exhaustive but rather meant to illustrate what the certification standards of care look like in practice and to highlight specific practices by this institution. We encourage readers to reference 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

- Acceptable variety of financial products among which loans (business, retail, consumption, mortgage, leasing, agro), savings and money transfer.
- The credit department investigates the reasons behind client drop out on a quarterly basis and directly reports to Business Development for further use of information.
- The bank does not employ aggressive sales technique, using a one-window approach for sale of all financial services. The productivity targets are not burdening.

Client Protection Principle 2 – Prevention of Overindebtedness

- Bai Tushum performs good repayment capacity assessment of clients and does not solely rely on guarantees or collateral for loan approval. The analysis is conducted for each and every loan with prudent limits on client repayment capacity.
- The management receives detailed monthly report on portfolio quality, segmentation by sector, product type, PAR levels, branches, industry, share of parallel loans in the portfolio among others.
- The FI systematically cross checks client information at Credit Bureau including spouse and family members at each loan cycle. Internal audit checks the compliance with internal policies of at least 10% of client files, half of which is confirmed through field visits. Every office is visited at least once a year (more in case of higher risk level).

Client Protection Principle 3 – Transparency

- The clients are adequately informed on all prices, installments, terms and conditions he/she is subscribing for including all charges and fees, associated prices, penalties and whether those can change over time
- The loan agreement uses simple legal language understandable to clients and does not employ fine print. The agreements are produced in either Russian or Kyrgyz languages per client's request. It includes information such as the loan amount, the currency, the loan term, the frequency of repayment, front end fee and the effective interest rate.
- The clients are provided with sample repayment schedules to take home prior sale. They are not limited in time to make a decision.
- Comprehensive interest rate matrix and fees for banking services are available near cash desk. Billboards and brochures are accompanied with front desk staff being available for consultation upon request.

Client Protection Principle 4 – Responsible Pricing

- The pricing is competitive and does not significantly deviate from the peers' banks being slightly higher than the market average. Savings rate is in line with the market.
- The account closure fees, transaction fees and other penalty charges are not excessive. Clients have an opportunity to prepay the loan without any penalties upon notification to the bank 30 days prior repayment, otherwise early prepayment commission may reach up to 5% of the outstanding loan amount which is in line with the market.

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

- Expected staff behavior is clearly defined in Code of Ethics and Standards of Service manual, prohibiting use of abusive language, discrimination, physical force and other.
- Appropriate debt collection practices are formalized in the Collection Policy and communicated to staff through initial and follow up trainings.
- Internal policies on collateral formally prohibit sale of seized assets to bank employees or their relatives.

Selected Examples of Practices

- Code of Ethics explicitly communicates applied sanctions in case of breach of conduct rules and collection practices, including termination of contract.
- Clients are informed on their rights and feedback system throughout the disbursement process. Summary of rights and obligations is given to clients upon signing of the agreement.

Client Protection Principle 6 – Privacy of Client Data

- The written privacy policy covers staff currently or previously working at the bank.
- Communication to clients on privacy and use of information (Credit Bureau) is incorporate into disbursement process. Contracts include a privacy clause which limits sharing of client information with Credit Bureau only to loan conditions and its status, while guaranteeing non-disclosure of client's information (personal and loan related) to third parties.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- A comprehensive information on feedback channels for filing a complaint are available at the branch level near the cash desk.
- A dedicate staff induction training on client complaint mechanism is provided to staff upon hire.
- Monthly reporting on received complaints insures timely response to clients, and complete resolution of complaints are verified by internal audit during field visits.
- Business Development Department receives regular report for potential use of client feedback in enhancement of product features.