



## CLIENT PROTECTION CERTIFICATION

*Report for EKI, Sarajevo, Bosnia and Herzegovina  
Certified in October 2015*

Mission Conducted by Planet Rating Rating

*“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 Planet Rating, a licensed certifier of the Smart Campaign's Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at EKI. EKI became client protection certified first in 2012 and confirmed in October 2015.

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 four years, with a check-in required after two years.

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>.

If you have any questions or concerns about this report please contact:

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## Selected Examples of Practices

### Client Protection Principle 1 – Appropriate Product Design and Delivery

- EKI offers a diversified range of loan products appropriate for the client needs. A dedicated clause in the contract protects both EKI and customers from the BAM-EUR fluctuation.
- Collateral policy is in place, clearly describing acceptable collaterals and non-acceptable assets that would deprive borrowers of basic survival capacity.
- Client feedback is gathered on a regular basis and used to improve the product offer.

### Client Protection Principle 2 – Prevention of Over-indebtedness

- EKI's repayment capacity analysis is based on a thorough analysis of the client's ability to repay, taking into consideration where applicable business and household income/expenses. Through the automated capacity analysis, use by loan officers is uniformly done and repeated for each loan cycle.
- The portfolio quality has been adequate for the last years. Reports are now comprehensive.
- EKI's productivity targets and incentive scheme values both portfolio quality and growth and are comparable in terms of proportion of fixed and variable salaries with the market peers.
- EKI checks the credit bureau data on a daily basis for all new loan applications and information on EKI's portfolio is shared with the Registrar. EKI performs thorough checks at the credit reference bureau not only of the client, but also household members and the co-debtor/guarantor.
- EKI's Management Team and Board show awareness on the risk of over-indebtedness.
- The internal control is adequate and ensure proper prevention of over indebtedness

### Client Protection Principle 3 – Transparency

- EKI shows its full pricing on the website, brochures, in loan contracts and repayment schedules. Client is also given an Information List at the time of application, with all key conditions and costs on the page. The client signs this page and receives a copy.
- EKI is fully transparent on total cost of the loan to the client, with a break-up in interest and principal and with mentioning of nominal and effective interest rates and application fees.
- EKI has various tools/documents in place that allow clients to be fully informed. Staff is trained on how to communicate with clients, materials are in local language.
- At the time of loan application clients receive an information list detailing all loan conditions of the applied loan. This information is read before the client. At contract signing, the clients receive and sign the info list a second time with all approved loan terms, in addition to contract, repayment schedule and checklist.

### Client Protection Principle 4 – Responsible Pricing

- EKI's pricing is comparable to the market and is non-discriminatory.
- Efficiency ratios are comparable or better than its peers.

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

- EKI's Code of Conduct, in addition to reminding employees that they should act in accordance with the organization's values and mission, details eight behavioral standards, including treating others with respect, avoid violent or discriminating practices, behave in

## Selected Examples of Practices

an honest and ethical manner and adhering to EKI's policies. EKI staff is perfectly aware of acceptable and unacceptable behavior.

- Recruitment process is in line with the Code of Conduct and occurs without any discrimination or prejudice. Procedures include a systematic check on staff background. Initial training for new hires covers a review of the Code of Conduct and includes discussions over job-specific dilemmas.
- Annual appraisal of staff includes qualitative comments from supervisors. Loan officers whose performance is appraised well by mystery shoppers findings get some prizes (money, books, etc.). Those who do not perform properly are provided with some additional training.
- Clients are informed on the main aspects of the Code of Conduct, both through leaflets and posters, but also through EKI Business Club brochure, which also serves as a major channel of communication with clients (information about the loan officers obligations towards clients for instance). Clients are also given information on their right to complain and how to submit a complaint before signing the contract as well as in the contract itself.

### Client Protection Principle 6 – Privacy of Client Data

- EKI has a written protection of data privacy policy applying to all employees of the institution, which addresses confidentiality of client information at all stages of the product delivery process.
- The privacy clause stands out in the loan application form, provided to all loan applicants, and is not in small print, mentioning that EKI may use the clients' personal information for operations and marketing purposes
- The MIS adequately covers secure access to clients' data: staff receives training to enter data in the MIS upon arrival and their mentor checks the accuracy of these entries on a regular basis.

### Client Protection Principle 7 – Mechanisms for Complaint Resolution

- The FI informs clients about their right to submit a complaint. Posters and leaflets about the complaint mechanism are available in all branches, describing the process of submitting a complaint and the different channels.
- EKI policies state that complaints should be solved within one month, which is also communicated to the clients. Apart from EKI, the client is informed that he/she can contact the Ombudsman directly as well. Clients receive a timely response to their issues
- Internal Audit verifies complaints, to check their foundation and to verify whether they have been correctly addressed. Internal Audit reviews the report on complaints that is sent on a quarterly basis to the Banking Agency.