



CLIENT PROTECTION CERTIFICATION

*Report for Opportunity Bank Serbia, Novi Sad, Serbia
Certified in March 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 Opportunity Bank Serbia. Opportunity Bank Serbia became client protection certified in March 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 (business, retail, consumption, housing, pensioner), savings and insurance for the pensioner segment.
- The quality control department is in charge of investigating the reasons for clients with good repayment history not to have performed any transaction within the last 12 months. Results are reported to both Risk and Marketing department.
- The client service manual mentions that “hard sell” is not part of the bank’s business strategy. Any client has the right to cancel his/her loan agreement within 14 days.

Client Protection Principle 2 – Prevention of Overindebtedness

- The loan approval does not solely rely on guarantees as the scoring tool automatically rejects loan applications with insufficient repayment capacity regardless of the collateral value. OBS applies discount rates on the disposable income of retail clients that are FX sensitive displaying additional prudence.
- Weekly reporting on portfolio quality including PAR 5 and PAR 15 displaying breakdowns by branch and loan officer and an additional weekly report showing delinquency by product and segment are reviewed by OBS management.
- For 2014, the goal for quality control checks has been established at 5% among which 50% through field visits. This target is consistent with the practice of the bank in the recent years and targets have always been fully met.

Client Protection Principle 3 – Transparency

- The client is adequately informed about 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.
- The loan agreement contract contains rather simple language with no fine prints. A clear and comprehensive facts summary page is part of the loan contract. It includes information such as the loan amount, the currency, the loan term, the frequency of repayment and the effective interest rate.
- OBS has made available many comprehensive brochures at all branches. Additional information is displayed at the branches through screens and bill boards (payment fees, FX rates, etc.). Client advisors are available to provide additional information to potential clients and discuss conditions.

Client Protection Principle 4 – Responsible Pricing

- The prices are overall competitive, the price of the 3 main products being in line or below the average of competitors. Savings rates are among the most attractive in the country (especially in local currency).
- The bank’s pre-payment penalties, account closure fees, transaction fees or other penalties are not excessive. Early repayment can be done at any time, with the corresponding reduction of interest expenses.

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

- Specific standards of professional conduct for collection staff have been clearly defined and included in the Collection Unit Terms of Reference. Abusive behaviors such as visiting the clients without prior notification, using insults or threats, breaching the client’s right to data protection are formally prohibited.
- OBS has formalized procedures that clearly state that the sales of assets acquired through collection to employees of the bank, their relatives or third parties that were included in

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the process of assessment or acquisition of assets in the name of the bank is forbidden.

- The HR manual explicitly links the breach of code of conduct to the adoption of disciplinary procedures against the employee, such as the termination of his/her labor contract.
- Adequate information is provided to the clients on the code of conduct and complaint mechanism. A document is provided to the client together with his/her signed contract including some aspects of the standards of conduct that clients can expect from the staff.

Client Protection Principle 6 – Privacy of Client Data

- The written privacy policy covers staff currently or previously working at the bank
- The bank has recently incorporated a client communication module into the induction training that addresses client privacy issues. Client advisors provide a reasonably detailed explanation of the contract privacy clause to the clients.
- In all loan agreements it is specified that the bank can share data only with the Credit Bureau (upon approval of the client) and the Central Bank.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- A comprehensive brochure is available at the branch level to inform clients about the channels that can be used to file a complaint (internally or through the National Bank of Serbia).
- Staff are trained on how to inform clients about the complaint mechanisms. Managers encourage their staff to collect complaints and suggestions.
- An SMS complaint channel has been recently created to address shortcoming of the already existing options. Clients are informed through brochures on how to use this channel and the Quality Control department has to follow-up within 3 days to inquire about the exact issue faced by the client.