



CLIENT PROTECTION CERTIFICATION

Report for MFO KMF, Almaty, Kazakhstan

Certified in April 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 KMF. KMF became client protection certified in April 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

- KMF provides adequate variety of credit services using both group and individual lending methodologies.
- The institution investigates the reasons for client drop out, with client retention rate at 80%.
- KMF uses annual clients open door day, client satisfaction survey, complaint feedback system and annual staff fair for exchange of ideas in order to continuously feed product development and improve its services.

Client Protection Principle 2 – Prevention of Overindebtedness

- KMF's repayment capacity policy does not solely rely on guarantees and includes detail analysis of clients' financial standing. Total monthly repayment of the client should not be more than 80%. There is a limit of KZT 0.5m (USD 2800) on the loan amount gaps between group members to mitigate potential imbalance on the responsibility.
- Over the past 24 months, KMF maintains adequate level of total credit risk not reaching 3% (1.9% as of September 2015).
- The institution checks all the clients in the Credit Bureau regardless of the loan amount or income source of the client.

Client Protection Principle 3 – Transparency

- The clients are well communicated terms and conditions of the products.
- The first page of the contract includes aggregated information about the loan amount, purpose of the loan, interest rate, tenure, effective interest rate, front end fee, prepayment fee (there is none), fee for late payment.
- KMF has a financial literacy project (10 lessons) for any client willing to participate. Loan officers explain principles of how to calculate interest rates, family budget, savings among other.
- KMF calculates the interest using declining balance method and discloses the effective interest rate for the product in the contracts.

Client Protection Principle 4 – Responsible Pricing

- KMF does not discriminate the pricing based on ethnicity, sexual orientation, political affiliation, and religion among others.
- The pricing allows to cover costs, competitive and overall is in line with most comparable peers.
- KMF does not apply any pre-payment or account closure fees.

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

- The Code of Ethics of KMF lists prohibited actions including violation the privacy of client information, discrimination based on gender, age, ethnicity and others, use of physical force or abusive language, entering the clients home uninvited, limit clients' physical freedom, participation in corruption, kickback, theft and participation in sexual and moral harassment.
- Overall, staff has a shared understanding of prohibited actions and what is expected from them in terms of professional conduct.
- In case of seizure of collateral it cannot be sold to staff or employees' relatives
- The FI has a formalized rescheduling policy, which is consistently applied across the institution due to centralized approval system.
- At disbursement every client is provided with a memo that includes information on seven

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principles of client protection, confidentiality of the information and feedback channels.

Client Protection Principle 6 – Privacy of Client Data

- KMF has an Information Confidentiality Procedure which covers use and definition of confidential information.
- The privacy clause is present and in plain language, it stands out in bold at the end of the contract.
- All staff is informed on privacy of client information during Welcome training, as well as KMF provides separate training on overall confidentiality and commercial secrecy of data within the institution and how to protect it.
- Client files are kept in locked metal cabinets with restricted access.
- KMF obtains a written consent from clients to publish their personal photos and success stories.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- The information on how to submit a complaint is placed visibly at the branches. The loan officers communicate the feedback channels to clients during disbursement process.
- Staff are trained on complaint mechanism during Welcome training right upon hire.
- Operational Risk Management Department provides monthly consolidated analysis of complaints to all top management and other involved departments.
- In line with Complaint Resolution Procedure, the feedback to clients is provided within maximum of 10 days for written and 3 days for oral complaints.
- The institution checks 10% of complaints received on timely resolution and feedback.