



## CLIENT PROTECTION CERTIFICATION

*Report for XacBank, Mongolia*

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This document was prepared by Planet Rating, a licensed certifier of the Smart Campaign's Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at XacBank Mongolia in October 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 adequate 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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### Client Protection Principle 1 – Appropriate Product Design and Delivery

- XacBank Mongolia offers a diversified range of individual loan products that are adapted to its target client's needs. Conditions are flexible enough and XacBank Mongolia makes sure that required collaterals are not harmful to its clients (notably including a list of unacceptable collateral in procedures).
- Client's feedbacks are collected on a regular basis through several mechanisms including random phone calls to clients, external satisfaction and dropout surveys, as well as efficient clients' complaints management. These feedbacks are used to improve existing tools and services.

### Client Protection Principle 2 – Prevention of Overindebtedness

- XacBank Mongolia management is well aware of the risk of over-indebtedness and all phases of the credit process are designed in order to determine that clients have the capacity to repay without becoming over-indebted.
- The developed scoring system includes various parameters as well as conservative ratios (notably a monthly repayment < 50% of household income), that allows defining a maximum amount of loan that can be borne by the clients.
- Over-indebtedness and repayment capacity analysis are part of induction and regular refresher trainings to all staff.
- XacBank Mongolia has clarified its procedures for rescheduling and refinancing including situations in which loans can be restructured such cases of force majeure, also defining clearly conditions and approval processes.

### Client Protection Principle 3 – Transparency

- XacBank Mongolia fully discloses to the clients all prices, installments, terms and conditions of all financial products, including charges and fees, associated prices, penalties, linked products. The loan schedule differentiates principal, interest and commissions for all installments.
- A copy of the contract is given to all clients with sufficient time to bring it back home and review it.
- All the rights and obligations of the clients and the conditions of the loans are explained orally to the client before the disbursement when the loan officer provides the contract to the client for its review.

#### Client Protection Principle 4 – Responsible Pricing

- XacBank Mongolia’s prices are market oriented and competitive within the country context and its interest rates are not discriminatory.
- Profitability and efficiency ratios are maintained at reasonable levels and aligned with peers, thanks notably to an efficient reorganization of process, centralizing loan assessment and approval to back office. That good level is also due to the development of new services such as e-banking.
- There is no transaction fee and penalties are not excessive. There is no penalty for pre-payment.

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

- XacBank Mongolia provides both induction and on-the-job trainings in responsible and ethical behaviors. Moreover, its non-discrimination rules are also included in its code of ethics.
- XacBank Mongolia’s policy guarantees that confiscated assets are evaluated with a fair and precise methodology; seizing collateral only occurs after a legal decision and after receiving the client's consent.
- Recruitment process includes background and reference checks for every new staff. Recruitment occurs without discrimination prejudice and specific skills such as communication and problem solving capacities are privileged.
- XacBank Mongolia’s code of conduct has been completed with a detailed description of unacceptable debt collection practices and defines the steps to follow in case of default as well as a description of the scope of application of each sanction depending on the type of misconduct. Specific trainings are now given to field staff involved in collection process
- Loan officer behavior towards the clients is taken into account in the annual performance evaluation.
- Potential misbehaviors are checked during visits performed by branch managers or internal auditors.

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

- Policies address confidentiality of client information and XacBank Mongolia’s staff involved in the processing of data is covered by the privacy policy.
- Confidentiality is part of induction and on-the-job Training
- Staff rules mention that employees may not provide the customer data (personal data, the data on working capital, etc.) to unauthorized persons within the Company and outside

the Company.

- Each staff is required to sign a privacy policy appendix of its contract.
- When client's data is used for the purposes of the company, the employee must explain to the customer the reason and purpose, and shall request the written permission of the customer.
- A privacy clause is included in the application form signed by the client.
- Electronic data security is ensured. Back-ups are performed daily through a UPS backup for each branch and also save in external tapes.
- The IT systems have a sufficiently complex password system that automatically requires changes. The staff has different level of access depending on the responsibility of each member.

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

- Information on how to submit a complaint (phone number, dedicated email address, suggestion boxes and complaint register) is widely displayed in branch offices.
- XacBank has specific procedures on how to deal with clients' complaints and staff involved is well trained.
- Complaints are sorted by level of seriousness, which allows addressing to the appropriate person accountable for their resolution and indicates action to be taken.
- Clients are supposed to be recalled in one up to three days depending on the classification, otherwise an alert is given by the system. Bonus can be affected in case of non-reply at expected time.
- Call center and customer department take place to a weekly management team meeting to report on complaints. That allows management to decide on what should be done after the complaint for each department or take corrective measures. The streamlining of operations processes to reduce delays results of clients' complaints is an example.