



## CLIENT PROTECTION CERTIFICATION

*Report for MDO Arvand, Khujand, Tajikistan*

*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 Arvand. Arvand 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 (agro, business, consumption, housing), savings and money transfer. Product design is adequate to serve the client needs without harming or creating negative value for the final customers.
- Project Manager investigates the reasons for client drop out on a quarterly basis which is tracked in the MIS. The report is shared and discussed at the management level.
- Internal instruction for field staff include clear guidelines of clients' right to refuse a loan at any time during the disbursement process. The bonus system does not push for overselling.

### Client Protection Principle 2 – Prevention of Overindebtedness

- Arvand's repayment capacity policy is clear and complete, and does not solely rely on guarantees or collateral for loan approval. Total repayment capacity of a client (including loans with other institution) should not be more than 75%.
- Monthly reports on portfolio at risk and write of are prepared by Operations Department and Risk Manager where the portfolio is analyzed by region, sector, type of loan, amount disbursed and currency.
- With Credit Bureau currently being in the development stage, Arvand performs checks in both MFI exchange list and the Credit Bureau. Internal control and Internal Audit verifies proper use of both systems.

### 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 though comprehensive term sheet which also includes clients' rights
- The contract is clear with no fine print provided in Tajik language per regulation. It includes information such as the loan amount, the currency, the loan term, the frequency of repayment, and the effective interest rate.
- Flyers, billboards at the branch, and website provide information on the interest rates and additionally communicate by staff during the consultation process. Loyal customers are awarded with discount rate.
- The clients are provided with copies of all signed document and contracts.

### Client Protection Principle 4 – Responsible Pricing

- The pricing is competitive and does not significantly deviate from peers. Savings rates are in line with the market.
- There are no prepayment fees, account closure fees, transaction fees and other penalty charges in accordance with regulation.

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

- Expected staff behavior is clearly communicated through Code of Conduct and Standards of Quality Service prohibiting use of abusive language, discrimination, physical force, public humiliation and other. The Code of Conduct is re-signed by all staff on a yearly basis.
- Appropriate debt collection practices are formalized in the Collection Manual and communicated to staff during initial and follow up trainings.
- Internal policies on collateral formally prohibit sale of seized assets to bank employees or their relatives.
- Code of Conduct includes a comprehensive sanctions matrix, which identifies the severity of misconduct. The sanction vary from verbal warning up to formal dismissal.

## Selected Examples of Practices

- Clients are informed on their rights and feedback system throughout the disbursement process and through billboards on complaint mechanism available at the branch.

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

- Privacy of client data is formalized throughout Arvand's policies and procedures.
- Communication to clients on privacy and use of information (Credit Bureau) is incorporate into disbursement process. Contracts include a privacy clause on sharing of information with third parties (Credit Bureau).
- The staff is trained on how to communicate privacy to clients during initial training

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

- Complaint books, hotline, complaint boxes, and the management are available in case of clients' desire to file a complaint
- A dedicate staff induction training on client complaint mechanism is provided to staff upon hire.
- Call Center is responsible for compiling all the complaints from branches and follows up to verify complete resolution of the complaints. Monthly reports are regularly transmitted to the management.
- Internal audit performs audit of call center on the complaint feedback system twice a year; and additionally during branch visits.