



CLIENT PROTECTION CERTIFICATION

*Report for FINCA Bank Georgia, Tbilisi, Georgia
Certified in APRIL 2016*

Mission Conducted by MicroFinanza Rating
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Selected Examples of Practices

“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 at FINCA Bank Georgia. FINCA Bank Georgia became client protection certified in April 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](#) 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

- The products offered are appropriate to the clients needs and do not harm. Instalments and grace period are flexible to fit with the client cash flow.
- Loans in different currencies are offered to clients aiming at matching customers' currency demand. Clients are clearly informed and advised on potential changes in the total cost of the loan due to FX risks.
- The drop out report is comprehensive and prepared monthly. The findings are frequently used for decision-making.
- Acceptable and unacceptable pledges of collateral are defined in the credit policy forbidding the seizing of assets depriving borrowers of their basic survival capacity.
- FINCA Bank Georgia does not endorse aggressive sale techniques. Field staff is given reasonable targets considering the context of operation.

Client Protection Principle 2 – Prevention of Overindebtedness

- The assessment of client repayment capacity is thoroughly carried out and conservative criteria are applied to curb the risk of over-indebtedness. Prudential limits are applied for early renewals of the credit. A buffer for unexpected events is always considered.
- Repayment capacity policy is uniformly used in practice and loan analysis is performed at each loan cycle. Information consistency is monitored though crosschecks in the field for the great majority of loan applications.
- Portfolio quality is good and maintained over time. Supervisory Council receives a comprehensive report on a quarterly basis.
- Targets are monitored twice a year and designed in such a way that balances portfolio quality and productivity, according to context and market conditions.
- Clients' data are systematically checked through the national credit bureau at each loan cycle.
- Several post disbursement controls are performed both by the Service Credit Manager.

Client Protection Principle 3 – Transparency

- FINCA Bank policies and procedures stress out the importance of transparent communication to clients. All cost information is communicated throughout the loan disbursement process. At the beginning of the application, clients are provided with detailed information on the total cost of the loan. .
- Personnel are trained to address customers' financial literacy limitations.
- A checklist for LOs with all information that must be provided to clients is formalized in order to ensure a consistent and transparent communication flow in all branches.
- Loan documentation is standardized and contains simple language. Proper documentation is given to the customers to bring home.
- Pricing information does not create confusion on the total cost and are properly presented.

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Client Protection Principle 4 – Responsible Pricing

- FINCA Bank prices are market bases and not discriminatory. APR does not differ significantly from the nominal interest rate, given that the Bank requires a single and moderate fee. Saving product remuneration is competitive.
- The Bank efficiency is adequate and overall aligned to the peers from the microfinance sector.

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

- Organizational values and the professional conduct expected of all staff are clearly addressed in both FINCA International Code of Conduct and the internal Code FINCA Bank Georgia Standards of behaviours.
- Debt collection practices are properly disciplined and include list of prohibited actions. Personnel are trained upon employment and refresher sessions are carried out on a yearly basis.
- The law regulates collateral seizing procedures and it is considered as last resort.
- Staff professional conduct is properly monitored twice a year. Monitoring of the day-to-day practice is also enforced thanks to different supervision levels.
- Rescheduling and refinancing are formalized in the FI procedures and are applied in a consistent way across the Bank.

Client Protection Principle 6 – Privacy of Client Data

- The loan contract has several clauses dedicated to privacy that ensure proper and transparent protection of customer sensitive information.
- Staff signs a confidentiality agreement and FINCA Bank Georgia applies penalty in case of misuse of customers' data without prior consent. Personnel are trained on the importance of safeguarding customer information.
- The system is secured and ensures integrity of customers' information. Clients' files are properly stored and access is restricted.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Finca Bank has several systems in place to gather customers' complaints. The system has a clear reporting line and fixed timelines. Complaint Committee has been established.
- Personnel are trained on how to deal with customers' complaints thanks to a dynamic role-plays and group discussions.
- The Operational Risk Management Unit investigates on the client awareness of the mechanism, while the complaints manager ensures that complained are followed up and resolved satisfactorily.
- A comprehensive system for collecting information and suggestions from clients is in place and it is actively used to improve operations and service delivery.