



## CLIENT PROTECTION CERTIFICATION

*Report for DemirBank, Baku, Azerbaijan  
Certified in November 2015*

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 DemirBank. DemirBank became client protection certified in November 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 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

- DemirBank offers a variety of banking services including savings, payment services, and loans for business and consumer needs. The product designs address client needs.
- Clients have an opportunity to restructure loans in case of a financially strenuous situation.
- DemirBank employs various tools, including client satisfaction surveys and focus group discussions, for collecting client feedback for product modifications. Reasons for client dropout are analyzed and presented to the management quarterly.
- The loan officer training on client rights emphasizes the prevention of aggressive sales.

### Client Protection Principle 2 – Prevention of Overindebtedness

- DemirBank disburses loans based on repayment capacity analysis conducted at each cycle.
- Formal thresholds for maximum repayment capacity are formalized and calculated automatically by the loan tracking system. The analysis accounts for household incomes and expenses. The minimum amounts for household expenses are enforced.
- The Supervisory Board and the management monitor portfolio quality quarterly. The management receives quarterly updates on restructured loans by loan type and branch as well as parallel loans by product type, currency, and branch.
- DemirBank crosschecks client liabilities through the Central Credit Registry. The use of credit reports in the repayment analyses is verified by Internal Audit during branch visits. Internal Audit is also required to verify the adequacy of the repayment capacity analyses and confirm whether client information and data are accurate.

### Client Protection Principle 3 – Transparency

- DemirBank informs clients about prices, commissions, product terms and conditions as well as applicable penalties during initial client consultations and at contract signature.
- Clients can take home sample loan repayment schedules with a full breakdown of cost.
- Contracts use simple legal terms understandable for clients and contain no fine print. The summary page at the end of the loan contract shows the total cost in absolute terms and states the annual interest rate, associated fees, commissions, and penalties.
- Pricing information is disclosed in product brochures and branch offices. Additionally, the front-office staffs are available to answer client questions.
- Information on account balances is available upon request and free of charge.

### Client Protection Principle 4 – Responsible Pricing

- Pricing is non-discriminatory. It is capped by the Central Bank but covers operating costs.
- Deposit interest rates do not deviate significantly from those of peer banks.
- Fees for payment services are competitive and largely dictated by payment systems.
- Operating efficiency is in line with that of peer institutions.
- No early repayment penalties are used. Depositors can close their accounts free of charge.

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

- The Code of Ethics guides staff to always treat clients with respect and attentiveness.
- DemirBank follows a non-discrimination policy.
- Debt collection procedures are regulated by the Collection Policy. Among other unacceptable behaviors, it forbids discriminating clients, insulting them, entering their homes without permission, phoning during unauthorized hours, violating client privacy, making threats, harassing them, and applying physical force.
- The Collection Policy prohibits the sale of collateral to staff involved in seizing.
- A staff sanction policy is in place. It spells out in detail the order and various degrees of

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applicable sanctions by severity of violations of internal norms of acceptable conduct.

- The lending procedures instruct loan officers to inform clients before contract signature of their right to complain and to explain to clients the different channels for filing complaints.
- The loan contract contains a dedicated clause stipulating a loan rescheduling possibility in the event of financial hardships. Requests can be grounded on the basis of, among other factors, adverse changes in the external environment (e.g. economy, regulations).

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

- The Code of Ethics and the HR Manual forbid staff from disclosing client information to third parties other than in cases required by local laws.
- Staff are trained in the privacy policy during induction and reminded about it regularly.
- IT policies and systems are adequate for ensuring digital information integrity and security.
- Communication of the privacy policy to clients is built into the lending procedures. It includes, prior to the signing of the contract, informing clients about the measures DemirBank has in place to maintain information security and explaining to clients that their information will be disclosed to the Central Bank (Central Credit Registry), insurance company (if applicable), and other third parties as required by local legislation.
- The privacy of deposit information is regulated by an applicable clause in the contract.

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

- DemirBank offers multiple channels for complaint submission. They are communicated to clients orally and in writing through office posters and contracts.
- Staff are trained in complaint resolution mechanisms upon hire and follow the guidelines for processing client feedback that define responsible persons, reporting channels, timeframes for acknowledging receipt of complaints and responses.
- The daily monitoring of complaint resolutions is delegated to the Quality Control Unit that is independent from sales operations.
- Internal Audit verifies the appropriate functioning of the complaint system and reports on real and potential risks in the system on a regular basis.
- Client complaints are taken into account in staff bonuses.
- DemirBank uses client feedback to improve its services and operations. A working group comprised of representatives from the Sales, Marketing, and Quality Control units meet weekly to review complaints.