

## **Strengthening Egypt's Credit Reporting System – Phase 2**

### *Final Report*

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In Reference to:

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– Phase 2  
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## ACKNOWLEDGEMENTS

This report was prepared by Jim Aziz, Credit Information Systems Expert, of Baja Group Consultants, for Emerging Markets Group, Ltd., prime contractor for FIRST Initiative, Emerging Market Economies Ltd., under Contract #49 C343

The information in this report is proprietary and is to be respected as such, given information from business meetings were obtained on a confidential basis.

The information herein is a best attempt at accurately reporting that information and, to the best of the writer's knowledge, the commentary is factual.

This marks the final visit of the project and throughout the past thirty four months, the continuing Egyptian hospitality, and friendliness has been very much appreciated!

Special thanks to Zeinab Saeed Goher, General Manager of the CBE Registry Egypt, and her excellent staff who have been valuable resources in understanding the composition of the CBE Registry and implementing the necessary changes in their attempts to replicate best practice. Their assistance in facilitating meetings, and providing relevant information for this consultancy report, has been appreciated. This group has been diligent and committed to enhancing the Registry system to replicate International Best Practices and display quiet determination in achieving the recommendations presented to them.

To Senior Advisor to the CBE Governor, Mahmoud Aziz, who has had the ultimate responsibility for the CBE Registry, my thanks for your open mindedness and commitment to work for the greater good of Egypt in the upgrading of the CBE Registry with the ultimate creation of a private Egyptian credit registry.

And, finally, thanks to Sahar Nasr of the World Bank, for her vision in recommending this project and her continued support with the ultimate goal of a successful Egyptian CIS which is now being realized.

### **Definition:**

For purposes of this document Credit Information System is referred to as CIS.

A Credit Information System (CIS) is defined as a repository, or data bank of records, of individual's demographics and the payment history/manner of repayment of any and all types of credit obligations belonging to these individuals. In Egypt, a CIS will contain similar information on SMEs, including details of ownership.

The Public Credit Registry (PCR) is the database operated by the Central Bank of Egypt and is also known as the CBE Registry. For ease of reading it is referred throughout this report as the PCR or PCR Registry.

### **Estealam**

Estealam is the newly formed private credit registry that is owned by twenty seven Egyptian banks. Estealam, in this report, may be referred to as the private CIS. During this mission it was revealed that Estealam have plans to change their name to 'ISCORE'.

*To maintain some historical reference on this project, in the appendices there is a section that outlines a number of the tasks that have been completed since the project commenced in February 2004.*



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## EXECUTIVE SUMMARY

Since the inception of this project, in February, 2004, it has received ongoing support from both Central Bank Governor Dr. Farouk El Okdah and Senior Advisor to the CBE Governor, Mahmoud Abd El Aziz. They viewed the success of this project as being vital to Egypt and to the Egyptian economy. The renewal of this consultancy contract, in June of 2005, reconfirmed the support from the Central Bank of Egypt towards the continued expansion of the PCR with the ultimate goal of the creation of a private sector CIS to support an expanding credit market and subsequent economic growth in Egypt. A private sector CIS is ready to commence the construction of its database, bringing the realization of the goal closer.

Additional enhancements have been made to the registry, since the April 2006 mission.

A comprehensive Egyptian CIS will provide timely, accurate and reliable data regarding individual, SME and corporate payment behavior. The establishment of a CIS includes the capture and subsequent disclosure of demographic information as a means of correctly identifying individuals and businesses as well as verifying information, provided to the users of the system, by credit applicants. It further involves the capture and subsequent disclosure of credit experience and debt structure, of individuals, SMEs and corporations, to be utilized by recipients in order to make more precise credit decisions.

The existing PCR was originally designed to host information related to corporate credits, with certain minimum balances, issued by the Egyptian banking sector. Over time an increasing number of retail credits populated the database to the point where more than ninety two percent of the files in the Registry relate to retail customers. Since February of 2004, significant effort has been extended to retrieve additional important demographic and credit information, from these credits, and to provide that information to Banks who use the PCR system to conduct inquiries relative to current credit applicants. That change has been acknowledged by the users of the PCR and has been positively received.

The conclusion of the fourth, and final, visit of the second phase of this consultancy is that the recently established private CIS is ready to commence construction of its database and expects to have a credit reporting product in place within the next nine months – an ambitious goal by normal standards, but one that certainly seems achievable. A decision has been made to find a way to allow the private registry to utilize the existing CBE Registry data and make it available to the marketplace, directly from Estealam.

The private registry has commenced activity to obtain credit information from the non-Bank sector, to complement the information housed in the PCR, as well as capturing public record and other forms of government and private information as it attempts to mirror International Best Practices.

As they have over the past thirty four months, the PCR Registry team remains committed to the continued enhancement of the Registry data, its efficiency, its relevance and its effectiveness, to Banking Supervision and banks. They are proud of the results achieved to date. The PCR staff is an intelligent and cooperative group of people with which to work.

The ongoing activity of Phase Two of the project has been regulatory and licensing reform, adjustment of the Bank secrecy act to allow for freer sharing of credit information, training of PCR staff in the operation of a CIS, industry awareness of the value of providing paid accounts to the Registry and to ensure that the continued expansion of the registry will mirror International Best Practices, where possible. With the successful expansion of the Bank Secrecy Act in June of 2005 (to allow for the sharing of bank information, with non banks, subject to written consumer consent) and with regulations and licensing now in place to support the creation of a private CIS, the remaining focus was the continued enhancement of the registry data to reflect best practice as well as continued PCR staff training.



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**The conclusions of this visit are:**

- **Additional funding should be requested, from FIRST, to commence a new phase of this project.**

Governor Farouk El Okdah has correctly requested further Technical Assistance in order to provide guidance and monitoring, on behalf of the CBE, to the private credit registry as it assimilates proprietary banking credit data from the CBE credit registry. This assistance has also been requested from the private registry management and Senior Advisor to the CBE Governor, Mahmoud Aziz. The TA would also include monitoring of the implementation of the remaining seventeen recommendations from this project.
- **Recommended enhancements, that have system implications, have been pending subject to the completion of a broadly based CBE Banking Supervision review that will result in a move to Risk Based Supervision.** During this mission, the consultant coordinating the review has agreed with the recommendations and will be including them, along with recommendations from other CBE departments, in an omnibus recommendation list to be presented to CBE Management, for approval, by the end of 2006. A further recommendation, developed during the mission, will be included.
- **Ten recommendations, from the PCR task list, have been implemented since the April 2006 mission.** The PCR Management team continues to achieve success in moving the registry to best practice.
- **All PCR task list recommendations have been resolved as far as possible.** There remain **seventeen** recommendations that include two new recommendations. They will be presented to CBE Management, for approval, after which those approved will move forward and be completed in 2007. Of the remainder of the April tasks, two were suspended and one deleted given that the private registry is now working with banks for similar information.
- **The PCR Management continues to effectively maintain their task list.** PCR Staff are regularly involved in discussions of, and have a good understanding of, all recommended tasks.
- **A survey of banks was completed, in the fall of 2006 that indicated that over 90% of retail credits require monthly payments.** The expansion of credit data being requested from banks, along with the Manner of Payment status, was delayed pending this survey of banks and now that the survey is completed the recommendation to request monthly payment information, from banks, will now move forward for CBE Management approval and implementation.
- **Some type of Manner of Payment reflection of a borrower's repayment habits should be implemented.** This recommendation will be going forward to CBE Management for approval and implementation.
- **At the request of Senior Advisor to the CBE Governor, Aziz, assistance was provided with activities related to the possible transition of CBE Registry data to the private credit registry, Estealam.** Meetings were conducted with the CBE IT department, with Banks and with Estealam personnel to facilitate this proposed exchange of information that was envisioned with the agreed Strategic Plan for the development of a robust credit reporting infrastructure for Egypt.
- **Some components of the Regulations, that govern private sector credit reporting, should be suspended until such time as the private credit registry has built its database and is ready to sell credit reports to the marketplace.** A number of the regulations anticipate that credit reports are available to the marketplace yet as the private registry builds its database that is not the case. Therefore it is not reasonable to expect that certain components of the regulations should take effect until such time as the database is constructed and credit files are available to the marketplace. CBE to provide consultant with more information for more detailed recommendations.



- **The previously recommended reduction of the reporting threshold for credits, by Banks, Mortgage and Leasing Companies to the PCR is suspended.** The proposed reduction was from 30000 LE to 20000 LE. The rationale for the recommendation was to provide more borrower information for banks to address the significant growth in the retail credit area. That accelerated growth is reflected in the substantial increase in search requests, by banks, on credit applications. With the creation of the private registry, and the commitment of the registry to have a credit report product available by June of 2007, it now has been left to the private registry to acquire the credits, under 30000 LE directly from banks. Should the private registry not be ready to accept this additional information as well as the balance of credits that banks do not currently report to the CBE Registry, banks would continue to be starved from information on these credits and the CBE should then reconsider their position on reducing the threshold. This recommendation represents two PCR task list items.
- **Approximately seventeen percent (17%) of active bank credits are currently being provided to the CBE Registry.** The remaining eighty three percent are credits with balances less than 30000 LE. So eighty three percent of active borrowers, their credit balances and repayment habits are not available to banks. This represents over **3.1 million** borrowers who have obligated themselves with monthly payments and indebtedness that is unknown to banks as they attempt to determine borrowing capacity of credit applicants. The Negative List does contain 60000 names of delinquent borrowers, but only at the 90 days past due level.
- **Meaningful staff reductions have resulted from automation of the PCR Registry over the past two years.** The PCR is the first department, within the CBE, that is fully automated and these staff reduction of sixteen personnel reflect this automation.
- **The ‘Forward Looking Gap Analysis’, to ensure International Best Practices in the PCR, continues to be followed.** There remain two of the original seven issues and if CBE Management agrees, they will be concluded, and closed, in the first quarter of 2007.
- **A Workshop was conducted for members of the CBE Bank inspection department.**
- **Members of the PCR Management Team were shown how consumers request their personal credit reports via the Internet.** This demonstration was requested by DG Aziz and it is important for a good understanding given Estealam will eventually provide this access to consumers. Estealam were offered the opportunity to see a similar demonstration, but did not take up this offer.



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## SECTION 1

### 1.1 Project Details

|                        |  |
|------------------------|--|
| <b>Project Title:</b>  | Strengthening Egypt's Credit Reporting System                                    |
| <b>Project Code:</b>   | Contract # 49.C343   |
| <b>Period Covered:</b> | November 5, 2006 – November 23, 2006   |
| <b>Prepared By:</b>    | Jim Aziz, CIS Expert and Joe Dougherty, Project Director, Emerging Markets Group |

### 1.2 Project Activity

This is the fourth, and final, Phase Two progress report. In Phase One, five missions were conducted. They occurred in February, April, June, September and December 2004. Consultant Jim Aziz completed visits one, three, four and five of Phase One and the three visits of Phase Two in July, 2005, December 2005 and April 2006. As this project commenced, there were two main impediments to the creation and implementation of a CIS. **First**, the sharing of credit and demographic information amongst legal entities, both Bank and non-Banks, was not allowed. Bank secrecy laws, that prevented the sharing of credit and demographic information beyond the legal entities that fall under the jurisdiction of the CBE, were changed in June of 2005, to allow for that exchange to occur. **Second** was the desire of the CBE to own the CIS, as opposed to the proven success of private ownership. Since then the CBE agreed that a private CIS was the best solution while at the same time allowing the PCR to grow to include as many Bank credits as possible. This was an interim measure to bridge the gap that occurs as any private CIS becomes licensed and operational, a process that would normally take two to three years, from formation. A private registry was licensed, in October 2005, has established a management team, has moved to a permanent location, has selected a technical partner and is in the process of commencing creation of a credit database.

Since June 2004, the Central Bank Registry has made significant changes in the amount, and delivery, of information it captures and provides to Banks, who have conducted successful search inquiries of the Registry database, on credit applications. Banks have been cooperative in providing the additional information and have been active in providing commentary relative to enhancements to the Registry system that impact the Banks' credit operations. Educational workshops have been conducted at the Egyptian Banking Institute and PCR staff has been trained, on a going forward basis, as participants in meetings and discussions relative to the credit reporting industry and the development of a CIS. PCR staff has been communicating information to Banks, about these changes, using a variety of methods. Training of Bank personnel is ongoing.

The CBE Registry is now the only fully automated department of the Central Bank of Egypt.

### 1.3 Comments on Project Activity

All parties continue to be positive and cooperative in providing information, support and facilitating meetings. General Manager, Zeinab Saeed Goher (who joined the Registry on December 11<sup>th</sup>, 2005) has continued with the expansion and her supervision sector background has provided her with a broad base of experience that is reflected in ongoing suggestions for improving the registry. She continues to be supported by Deputy General Manager Wafaa Tolba Afifi, Assistant Manager Ashraf Youssef El Wekeel, Head of the Credit Risk Department, and Assistant Manager Mohsen Emam Youssef Sayed who is the database manager (through this report when you a reference is made to the PCR Management Team, these





are the personnel.) Both Ashraf and Mohsen have been members of the project team since its beginning in February 2004. The PCR team has participated in as many meetings as possible, with the consultant, as part of their learning curve. Project activity has continued to progress in line with the schedule envisioned in the approved Strategic Plan, with the exception of the lowering of the reporting threshold. Specific findings, conclusions and recommendations, arising from the fourth visit of Phase Two, are detailed in this mission report. For reference purposes, noted below is the agreed upon Strategic Plan for the creation of a CIS, as developed in June 2004. Recommendations in this report continue the changes necessary in order to achieve the objectives of the Plan.

#### CREATION OF FULL CIS PLAN AND PROJECT TIME LINES

The Strategic Plan for the creation of a CIS has four components:

- **Phase 1** is an expansion of the existing PCR to include all credit accounts in the banking system and expanded dissemination of credit information to Banks who conduct inquiries of credit applications, through the PCR.
- **Phase 2** is a program to encourage the private sector to establish its own database of credit information that would be available to qualified Bank and non-Bank users.
- **Phase 3** sees the combination of the PCR, with any private, licensed CIS, to form one combined database. This combined database would be available to qualified users, both Banks and non-Banks. This would mean a copy of the PCR information would be privatized as part of the consolidation of the two databases. As an alternative there could be an interface built that would link the PCR and a private CIS. The PCR would continue to exist to meet its legal mandate. At the point in time that the private CIS is close to operational, a decision would be made as to whether the PCR information would be combined with the private CIS or an interface would be built to link the private CIS with the PCR database. At this time the consensus is that the 'interface' option will prevail.
- The **final component** is the required change to the Secrecy Laws, to allow the sharing of Bank information with a CIS that would subsequently be available to non-Banks.

*The key reasons for the continued expansion of the number of credits in the PCR is the fact that the current credit marketplace is focused on aggressive growth in the retail credit sector and needs additional credit information to support this growth. Historically, credit applicants fail to disclose bank indebtedness and banks have limited success in discovering these debts. This could mean, if the credit were granted, that a borrower could become over committed with debts and monthly payments.*

*All enhancements to the amount and delivery of information, provided by the CBE Registry, upgrade the Registry to 'Best Practice' and ensures a more refined and efficient approach to credit decisions by Banks.*

## 1.4 Other Comments

### 1.4.1 INTRODUCTION

The goal of this consultancy has been, since its inception, to support the strengthening of the Egyptian banking system.

To achieve this goal, the main objective is the development of a credit information system for Egypt that would provide timely, accurate and reliable information regarding individual, SME and corporate credit payment behavior. Ways and means are continually being identified in order to enhance credit reporting in Egypt that will ultimately lead to widespread use of this credit reporting system in mobilizing retail, SME and corporate credit in Egypt.



To achieve this objective an analysis of the existing credit reporting system, which is currently housed in the Central Bank of Egypt and referred to as the Public Credit Registry (PCR), was completed along with discussions and analysis of the Egyptian private sector as well as with other sources of potential credit related information. The Strategic Plan was developed and is almost totally implemented. That plan is detailed in the previous section and was the road map to the successful creation of a private CIS that will serve the Egyptian marketplace.

During five missions in 2004, extensive analysis was conducted, enhancements recommended and subsequently activated in order to make the PCR more responsive to their constituent group; banks, mortgage companies and leasing companies. Those enhancements continue towards the objective of replicating, as closely as possible, International Best Practices of the credit reporting industry.

In Phase One some of the major activities included;

A **Forward Looking Gap Analysis** was completed and is being updated each visit;

A **Task List** of ongoing changes necessary to the PCR was developed, is maintained by the PCR management team and is regularly updated;

**The reporting threshold of credits being reported, by Banks, was reduced from 40000 LE to 30000 LE;**

**Hours and days of access** to the PCR registry were expanded for the benefit of users;

In mid 2004, mortgage companies and leasing companies were mandated to commence reporting their credits to the PCR under the same guidelines as Banks;

In February 2004, a separate, **Negative Database** was established and Banks required to report information on all delinquent credit card accounts, under the existing 40000 LE threshold, to this database. Later in 2004 the mandate was expanded to include all delinquent credits. The Negative Database was to be temporary until such time as all credits were reported to the PCR which would mean the delinquent accounts have become part of the main PCR database;

The concept of **changing legislation** to allow for sharing of Bank information, with non Banks, was agreed to;

The creation of licensing guidelines for CIS operators along with regulations that would frame the credit reporting industry was commenced;

**Workshops** were conducted to educate Banks, and CBE personnel, relative to the concept of a CIS, how a CIS is constructed, the benefits of a private CIS, various products and services that could be offered by a CIS and the value of a CIS to the marketplace;

Two **educational Credit Bureau (CIS) brochures** were developed, in conjunction with the Egyptian Banking Institute, as the first step of a public awareness campaign on the subject as it relates to an overview of the industry and individual rights and protections in terms of their personal credit information;

**Enhanced communication** between the PCR and its constituent group, as it relates to enhancements to the PCR, along with evaluation by the constituent group, was implemented;

**Internal reports** were created to benefit PCR management.

**In Phase Two, the Bank secrecy law has been amended** to allow for freer sharing of credit information of between banks and non banks through a private credit registry. Article 99 was added to Law # 93 of the Year 2005, which amended provisions of the Banking law No. 88/2003 which allows the CBE oversight of the credit reporting industry. **Regulations**, for a private sector credit reporting industry, were drafted, and made legal on January 17, 2006. These regulations provide, among other items, the first consumer



protection regulation in Egypt and ensure that any licensed private CIS database will be housed in Egypt. **Licensing provisions were put in place**, detailing the conditions under which a private registry will be allowed access to bank credit information. Finally, a **private CIS was licensed** by the Governor of the Central Bank of Egypt. This company created a management team and in September 2006, awarded a contract, to a third party service provider, to create their database. In November 2006 activities commenced towards the creation of their database.

Other action items, in Phase Two, include the continued training of PCR staff in the operation of a CIS, industry awareness of the value of providing paid accounts to the Registry and to ensure that the continued expansion of the registry will mirror International Best Practices, where possible. A workshop, for the banking supervision department, was conducted and recommendations continued to be completed.

Overall the two phases have achieved the desired result in Strengthening Egypt's Credit Reporting System.

**1.4.2 THE CENTRAL BANK OF EGYPT (CBE) PUBLIC REGISTRY – PCR (PUBLIC CREDIT REGISTRY)**

**Contents of PCR database**

The PCR commenced in 1957 and evolved to the point that when this project commenced, the threshold for the reporting of Bank credits to the PCR was 40000 LE (approx. \$6900 USD) and higher. When a balance dropped below the 40000 LE thresholds, the Bank reporting the credit would send a letter to the CBE, advising of this fact, and discontinue any further reporting of that credit. *A proposed change was recently enacted when the PCR instructed data providers to continue to report information, until such time as the balance was paid in full. This change has made more information available to users and, allows for the future analysis of historical data, a key component in credit scoring.*

The original reporting requirement included all credits with balances of 40000 LE (or more) and any lines of credit which had a credit limit of 40000 LE (or more) even though the utilization might be less than 40000 LE. Credits were not aggregated, by borrower.

The system was automated in 2002 along with electronic access and transmission of information.

In August of 2004 the PCR lowered the threshold at which Banks were required to report credit accounts to 30000 (\$5226 USD) LE or more. This reduction has resulted in the addition of approximately 287000 accounts to the PCR database. This additional information is available to system users as they search/inquire of the PCR on all credit applications.

The current PCR database (as at 11.07.06) is as follows (information provided by the Registry) along with some historical numbers:

**History of PCR database since June, 2004 (including guarantors)**

|  | 6.22.04       | 9.26.04       | 12.09.04      | 7.17.05       | 12.18.05      | 4.17.06       | 11.07.06      |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>Total Files:</i>  | <b>356374</b> | <b>482534</b> | <b>529254</b> | <b>720343</b> | <b>767028</b> | <b>815810</b> | <b>847591</b> |
| <b># Business Files</b>                                    | 25630         | 41571         |               | 46977         | 49717         | 50000         | 52162         |
| <b># Loans/Credit Cards/Mortgage files for individuals</b> | 321651        | 329688        |               | 552778        | 593480        | 632175        | 653423        |



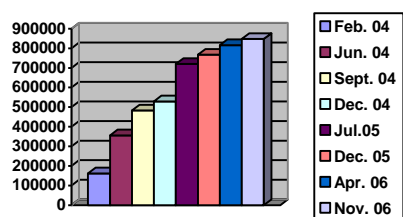
|               | 6.22.04 | 9.26.04 | 12.09.04 | 7.17.05 | 12.18.05 | 4.17.06 | 11.07.06 |
|---------------|---------|---------|----------|---------|----------|---------|----------|
| # Guarantors* | 109093  | 111275  | 115916   | 120588  | 123831   | 133635  | 142006   |

\* Not included in total files

The numbers from February 2004, when the project was commenced, were suspect and are not being reported. Due to improved reporting the numbers above are more representative of the actual size of the database. The breakdown of business files and loans to individuals was not available for December 2004.

In mid 2004, mortgage and leasing companies were required to report their proprietary credits, to the PCR, under the same conditions as Banks. To date both mortgage companies are reporting their information to the PCR. PCR staff has not been following leasing companies, for their information, and will reactivate efforts to do so.

The following chart shows the actual growth in the number of active credits, being reported to the CBE Registry, from February, 2004 to November, 2006



### Negative List Database

In February, 2004 the CBE mandated that twenty six Banks commence reporting any credit card credits (regardless of balance) that were delinquent (defined as 90 days past due and/or with legal proceedings taken). This database was later defined as the 'Negative List Database' or 'Negative Database' and is structured as a sub database of the main PCR database.

Initially, all twenty six Banks reported a total of **33046** credit card accounts that met the definition of a delinquent account.

In September 2004 it was recommended this database be expanded to include all credits throughout the Banking system. This expansion was completed in December, 2004.

| Negative list account balances | November 2005 | March 2006 | Number of accounts September 2006 |
|--------------------------------|---------------|------------|-----------------------------------|
| Greater than 30000 LE          | 494           | 2709       | 1213                              |
| 20000 LE – 29999 LE            | 709           | 2286       | 2305                              |
| 10000 LE – 19999 LE            | 2825          | 6304       | 6489                              |
| Less than 10000 LE             | 33446         | 46317      | 47089                             |



|   |               |              |              |
|---|---------------|--------------|--------------|
| <b>Total number of negative database accounts</b> | <b>37474*</b> | <b>57616</b> | <b>57096</b> |
|---|---------------|--------------|--------------|

During the December, 2005 mission it was found to be difficult to reconcile the total number of accounts in this database. In fact the November numbers were believed to total 50279\*. To correct the problem, it was recommended that a monthly report be created that would track these accounts, in the categories noted above. This report has since been created.

The report serves as an **excellent monitoring tool for the Inspection department** by highlighting negative trends. The report can be broken down by bank and by branch, which will further assist Inspection in highlighting problem areas. As example, from November, 2005 to March, 2006, the number of negative list accounts increased by at least 7337 or 12.7% (based on November at 50279 accounts). This is a trend of concern and should be looked into. It is being referred to the Inspection department. The number of negative accounts has stabilized between March 2006 and September 2006.

#### **Continued Expansion of the PCR Database**

The rationale for continued expansion is that the database containing demographic and credit information (current and historical) is in place, the search logic exists in order to retrieve information on credit applicants as requested by Banks under the jurisdiction of the Central Bank and there is no impediment, relative to legal issues, to this expansion occurring. With the expansion, Banks now have and will continue to have access to more and relevant information regarding individual or SME credit paying habits, debt structure and confirmation of demographic information of credit applicants. This allows Banks to make better informed credit decisions and to do so in a more efficient and timely manner. Were the CBE to wait for a private sector CIS to become operational, there would be a two year lag time meaning valuable credit information would not be available to the Banks. The minimum two year estimate is based on the historical experience.

Further, it is clear there is significant credit card and loan growth occurring in both the retail and SME markets in Egypt. Much of this growth falls below the current 30000 LE threshold for reporting to the PCR and the fact this information is not currently being reported to the Registry creates the opportunity for serious delinquency problems caused by abuse of the credit system. With individuals moving from Bank to Bank or Bank to non-Bank seeking credit and being approved without the credit grantor having any knowledge of other Bank or non-Bank credits outstanding, experience has shown that credit applicants become committed to monthly payments that are greater than their capacity to handle and, as a result, creates serious credit problems. Recent examples of this have occurred in China and South Korea. Accordingly the timing is right, and necessary, for the continued expansion of the PCR.

Banks are expanding into Micro Finance loans that will ultimately find their way into the PCR. Micro loans that are not issued by Banks will have to find their way into a private CIS.

The minimum reporting amount, for all credits, is currently 30000 LE.

During the July, 2005 visit it was agreed that the PCR management would forward a recommendation to Senior Advisor to the CBE Governor, Aziz, to lower the reporting threshold to 20000 LE, and this was completed. The recommendation was based primarily on the fact that, as a component of the Strategy, new servers had been added to the PCR database infrastructure and created significantly more memory for the additional information that would be forthcoming with the lowering of the reporting threshold. The proposed lowering of the threshold continues the strategy of the ultimate creation of a private CIS.

Based on a survey of Banks in September of 2004, it was anticipated an additional **347690** credit accounts will be added to the PCR with the lowering of the threshold to 20000 LE.



Following receipt of the recommendation, D.G.Aziz would then meet with the constituent group to discuss the proposed change to ensure they have the National ID # in place on the affected accounts and how they plan to handle the transmission of this additional information Upon reaching a consensus, the proposal would be presented to the CBE Board of Governors for their approval.

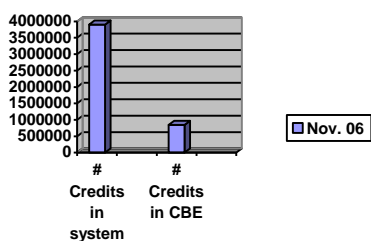
When the approval was obtained, instructions would be issued to Banks, mortgage and leasing companies to commence reporting these additional accounts.

The process of reporting these accounts would take at least nine months, for a number of reasons: first, the PCR is now requiring (and they are correct to do this) that all submitted accounts must have the National ID #. If the ID # is lacking then the Banks etc. must embark on a program to obtain that number and place it in the file. Missing ID #s was a problem with the previous lowering of the threshold to 30000 LE and it took the Banks several months to update their databases to include this number. Secondly, each credit must be input onto a screen that is then submitted to the PCR – this will require extra staff and time to complete the process of adding the aforementioned 347690 accounts. The expansion of the Registry is currently in increments of 10000 LE however it may be necessary to reduce this to increments of 5000 LE given the large volumes of credit accounts. Once the threshold reaches 20000 LE the breakdown of remaining, unreported accounts, is as follows:

| 10000 LE to 19999 LE | 767897  |
|----------------------|---------|
| Less than 10000 LE   | 2141978 |

When all credits have been reported to the PCR it is expected the number of active credits will exceed 3.9 million.

The following chart shows the number of active credits in the banking system and the number of credits currently being reported to the CBE Registry.



#### Since July 2005

The recommendation was made to the Deputy Governor, in August 2005, however he advises the approval was declined by the Governor. There has been no determination as to the reasons for this decision. At the time of the creation of the Strategic Plan in June 2004 and again in September 2004 there was agreement on the staged reduction of the threshold amount for reporting. During the visit the Governor was unable to meet with the consultant so the issue is still pending.

#### Since December 2005



The recommendation remains on hold. D.G. Aziz indicates any lowering must be approved by the Board of the CBE. Given the fact a private registry has been established, he indicates it is the bank's view that any further expansion of credits, should be suspended and it will be up to the private registry to place these accounts in their database, even though it will probably take two years to be fully operational and it has been 10 months since the recommendation to lower the threshold was initially put forward. D.G. Aziz further indicates that International Finance Corporation officials have recently recommended to the Central Bank that the threshold should not be reduced. The IFC are charging for some of their services, and donating other services, to the newly formed private CIS.

It is recommended that members of the CBE IT team meet with members of Bank IT departments to determine if a more efficient method can be found to place accounts between 20000 LE and 29999 LE, in the CBE Registry, than is currently being used. If this placement can be completed in a totally automated manner then potential roadblocks, and delays, could be eliminated. The first stage might be to add only accounts with the National ID number. While this would not include all 347690 credits, it is anticipated that a large percentage could be added. Best practice is to have this transfer completed by tape medium. The goal is to place as much information the CBE Registry database, as possible, to assist banks in their credit granting processes.

Since April 2006

*With the creation of the private registry, Estealam, the Central Bank of Egypt has been decided to cease further lowering of the threshold given Estealam have committed to having their registry database completed by June 2007. Currently activities are underway to find a way to share current CBE Registry data with Estealam until such time as they are able to obtain credit information on balances under the 30000 LE thresholds. This makes sense provided Estealam are able to deliver their database in the time frame committed. If not it would mean banks would continue to be starved from the additional information until such time as Estealam is ready with their completed database. The Strategic Plan anticipated a private registry having access to CBE Registry credit and demographic data.*

There is no longer a need for the IT department to find a more efficient way of placing large numbers of credits in the CBE Registry database.

Inquiry Activity of the PCR Database

Banks originally conducted search inquiries of the PCR database on a voluntary basis but in December 2004 it was mandated that **an inquiry search of both the PCR main database, and negative database, be completed on all credit applications.**

This report below was developed to allow for the PCR staff to monitor monthly activity as it relates to successful and unsuccessful searches, by users, of the regular PCR database that houses all credits of 30000 LE, or more. The reader will see the significant growth in search activity and the ability to handle this increased volume is a credit to the efforts of the PCR management team in completing system enhancements that have allowed for this growth.

Activity since October 2004

| Month         | Searches | Successful searches | % Successful searches |
|---------------|----------|---------------------|-----------------------|
| October, 2004 | 64987    | 36787               | 57                    |
| November      | 65925    | 28034               | 42                    |



| Month   | Searches       | Successful searches | % Successful searches |
|---|----------------|---------------------|-----------------------|
| December  | 91195          | 52982               | 58                    |
| January, 2005                                     | 75560          | 44503               | 59                    |
| February  | 88115          | 51721               | 59                    |
| March   | 115146         | 65998               | 57                    |
| April   | 82480          | 46035               | 56                    |
| May   | 115716         | 66128               | 57                    |
| June  | 108687         | 65816               | 61                    |
| July  | 90511          | 55592               | 61                    |
| August  | 97221          | 57395               | 59                    |
| September   | 108046         | 63458               | 59                    |
| October   | 90867          | 51545               | 57                    |
| November  | 101592         | 59435               | 59                    |
| December, 2005                                    | 112837         | 65414               | 58                    |
| January, 2006                                     | 96812          | 56851               | 59                    |
| February, 2006                                    | 112675         | 65820               | 58                    |
| March, 2006                                       | 131544         | 76984               | 59                    |
| April, 2006                                       | 103046         | 62124               | 60                    |
| May, 2006   | 147705         | 85788               | 58                    |
| June, 2006  | 130979         | 77009               | 59                    |
| July, 2006  | 125942         | 73296               | 58                    |
| August, 2006                                      | 146608         | 85857               | 59                    |
| September, 2006                                   | 129780         | 78763               | 61                    |
| October, 2006                                     | 107675         | 62245               | 58                    |
| <i>Total –Oct. 04 to Sept. 06</i>                 | <i>2641111</i> | <i>1533580</i>      | <i>58</i>             |
| <i>Total for 10 months 2006</i><br><i>1232766</i> |                |                     |                       |





A successful search/inquiry occurs when information on the credit applicant, being searched, is located in the PCR database.

Based on experience in other countries, the percentage of successful searches would increase significantly if all outstanding credits in the Banking system were reported to the PCR, given the likelihood that credit applicants have credits outstanding with Banks, below the current reporting threshold. It is guesstimated that with an additional 347000 credits being placed in the registry, when the threshold is lowered to 200000 LE, that the percentage might approach 70%.

**This chart shows significant growth in the number of searches with May, 2006 recording a record number of searches and over 15000 more than the previous record month, in March 2006. This is an indication of the increase in retail credit applications in the banking sector further justifying the need for more credit data that would be provided by lowering the existing threshold.**

#### Negative Database Search Report

During past missions it had been recommended that a negative database search report be created, similar to the report for the main registry database (see above).

During the December, 2005 mission the report was created and is now available on a monthly basis.

**Negative Database Search results**

| Month                 | Searches      | Successful searches | % Successful searches |
|-----------------------|---------------|---------------------|-----------------------|
| Mar. 31-Nov. 30, 2005 | 365328        | 159087              | 44                    |
| December 2005         | 76087         | 29327               | 39                    |
| January, 2006         | 59904         | 24141               | 40                    |
| February, 2006        | 74237         | 28921               | 39                    |
| March                 | 85225         | 34768               | 41                    |
| April                 | 67995         | 29474               | 43                    |
| May                   | 94591         | 37530               | 40                    |
| June                  | 93890         | 38195               | 41                    |
| July                  | 93249         | 36624               | 39                    |
| August                | 107616        | 41675               | 39                    |
| September             | 97257         | 38158               | 39                    |
| October, 2006         | 79781         | 30500               | 38                    |
| <b>2006 Totals</b>    | <b>853745</b> | <b>339986</b>       | <b>40</b>             |

These numbers indicate the database, with so many credits reported under the current 30000 LE threshold, has significant value in assisting banks in the credit granting process by virtue of the fact that



over 40 % of searches provide information on delinquent borrowers.

*While it is mandatory to check the Negative List Database (NLD) on all credit applications, it is clear this requirement is not being met. When one matches the number of searches, by month, in the main database, those numbers are significantly higher than searches for the same period of the NLD. The example is March, 2006 where the main database was searched 131544 times while the NLD was searched only 85225 times, a difference of 43319 or 35%.*

*It is recommended that a memo be sent, by the CBE Registry, to remind banks of their obligation to search both the NLD, and the main database, on all credit applications. (See also ‘Database Search recommendation on page 21 of this report)*

*A second recommendation is to create a report that breaks down the numbers, by bank and branch, for both the main database and the NLD searches conducted in March. These reports should then be analyzed, and compared, to determine where the discrepancies are and contact the deficient banks and branches to determine the reasons and ensure corrective action is taken.*

**Since April 2006**

*The CBE Registry management has recently written to banks to reconfirm their requirement to search both databases on all credit applications. Management is monitoring compliance and where there are large gaps between the number of searches of the main database and number of searches of the negative database, they will institute follow up to determine reasons.*

*A report has been created, as suggested, that will allow for the monitoring.*

**Both these tasks are now complete.**

**Trade Lines**

A ‘trade line’ is defined as a record of individual or SME payment record/behavior, on a particular credit account, with a creditor.

The PCR is providing to a Banks, on a successful inquiry, trade lines that are being aggregated. This means that a Bank is not advised the names of the individual creditors, who have issued credits to the credit applicant, on whom the Bank is inquiring or specific details of each trade line, nor the details of each individual trade line.

However, in the case of the negative database, there is some detail provided. That occurs because that database is structured differently and breaks down credit obligations, by facility. If there is only one credit in a facility then there is more detail, as noted in the chart below. If there is more than one credit in a particular facility, then there is aggregation.

The reporting of individual trade lines is an important component of any credit report and as such must become a function of information delivered to Banks, on successful inquiries, by the Central Bank Registry.

The trade line should include a five point rating as well as the name of the Bank who has issued the credit. This change is included on the PCRtask list.

**Current Status of Trade Lines Being Reported as of April 23, 2006**

| <i>Required information</i> | <i>Requested and received from Banks</i> | <i>Being provided to banks who search Main database</i> | <i>Being provided to banks who search the negative database</i> |
|-----------------------------|--|---|---|
| Name of credit grantor      | Yes                                      | No  | No  |



| <i>Required information</i>                            | <i>Requested and received from Banks</i> | <i>Being provided to banks who search Main database</i> | <i>Being provided to banks who search the negative database</i> |
|--|--|---|---|
| Date account opened                                    | Yes                                      | No  | Yes   |
| Original balance/facility                              | Yes                                      | No  | Yes   |
| Monthly payment  | No (5 characters)                        | No  | No  |
| Date of last payment activity                          | No (9 characters)                        | No  | No  |
| Balance  | Yes                                      | No (aggregated only)                                    | Yes   |
| Manner of payment (1 to 9) & type of facility (1 of 4) | No (2 characters)                        | No  | No  |
| Security Code  | Yes (type of security)                   | No  | Yes   |

*For a successful trade line presentation, ultimately all of these answers need to be 'yes'.*

#### **Since July 2005**

Similar to the conclusion in July 2005, there still has been no change in the above chart, since December 2004. Further meetings were held with the IT department and a full explanation was provided. Data fields will be expanded to include monthly payment, date of last payment and manner of payment. Input screens, for entry of new account information, by Banks, will also be expanded to allow entry of this information especially as it applies to existing credits that will be reported to the PCR, in future.

#### **Since December 2005**

This item has been temporarily suspended from the task list. It still receives the support of the CBE Registry management team and, in order to meet the requirements of current banking laws that require 'habit of payment' be provided to users of the PCR, this task should be reactivated. The chart indicates five of the eight subjects are already supplied to the PCR and, once the monthly payment survey is completed, it is expected banks will be required to supply that information as well. Then it is to be decided how the payment habit will be presented, in order to meet banking laws as well as Best Practice.

#### **Since April 2006**

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

#### **Demographic Information**

The following chart indicates the required demographic information that should be delivered to users of the Registry, on successful inquiries, to reflect Best Practice.



| <i>Required information</i>   | <i>Being delivered to Banks</i> |
|-------------------------------|---------------------------------|
| Registry Code #               | Yes                             |
| # of Banks with credits       | Yes                             |
| Utilization amount-aggregated | Yes                             |
| Name                          | Yes                             |
| National ID #                 | Yes                             |
| Address                       | Yes, as of Feb. 2006            |
| Birth date                    | Yes, as of Feb. 2006            |
| City of birth                 | Yes, as of Feb. 2006            |

#### **Since December 2005**

**This task has now been completed with the capture and disclosure of the final three categories, noted above. All information is being supplied to banks on all successful searches.**

#### **Since April 2006**

*As a point of clarification, the above returns reflect information in the main database. However as it relates to the Negative database, which is constructed differently from the main database, the utilization amount is broken down by each of four facility type categories, if the delinquent borrower has credits in any or all of these categories.*

#### **National ID number**

In the first phase of the project it was previously determined the Banks had not been diligent in gathering the National ID number on credits that weren't being reported to the CBE Registry. At a meeting in September 2004 they undertook to correct this deficiency and, since then, those efforts have been ongoing. The National ID number is a critical component of files that are stored in the PCR as well as a private CIS.

In April 2005, the CBE mandated that all credits, transferred to the PCR, must have an ID number attached to all natural person files.

A second National ID number has been established by the Government and includes an individual's birth date and area where they are domiciled. This information is included as part of the National ID number.

The PCR system has five separate fields in which can be entered a variety of identifying numbers that include the National ID number, passport numbers and tax numbers.

#### **Since July 2005**

**Given the fact there are now two types of National ID numbers and only a small minority of individuals have both, the banks have been asking the CBE to accept credit information without the National ID number to avoid confusion given the banks, themselves, are not consistent with these**



numbers. The decision to change rests with the CBE.

#### Since December 2005

*The new National ID# is to be fully implemented by December 31, 2006.* This number will become the primary identifier of Egyptians. It is currently estimated that approximately 35 million Egyptians (half the population) have been issued this new number and that all Egyptians should have the number by the end of 2006. Banking business that is being conducted, in Egypt, requires the presentation of this new number. The PCR can accept this, and the previous ID number, which is used as a key identifier in the placement of information in, and the retrieval of information from, the PCR database.

#### Since April 2006

*Plans are on track for the completion of implementation by December 31, 2006. Estealam management will be approaching the Ministry of Interior, who control the National ID database, seeking approval to obtain a copy of the database. If successful, this database would be the first layer of the new Estealam database and make the completion of their overall database, much simpler. In a meeting with the consultant, Minister of Investment, Dr. Mahmoud Moheildin, has indicated his support for this initiative and has offered to assist in procuring the information.*

#### Internal Bank Rating

The CBE uses a formula/standard for assessing provisions of all types of credit. The formula is for internal consumption only. **Sub Governor Diaa Eldin Mohamed Aly A. Rab has asked if those ratings could be a component of the information submitted by Banks and could become part of the information that is in the PCR.** He would especially like them for the corporate loans. A review was conducted, relative to his request, and in this report there is a recommendation to split the corporate credits, in the PCR database, for ease of access. In addition an extra field has been requested from the IT department in the format with which Banks submit their information to the PCR. That field would allow the entry of the internal bank ratings of accounts, as separate from Manner of Payment that is spoken of through this report – the two should not be confused. This additional field is a component of Recommendation #19, previously discussed.

**Since December 2005 - This request has been temporarily suspended from the Task List.**

#### Since April 2006

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

#### Remaining uncompleted recommendations from past missions:

The objective of this project is to 'Strengthen Egypt's Credit Reporting System'. The focus has been correctly placed on the PCR database as the important first step to achieve that goal and a Strategic Plan is well underway to elevate the Registry database to replicate as close as possible to International Best Practices within the confines of its terms and functions.

In the construction of a CIS database or, in this case the expansion of the PCR, given the project is dynamic; there will be ongoing recommendations that result from the 'ripple effect' created by previous changes. This project is no different. Of the fourteen additional recommendations, nine remained outstanding, following the December 2005 mission. The remaining recommendation, and status, is as follows:



1. Have Banks provide to the PCR the required or minimum monthly payments on all credits submitted to the Registry.

**Since December 2005**

A survey of all banks was commissioned, by D.G. Aziz, in order to determine the percentage of credits with monthly payment terms, prior to activating this recommendation. Of the 46 banks, supervised by the Central Bank, 9 have yet to respond to the survey including 3 of the 4 largest banks – National Bank of Egypt, Alexandria Bank and Misr Bank. CBE Registry management is contacting these remaining banks to obtain their surveys. Of the 37 banks who have responded, 6 do not issue any retail credits. The other 29 advise that all their retail credits are paid by monthly installment for terms ranging from two to six years. By extension, and based on discussion with the 3 of 4 largest banks, their situation would be the same as it relates to retail credits. Given the fact over ninety two percent (92%) of the credits in the PCR are retail in nature; it would seem there is now significant justification for requesting banks to provide details of monthly payments on credits being reported to the CBE Registry.

This information will assist banks in establishing a credit applicant's ability to repay credits that have been requested by the applicant.

**Since April 2006**

*The survey is now complete and it has been determined that over 90 % (ninety percent) of all retail credits have monthly payments.*

*As a result, this recommendation has now been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

2. All trade lines must be individually reported, on successful inquiries of the PCR, to the inquiring Bank with the full information noted in the 'Trade Line' section of this report.

**Since December 2005**

This recommendation has been temporarily suspended from the task list. It has the support of the PCR team and, while it may not be immediately acted upon, it should be added back to the task list as soon as possible.

**Since April 2006**

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

3. Develop a standard credit report and format that will provide details, of all successful inquiries, to Banks. This would include all information that is currently being made available and any information that may become available in the future.

**Since December 2005** - A report has been designed and has been successfully tested, internally, by the IT group. The report is now undergoing User Acceptance Testing, by the CBE Registry staff. Once approved the report will be introduced to the banks and provided on all successful searches. The CBE management team has requested approval, in writing to D.G. Aziz, to introduce it to



banks and place the report into production.

**Since April 2006**

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

4. Develop a list of 'status' narrative codes, to be attached to trade lines of credits reported to the PCR, that would include items such as 'credit suspended', 'bankrupt', 'account closed' etc.

**Since December 2005** – Some narrative codes were implemented in July 2005. Further detailed narrative codes were provided during the April 2006 mission. PCR management will review for suitability, relevance and implementation. Further discussion will ensue during the next mission.

**Since April 2006**

*This recommendation, of additional narrative codes, has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

5. Additional management reports should be developed to provide in depth knowledge of activity as it relates to operation and functionality of the expanded CIS Registry.

**December 2005 Status** – It was anticipated that the development of additional management reports would have been covered during this visit, however given the number of tasks still to be completed, there is no purpose served providing additional reports at this time. Further reports will be recommended on the next visit.

**Since December 2005** – Several additional reports were suggested during this mission, primarily for the benefit of the inspection department and are detailed earlier in this report. Further reports will be recommended during the next mission.

**Since April 2006**

*The following management reports have been created:*

- # of customers, in LE, by security/collateral by bank, by branch and consolidated, quarterly;
- # of borrowers who have new credits over a specified amount (as may be requested by senior CBE management) on a quarterly basis);
- Monthly report of the # of customers not reported by bank, by branch, where the PCR system shows the customer with a balance in the previous month. The PCR GM completes follow up with branches and normally the credit has been paid and not reported to the PCR;
- Monthly report of current borrowers, registered in the PCR, who obtained credit from another bank, for the first time;
- Monthly report of the names of borrowers, and credit facility, who are being reported to the PCR for the first time;
- Monthly report of the names of borrowers on whom banks have commenced legal action, in that month;
- Quarterly a combined report that is given the Governor of the CBE that details: list of banks who have been sued by borrowers; borrowers with existing legal action on their credits who have



obtained credit from other banks, in violation of CBE restriction (the PCR GM also writes to the offending bank asking why the credit facility was granted;

- Quarterly, for the CBE Governor, the # and LE of borrowers by sector;
- Quarterly, for the CBE Governor, the # and LE of borrowers by geographical sector;
- Quarterly, for the CBE Governor, the # of borrowers by legal entity (when requested).

Banks are able to obtain information, from the PCR, as to their percentage of the overall banking sector of some of the reports noted above.

*The PCR Management team has done an excellent job of developing reports and is knowledgeable on how to extract relevant data that will assist banking supervision in completing their responsibilities.*

**This task is now complete.**

6. Move corporate accounts, in the PCR, to a separate database from retail and SME accounts. Each account in the PCR has a specific identifier, as to the type of credit, so it should not be difficult to complete this task.

**Since December 2005 – This task has been temporarily suspended from the task list. See ‘Internal Bank Rating’ on page 16 of this report.**

**Since April 2006**

*There may be some technical issues with completing this task but that will only be determined when the IT department scope the work required as part of the overall Banking Supervision Reform project.*

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

7. Work with PCR staff in the area of implementation of the Manner of Payment. It is anticipated that Banks may have difficulty in completing calculations, due to lack of familiarity.

**Since December 2005 – Banks are aware that this information will be required. A workshop to provide education and training should be conducted during the next mission. This has been delayed until item # 3, above, has been completed and a decision made on reporting monthly payments. There is no action required, by the PCR, at this time other than the completion of Item #3.**

**Since April 2006 - The private credit registry is contacting banks for Manner of Payment of information. As a result it is being left to that company to work with banks and educate them on how to handle this subject.**

**This task is now closed.**

8. Add five fields in the data input from Banks to the PCR that would capture; monthly, quarterly, semi annual or annual payments; date of last payment; manner of payment on retail and SME accounts; internal CBE formal rating of corporate accounts; internal CBE formula rating of retail and SME accounts.





**December 2005 Status** – Prior to the next visit, a survey of all banks is being completed to determine the percentage of installment credits present in the banking sector. This will determine the availability of a monthly installment amount, on credits, from which a decision will be made as to requesting the monthly installment information from banks. This survey was requested by D.G. Aziz.

**Since December 2005** – See comments above.

**Since April 2006**

*With the completion of the survey, this recommendation has now been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006. This approval is subject to a letter of clarification from the PCR GM to the Consultant.*

9. Adjust input screens for the same items as noted in #8, above.

**Since December 2005** - Task has been suspended from the task list and it should be reactivated, as soon as possible.

**Since April 2006**

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006. This approval is subject to a letter of clarification from the PCR GM to the Consultant, as noted above in #8.*

10. A special field should be provided, for data input by Banks, which will identify the internal CBE rating on all credits. This rating is based on established CBE standards.

**Since December 2005** - Task has been temporarily suspended from the task list. It should be reactivated, as soon as possible.

**Since April 2006**

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

11. Schedule Workshops, as necessary, to deal with Manner of Payment and other issues that will be raised by Banks as a result of the ongoing changes of the PCR and the impact of those changes on the Banks. These workshops would be scheduled for the next visit of the consultant.

**Since December 2005** – Banks are aware that this information will be required.



**Since April 2006 - The private credit registry is contacting banks for Manner of Payment of information. As a result it is being left to that company to work with banks and educate them on how to handle this subject.**

**This task is now closed.**

#### **Mortgage and Leasing Companies**

New regulations, in 2004, required that Mortgage and Leasing companies provide data to the CBE registry as well as complete searches in the registry databases.

There are two mortgage companies and both provide their data and search the registry databases. El Tameer Mortgage company has provided information on 87 mortgages and Egyptian Company for Mortgages, on 182 mortgages.

The limited number of mortgages is due to the fact that the vast majority of property in Egypt is not actually registered with the government and unregistered property cannot be mortgaged because it does not fall within a suitable legal framework. The high number of unregistered properties is the result of a drawn out registration process and high registration fees and property taxes. The government is moving to correct these deficiencies.

One leasing company, EnCoLiz, completes searches and it was determined they have over 800 leases. That information is not being reported to the PCR because all their data has been kept in hard copy. They have recently purchased an IT system and should be in a position to report their data in the next few months.

It is estimated there are eight other leasing companies who do not utilize the registry for searches, nor provide information, on any receivables with balances of 30000 LE or more. The PCR management team should be enforcing the requirement that leasing companies report to the PCR and search the PCR databases.

***It is recommended that, the PCR management team determine who the existing leasing companies are, make a list of those companies, contact each one for details of their portfolios and advise them of their requirements to report to the PCR. They should follow up to ensure they do, in fact, report to, and search, the registry.***

***It is also recommended that a Memorandum of Understanding (MOU) be signed between each company and the CBE Registry to outline the conditions of their providing information and using the CBE Registry database.***

#### **Since April 2006**

***A survey was completed and it was determined there are 73 (seventy three) leasing companies in Egypt. Currently there are four leasing companies completing inquiry searches from the PCR. The searches are requested by mail given they have no dedicated lines to the PCR. The PCR have asked these companies to develop direct links to the Registry. The lack of activity from leasing companies, who do not currently provide credit information, is based on the fact that the leasing companies want to receive some form of regulation documents that outline their responsibility to provide data and request search inquiries from the PCR. The leasing companies have agreed to provide data, once they receive regulations. The regulations were prepared and forwarded to the Consultant for review.***

***The first recommendation, based on activities since the last mission, has now been changed to read:***

***'PCR management team should contact existing leasing companies to obtain details of their credit portfolios and advise them of their requirements to report to the PCR. They should follow up to ensure they do, in fact, report to, and search, the registry.'***

***Both these recommendation has now been agreed to by the Head of the Banking Supervision Reform***



*Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

#### **Database Searches**

Currently users of the CBE registry must individually search the main registry database and the negative list database. This duplication should be eliminated by having the system search both databases at the same time. It is expected that both databases will be searched on all credit applications. Given the growth in searches (see record of monthly searches on Page 12 of this report) and the fact that over 130000 were completed in March 2005, alone, if the current trend continues the number of searches is annualized at 1.5million, times two individual searches. By combining the database searches, you eliminate 1.5 million transactions which would be a large cost savings to banks.

*It is recommended that the IT department be asked to reprogram the system 'search engine' to jointly search both the main database, and the negative list database, on each search request. This proposal has been discussed with the IT department. The change would eliminate the discrepancy, in search numbers, between the main database and the Negative List database.*

#### **Since April 2006**

*After analysis it was been determined it would be too difficult and time consuming to combine both searches. Previously separate screens had to be utilized to request an inquiry search of the negative database and the main database. As an alternative to the suggestion, a single screen has been created for both of these searches for more efficiency and likelihood that both searches will be completed. Banks were advised of the change in early November and the change was implemented during this mission.*

**This task is now complete.**

#### **Returned checks**

Best practice for Central Banks is to include information on returned checks in their registry databases. It has been confirmed that each bank in Egypt maintains information on returned checks, by customer. It has been further confirmed that there is an informal exchange of information, between banks, on these customers. The returned checks, of concern, are those that are a result of insufficient funds in a bank account as opposed to those that are returned for technical reasons (e.g. body and figures differ). Frequent returned checks have been proven to be an indicator of an individual's financial condition and potential paying habits.

*It is recommended that a survey be completed to determine the number of these checks, their nature and how banks deal with them as it relates to the possible extension of credit facilities. Consideration should then be given to adding returned information to the CBE Registry database.*

**Since April 2006** – *This proposal was recently approved and a survey has been prepared and forwarded to Banks, during the mission.*

**Further recommendation, this mission** – *If it is determined there are a large quantity of returned checks, then data fields should be added to the registry database and banks required to submit the number and LE amount of returned checks, by issuer, with this information being included in the aggregated credit totals.*



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### **Unsuccessful searches**

Best practice is to establish a credit file on any credit applicant where there has been an unsuccessful search request. This practice does not occur in the PCR and it is problematic in the sense that an individual could move from lender to lender attempting to obtain credit and, in a number of instances, would be successful without other lenders being aware. Potentially the individual could become over indebted and not have the capacity to repay their obligations. This situation is prevalent in Egypt and has been pointed out, on a number of occasions, by Banks. They indicate that many credit applicants fail to properly disclose their existing indebtedness and they are looking for ways to overcome this failure to disclose.

Much of the current Bank delinquencies are the result of credit being granted without a fully disclosed picture of the applicant's credit obligations.

Should the credit applicant obtain credit in excess of the 30000 LE minimum reporting threshold, it could take up to one month for the information to be reported to the Registry. If the balance was less than 30000 LE it would not currently be reported to the registry and banks have no way of knowing if there was ever any credit granted. Even beyond the expected reporting period of one month to the Registry, those credit approved under 30000 LE would still not be known to Banks.

By establishing a credit file there would be a record of the search request and, should the applicant request credit at another Bank within days of obtaining the credit, the record of the inquiry would be available to that Bank. Normal practice would be for that Bank to contact the Bank who made the original inquiry to determine the status of the inquiry. This way Banks would be aware if the applicant had obtained credit elsewhere and had neglected to include this information in their application. This would be a significant factor in the credit decision process and address the concern expressed by Egyptian Banks.

***Recommend that on unsuccessful search requests a credit file be established on the applicant. The file would include the applicant's demographic information as well as the inquiry date, name of inquirer and their location. Should credit be granted and reported over the threshold of the CBE Registry, that credit should be added to this newly created file. Any searches by other Banks, on the subject credit applicant, would have those inquiries attached to the same file.***

This recommendation was discussed with the IT department and would not be difficult to implement. Currently all search requests are maintained in an audit file, and those unsuccessful search requests are not available to Banks as they search the CBE Registry database.

***It is further recommended that individual search requests should be purged two years, or longer, after the date of the search.***

#### **Since April 2006**

***The first recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006. The issue will be the lack of a unique ID# that is required on all PCR files – if IT can find a solution to this requirement, that will allow the files to be created, then the recommendation can be implemented. If they cannot find a solution then the recommendation will have to be discarded. That decision will be made after a thorough analysis by the IT department.***

***The second recommendation task has now been completed.***



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### **Payments on credits in the Negative Database**

Monthly, Banks must report on each outstanding negative account, to the CBE Registry and that information is placed in the Negative Database. If a delinquent customer makes payments on the account, that information may, or may not, be reported to the CBE Registry – this is a decision of the bank and, if the delinquency has been corrected, but a balance remains, it is likely the bank will not report. If a delinquent customer repays their balance, in full, Banks stop reporting the account and do not notify the registry that the balance has been paid.

Complaints have been received, from individuals who have paid some or all of their negative account balances, upset that their delinquent account information is not being updated and, in the case of paid accounts, expunged from the database. The expectation of deletion from the database has been explained as a cultural occurrence. Yet, the fact they were even delinquent is a reflection of their payment habits and is important information that **lenders want and need** as they consider credit requests. Best practice is for this information to be maintained, in the six year range, from the date of last activity. If there has been no payment on the credit, at any time, the information should be maintained by a longer period. The information is maintained whether or not the balance has been paid. In many countries, the maintenance of negative information is governed by a Statute of Limitations.

Borrowers will have to learn that there are consequences when they allow their credit obligations to become delinquent and, in the case of the CBE Registry, the delinquency definition is ninety days past due. In this case, the consequence is that fact a record of the delinquency will be maintained for a specified period. Once this knowledge is expanded, empirical evidence suggests that many borrowers will become more responsible in repaying their credit obligations.

*It is recommended that information on delinquent borrowers be maintained in the database for at least two years, from date of last activity, and that information should be made known to borrowers as a component of the USAID public education program regarding the private CIS. This would also apply to any legal accounts that are in the main database. Credits that have never had any payment should be maintained for four years.*

#### **Since April 2006**

*Data from the Negative list is stored for a period of five years and is provide on successful searches, even after a credit is paid in full. In the main database, legal accounts are maintained after the balance is paid in full but, unlike the negative database, that information is not shown on successful searches and this should be corrected so that this information is provided on successful inquiry searches for a period of at least two years. So the recommendation will now read:*

**'Details on paid in full legal accounts that are in the main database should be provided to banks on all successful search inquiries'**

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

**Recommend that Banks should continue to report balances, on previously reported delinquent accounts, until such time as the balance is paid in full. Banks must advise the CBE Registry of the fact that the account has been paid in full, including the date of payment.**

#### **Since April 2006**

*The CBE has written to Banks instructing them to continue reporting balances as noted above.*

**This task is now complete.**



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### **Problems with Bank compliance in reporting to the CBE Registry**

CBE Registry personnel, in a Best Practice initiative, are accompanying inspection teams to Bank branches. Those visits have raised some serious concerns as it relates to Bank compliance not only in the reporting of information but in other areas as well. The success of the content of the CBE Registry is a product of the total compliance, by Banks, of the delivery of required information to the CBE Registry.

Areas of concern are:

1. Failure of Banks to report the fact legal action had been initiated on some of their retail clients and that there had been settlements, on other credits, for less than the original credit balance.
2. Failing to report legal action information within the required time frame of thirty days.
3. Failure of Banks to report information that Partners of a business had signed guarantee contracts for credits extended to the business.
4. Failing to report information on credits extended to connected parties.
5. The offering of credit facilities, or acceptance of guarantees, by Banks to their Board Chairmen, Board members, their auditors and the spouses of these individuals. This practice of extending credit facilities to these individuals is prohibited by law.
6. Failure to report the facilities noted in # 5.
7. Failure to search the Negative List Database, on all credit applications, as required.
8. Not informing the PCR about any amendments to a company's registration. E.g. change of company name and/or the legal entity.
9. Failure to report all credits over 30000 LE to the Registry.
10. Failure to report all delinquent accounts, to the Negative List Database.
11. Failure to report all companies related to borrowers.
12. Misclassification of types of collateral.
13. Failure to aggregate borrowers credits.

**Due to these significant deficiencies, it is recommended that a CBE Registry team be established, and a schedule developed, to conduct on site visits at Bank branches. This team is necessary to ensure proper and tight control of the gathering and distribution of credit and demographic information, from and to banks, in order to protect the integrity and accuracy of the CBE Registry system. It has been stated, by the IT group, that data quality in Egypt is suspect and the type of follow up envisioned, by this team, will address that concern. Registry personnel are experts and well qualified to handle this responsibility.**

This team would examine all credit data and report on their findings to CBE Registry management.

The visits would have six main objectives:

1. Educate and train bank personnel on the operation of the registry and information sharing requirements.
2. Ensure total compliance with all regulations that deal with the CBE Registry.
3. Validate data input, for new credits, given the fact that this data input has now been automated for all Banks.
4. Ensure accuracy of all data that is being reported to the CBE Registry for credits of 30000 LE or more; for delinquent credits that reported to the Negative List Database; for all credits originally reported to the Registry where the balance has fallen below 30000 LE.
5. Ensure Banks are aggregating all credits, as required.
6. Report to the Governor who could provide information to other Government ministries, as appropriate, to ensure the credibility of the CBE Registry system.



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**Since April 2006**

*A registry team was established. Visits have already been conducted and have revealed many errors. Following visits, corrective action has been taken, where necessary. Visits will now be a regular occurrence and will be conducted by CBE Registry personnel, only. Where possible, errors will be corrected 'on site'. The plan is to conduct visits to four banks, and their branches, annually to mirror the current practice of the Banking Supervisor Inspection Department.*

*The CBE Registry management has reviewed the results with the Central Bank Governor, and Deputy Governor, and both have endorsed the team and are pleased with its effectiveness.*

*This initiative is Best Practice and because of its effectiveness and the fact it reinforces the integrity and accuracy of the registry system it should be continued.*

**This task is now complete.**

**Failure of Banks to comply with CBE Registry reporting requirements**

Article 135, of the Banking Law, states that the Board of Directors of the CBE may take measures if a Bank is found to violate provisions of the Banking Law; the statutes of the Central Bank; or decisions of the CBE Board of Directors.

Currently if information is not provided to the CBE Registry, as required, the following clause applies from Article 135. Clause (d) '*Obligate the violating bank to deposit non-interest bearing balances at the Central Bank, for the period it chooses, in addition to the credit balance stipulated in Article (74) of this law*'.

In practice this processes is cumbersome and requires extensive accounting follow up.

**Best Practice in other countries** is, instead, to levy fines when it is discovered that required information is found that is not being reported to the Registry. Depending on the size of the credit that is not reported, or the failure to report to the negative database, the fine would be geared to the balance. As example, balances between 30000 LE and 50000 LE would attract a fine of 7500 LE on any first offense and 15000 LE on subsequent offences. Balances greater than 50000 LE would be fined 15000 LE on the first offense and 30000 LE on subsequent offences.

Failure to report credits to the Negative Database List would be liable for a 6000 LE fine on the first offence and 12000 LE on subsequent offences. These fines would be levied by Bank, rather than by branch.

It would be clear to Banks as to the fines and based on evidence in other jurisdictions, there is no question as to the amount and it is simply to find the compliance failure and to invoice, or deduct funds, from the offending Bank.

Other offences, such as failure to report detail information on reported credits, would have lower fines.

***It is recommended that specific fines be established for failure by Banks to provide required information to the CBE Registry. These fines would replace the current practice of requiring Banks to deposit funds in non interest bearing accounts at the Central Bank.***

**Since April 2006**

***Effective December 1, 2006 a procedure for fines will be in place. The minimum fine will be 100000 LE and the maximum fine will be 5% of the facility that is not reported. Banks have***



*been advised of the change and the Registry team believes this system will be simpler to administer.*

***This task has now been completed.***

#### **Survey of Banks**

In September of 2004, Banks were surveyed to obtain their opinions on the registry changes as to their acceptance, understanding and practical application. They were further asked their opinion on how the PCR could better serve them and solicited recommendations for changes to the PCR. This was a valuable exercise and validated the changes made by the Registry and provided some sound suggestions. A copy of the September 2004 survey, and results, is attached for reference purposes.

*Suggest that a similar survey be conducted as a means of continuing communication with banks and as a means of determining how satisfied they are with the ongoing changes and what additional changes they would like to see from the PCR in order to further assist them in their credit granting processes.*

#### **Since April 2006**

*The General Manager of the CBE Registry makes regular personal calls to all banks with the express purpose of determining their views on the information the registry is providing and seeks their suggestions on how they could improve. In addition, when changes are introduced, bank officials are invited to the Registry offices for training. When changes are contemplated, bank officials are invited to Registry offices in or to obtain their feedback on these proposed changes. Based on this activity, a survey is not warranted, at this time.*

***This task is now complete.***

#### **Future activity of the Estealam, the private CIS**

Private credit information systems derive much of their income from the packaging of information into individual files and when a search inquiry is completed, best basic practice is there will be one of two charges to the requestor.

Where a search inquiry is successful, there will be one charge and where the search inquiry is not successful (no file) then there will be a lower charge.

This registry will have, based on current activity, an automatic 1.5 million search requests per year. Based on current results, 57% or 855000 will be successful.

This activity is only from the Banking sector. There will be many inquiries from retailers, telecoms, property management companies, mortgage lenders etc.

Estealam will also have access to significantly more credit information than the CBE Registry and, based on empirical evidence, the search success rate should be in the high 80s and low 90s.

All this to point out that the private registry, with a virtual monopoly at present, should be able to quickly recover their capital costs and easily cover their ongoing operating costs which mean the price for successful searches would probably be in the range of 5 LE. If the success rate was 80% on 2 million searches, at 5 LE per search, then the gross profit would be in the area of 8 million LE or 1.4 million USD. At 10 LE, using the same formula would equate to 2.8 million USD with





little risk to Estealam. These numbers do not include any pricing attached to unsuccessful searches or any other products they may develop.

The question is how much of those monies should be passed to the CBE Registry for maintaining their database?

***It is recommended that the CBE Registry strike an agreement, with Estealam, for a percentage of their revenues, at such time as credit reports are available for sale.***

**Since April 2006**

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

**Reports**

The following reports should be automatically generated, at the end of each month, and analyzed by PCR staff for possible action.

1. # of files in the main database, broken down by business, retail and guarantor.
2. # of files in the negative list database, broken down by size of balance.
3. # of searches completed in the main database, # of successful searches and # of unsuccessful searches.
4. Same as #3 but of the negative list database.
5. # of accounts removed, by bank, from the negative list database.
6. # of accounts added, by bank, to the negative list database.
7. # of search requests that were rejected due to data input errors, by bank.

Based on the analysis of these reports, it may be necessary to obtain more detailed reports in order to determine the source of any concerns.

Prior to any CBE official's visits to banks to complete inspections, the CBE Registry should prepare a list of the accounts reported to the main database and the negative list database, to be used to verify all required accounts are being reported to the registry and that the information that is reported, is accurate.

**This task is now complete.**

**1.4.3 OTHER ACTIVITIES AND RELATED OBSERVATIONS**

**Staffing Update as of November 2006**

Through the progress of these missions, the CBE Registry has become the first department within the Central Bank of Egypt to be totally automated and, as a result, staffing reductions have been achieved.

Since April 2006, due to the CBE offering an early retirement package, *sixteen employees have left the department and will not be replaced.* This leaves the department with fifty five staff, reduced from seventy one. In spite of the reductions, the department is still able to handle the newly created inspection team that will visit bank branches to conduct their CBE Registry inspection.

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#### Additional recommendations from this mission:

1. Page 23 has an additional recommendation dealing with returned checks.

#### **2. Loss Provisions**

If CBE Management approves the recommendation that banks be required to provide the Internal Bank Rating on all credits reported to the PCR, it would make sense to also include the amount of LE that has been provided for, by banks, so that the CBE Supervision Department would be in a position to match the provision to the rating. In addition this information would be useful for the CBE Inspection team, when they analyze both the rating and the provision, as a guide as to which credits to review during branch inspection visits. This information would be for *internal use only* and not available to banks.

**Recommend that a field be created, in the PCR dataset, that indicates the amount of provision (if any) on credits and that banks are required to provide this information on all credits submitted to the PCR.**

*During the mission his recommendation was been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

#### Regulations

The Regulations for private credit registries (Company) contains Section 3 – ‘The Company’s relation with clients (consumer rights)’. This section reflects best practice in that it provides an individual the right to receive a copy of their personal credit report; the right to challenge/complain about what they perceive to be incorrect information in their personal file; the right to expect the Company to investigate the complaint within 10 working days from the date of receipt of the complaint; the right to expect that the data provider will respond to the complaint within 15 days; the right to expect incorrect information to be corrected and the right to expect that errors will be brought to the attention of past users of the personal report, who viewed the incorrect information.

The nexus of the individual’s right to view any data that might be held with a private registry (Estealam) would certainly be problematic while the database is being built. Information would be incomplete and it would not be reasonable to expect the Estealam registry to have to meet the obligations of this regulation until such time as the registry database had been constructed and information was ready for distribution to authorized users on qualified inquiry searches. If the registry was required to conform, a department would have to be established to deal with any and all requests which would, during the building process, take focus away from the priority which is constructing a comprehensive and accurate database. Even then there would be no guarantee that all available information would be in credit files and to provide an incomplete report, that was not yet available to the marketplace, would be misleading.

A recent example of this type of situation is in Albania where a recommendation has gone forward to provide a two year moratorium on Consumer Rights (similar to the Egyptian Regulations), that are contained in Albania’s Privacy Code that covers information in Government databases, as the Bank of Albania builds their credit registry.

Estealam management have indicated their database will have been constructed by June of 2007 so it would be appropriate to provide a moratorium, from the Consumer Rights section, until that time, for the reasons noted above.

***Recommend that the Regulations that provide for Consumer Rights, as it relates to private credit registries, be suspended until such time as the Estealam database has been built and credit reports are available to the marketplace.***

#### **Internet Access for Consumers to Request their Personal Credit Files**



At the request of Senior Advisor to the CBE Governor, Aziz, a demonstration was provided for the PCR Management team, using the website of an International Credit Report provider, to show them how a consumer is able to request a copy of their personal credit report. Two websites were used and they were Trans Union of Canada and their Canadian web site is [www.tuc.ca](http://www.tuc.ca) and Equifax Canada and their website is [www.equifax.ca](http://www.equifax.ca). Sample reports, similar to what a consumer would receive, were printed. Also reviewed was the dispute resolution mechanism used that included forms and process. An offer made to Estealam, for a similar demonstration, was not taken up.

### **Forward-Looking Gap Analysis**

During visit Four of Phase one of this project, the subject was completed and the details are noted below. Included are comments relative to any progress achieved, since September and December of 2004, July of 2005 and the current mission. These areas are important for the PCR as it strives to achieve International Best Practices.

*Status – Five of the original seven gaps were previously closed and of the remainder, one is within weeks of being concluded.*

#### **ISSUE: REPORTING OF PAYMENT HABITS – MANNER OF PAYMENT (MOP)**

*Best Practice:* Worldwide there is a standard code that reflects a debtor's manner of payment for a particular credit. That code reflects the current delinquency status, if any, and a value is assigned, between 1 and 9.

*Current Situation:* In Egypt there is no code assigned to reflect a debtor's manner of payment.

*Steps to Close Gap:* The code has been presented to and reviewed with senior management and plans are underway to discuss and gain agreement of the code and its implementation, amongst the credit community.

*Since September:* The PCR have this as a priority however, given many other priorities relative to the expansion of the Registry and information distribution to Banks, they have been unable to focus on this area. They do need further technical assistance to achieve the Best Practice.

*Since December –* There has been agreement in the need to provide MOP information to the PCR to assist users of the system in credit adjudication and as historical information for credit scoring development by a private sector CIS.

The law governing the PCR requires that information in the Registry must include 'habit of payment' which would be as simple as 'regular' or 'irregular'. MOP reporting allows the PCR to meet this requirement and provides extensive detail, by month, of payment behavior of individuals.

There may be difficulty in disseminating the process of calculating MOP for some of the Banks and Consultant, Jim Aziz, will be available via the internet to assist where possible.

During the next consultancy visit it is advisable to conduct a workshop to deal further with MOP.

- **Since July 2005 – At the request of D.G. Aziz, a survey of banks is being conducted to determine the percentage of credits with regular payment requirements. From the results will emanate a strategy for approaching the banks for the MOP status. The next mission, anticipated for April 2006, will deal with this issue and would normally include a workshop on the subject. Regardless of the outcome, in order to meet the requirements of the Banking Law that mandates that 'habit of payment' be provided to users of the PCR on successful searches, some type of indication of the payment status of the credit will have to be provided whether it be Best Practice MOP or a simple indication as to whether the credit is current or past due..**



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The efforts on MOP, when successful, will meet this requirement.

In addition there may be special ratings, as a component of Basel 11 that may have to be included. Criteria will have to be reviewed and a determination made as to whether or not this special rating should/must be included, by banks, when they provide credit information to the CBE Registry.

**Since April 2006**

*With the construction of the private credit registry underway the registry will be working with banks on the development of a Manner of Payment for reporting delinquency status.*

*The CBE PCR must still, in order to meet the mandate of a 'habit of payment', institute a 'five point rating' and include an internal 'CBE rating' as part of this rating. This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision. The recommendations should go forward by the end of 2006.*

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**ISSUE: PRESENTATION OF CREDIT AND DEMOGRAPHIC INFORMATION IN A 'USER FRIENDLY' FORMAT.**

*Best Practice:* In mature CIS markets, all of this information is provided in a format that is easy to read and understand. There are different sections for different types of information. There is a demographic section to identify the subject of the report, a section that contains trade information, a section that displays a listing of users that have made inquiries of the CIS, on the subject, a section that contains collections, a section that contains any bankruptcy information etc.

*Current Situation:* There is no formatted report that presents CBE information to inquiring Banks.

*Steps to Close Gap:* A sample report has been designed and presented to CBE management for review and efforts are underway, with their IT unit, to produce a similar report to be presented to Banks when they search the PCR on credit applications.

*Since September:* Little has been completed in this area. It has been agreed that information that is currently made optional to Banks will be consolidated into a single file. The formatting still needs to be completed and the Registry is in need of further technical assistance in this area.

*Since December –* Some activity has transpired in the form of a draft credit report. Under Item #9 of the 'Additional Recommendations' section of this report, detail is provided to indicate that this report could be available for distribution as soon as December 2005.

**Since July 2005-** The programming for the draft credit report has yet to be completed. A plan is in place, with the IT group, and assurances have been given the task will be completed prior to the consultants' next mission.

**Since December 2005**

The draft credit report has been programmed and internally tested by the IT department. It is has undergone User Acceptance Testing, by the CBE Registry team, and should be released for full production in May, once approved by DG. Aziz.

**Since April 2006**

*This recommendation has been agreed to by the Head of the Banking Supervision Reform Unit and will be presented to CBE Management, for approval, as a component of a large range of recommendations that cover many areas of banking supervision, by the end of 2006.*



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## USAID

In July 2005, December 2005 and in April 2006, meetings were initiated with USAID to review the progress of this project and of the USAID project.

In December visit this project also invited the representative from the IFC to attend given they were now offering technical support to the private CIS. It was felt to be critical that all parties were working to the same goal to ensure donor monies were efficiently expended, there was no duplication of effort and all were working as a team to support each other and have as a goal the achievement of the strategic plan as developed in June 2004.

In addition to the IFC, the group was expanded to include the representative from Estealam, the private registry that would benefit from efforts of both the IFC and USAID.

There were two meetings in December and at the second meeting it was agreed that Mohamed Refaat El Houshi, from Estealam, would chair subsequent bi-weekly meetings and the next meeting would be held on January 12, 2006. This was a positive development and was meant to ensure effective communication and cooperation was in place for the successful creation of the private registry.

At both meetings past and present activities were reviewed and future strategies discussed and developed.

The time spent at both meetings was worthwhile and was a watershed for the future of the creation of the private registry.

***During this mission, PCR personnel, and the consultant, attended a meeting at Estealam where the USAID contractor attended along with MFI that are funded by USAID. An update was provided on this project. Efforts to contact the local USAID counterpart, Magdy Khalil, were not successful.***

## Meeting with Governor Farouk El Okdah

One of the components of this phase of the project is to meet with the Central Bank Governor each mission. Met with the Governor on November 23, 2006. Conducted a brief review of the success of this project, over the past thirty four months. The Governor is requesting ,because he believes it is necessary, additional TA, for at least one year, as the private registry commences construction. He views it critical that the CBE have an experienced credit reporting individual, who understands the CBE Registry, to guide and monitor the transmission of CBE Registry data to the private registry, complete implementation of the seventeen remaining recommendations from this project and be available to assist wherever necessary through this transition. His request makes good sense and would be best practice. His opinion is that the project has made major progress and it is important to ensure that the final phase succeeds. His request is being passed to Sahar Nasr of the WB and the consultant will create a working paper and forward to the Senior Adviser to the Governor, Mahmoud Aziz.

## Training

An important component of this project is to train PCR personnel on the functionality of a credit reporting agency.

This training has been ongoing in the form of daily meetings and discussion around issues that arise in the expansion of the PCR. There is significant discussion to the point it is clear the knowledge level has increased significantly on the awareness of the operation of a credit reporting agency and the components required to set up and populate a database along with delivering the information contained in the database, to users.

Documentation has been provided to the PCR team on a number of issues to assist them in their activity.

Third party meetings normally include PCR staff, again for knowledge and training purposes. During this



meeting they attended meetings with the new private registry, Estealam as well as attending the workshop for the CBE Inspection Department.

General Manager of the Registry, Zeinab Saeed Goher, appointed in December 2005, has made excellent progress in understanding the components and function of the PCR, administering the PCR Task List and finding new ways to make the registry more effective for the CBE.

#### Workshops for the CBE Inspection Department

*A recommendation, from the December mission, was to conduct a workshop for the CBE Inspection Department. In April the workshop was approved by D.G. Aziz and an outline of the power point program was provided to the Central Bank seminar organizer. Unfortunately, scheduling did not allow the workshop to be conducted on that visit and was rescheduled for the final mission.*

Even though the CBE Registry have invited bank personnel to their offices to review and changes and enhancements to the Registry system, that information has not always been conveyed to all bank staff. This determination was provided by the CBE inspection department.

In order to further improve communication between the Registry and the banks that it serves, it is recommended that CBE Registry management conduct workshops with members of the Inspection department to educate them on how the system operates and its functionality. So when Inspectors visit bank branches they are able to determine the level of understanding of bank personnel of the Registry. If they find deficiencies, they would report to Registry management who would, in turn, address the situation.

#### Since April 2006

*During this mission, a workshop was conducted for 30 CBE Inspection officials along with members of the PCR management team. A Power Point overview was provided on the history, development and current status of the PCR and how it can be used as an effective too by the Inspection Department. Future enhancements were also reviewed.*

#### Consultant for the CBE Banking Reform Unit

In early 2006, the CBE commenced activity on reforming the Banking Supervision Department with a focus on moving the function of the department from 'ON Site Supervision' to 'Risk Based Supervision'. Ghassan Saad Gowigati was contracted with oversight of System related issues associated with this change in approach. Most of the current recommendations all under his jurisdiction and results of a meeting conducted with him are noted in the 'Consultant Meetings Held' section, below. The meeting was held on November 15<sup>th</sup>.

#### Consultant Meetings Held

##### Meeting with Senior Advisor to the CBE Governor, Aziz – Sunday, November 05, 2006

**Highlights: (E= Estealam, the private credit registry)**

- **In process of creating a contract with the private credit bureau, E, that will allow the CBE Registry to supply data to them;**
- **When E is operational, may transfer information to them, from the CBE Registry, on all borrowers provided the aggregated amount of indebtedness is less than 1 million EGP. This would include consumers, SMEs and Businesses. Date would be from the main registry database and the negative list database;**



- E is having problems with meeting regulation guidelines and would like the consultant to determine the nature of the problems and to suggest to the Central Bank, a way to deal with them;
- Wishes E to develop a market presence, as they build their database and believes that a seminar, organized for banks is a good first step – the event would be organized by E and would like the consultant to be available to participate, as might be requested by E;
- E will charge a price for that same information that is currently being provided, at no charge, by the CBE Registry. So E will be enhancing the information in order to justify a price;
- E working on a format for banks to use to submit data to them. The format will not be the same as that being used by the CBE Registry. Once format has been agreed to then the CBE will write to banks requiring they use the new format;
- Discussed E adding non bank information and the fact that a ‘consent clause’ must be signed in order for non banks to have access to bank credit information, as prescribed by law;
- Indicated that E. will charge banks for credit reports using only the data from the PCR until such time as the E. database is built. Given the CBE does not currently charge banks for the same information, E. will have to offer some value added in order for this new charge to be palatable to banks;
- He asked how consumers are able to request copies of their credit files via the internet. The current process of authentication, by responding to questions, was explained. Requested a demonstration for PCR staff on how the requests are handled via the Internet. E. may need some help in this area.
- Agreed with proposed seminar for Banking Supervision/Inspection, at the Egyptian Banking Institute;

#### Meeting with Estealam, November 6, 2006

Attending were Mohammed Refaat (Managing Director for E.) and for the CBE Registry, Zeinab Goher (G.M.), Mohsen Youssef (A.M.), Ashraf Wekeel (A.M.) and Consultant Jim Aziz.

#### Highlights:

- Update provided on current status of E activities. Confirmed contract signed with D & B in September and they will be using the Dubai database model for Egypt. Database will be bilingual (English and Arabic);
- From legal standpoint, E needs to conclude their internal HR regulations and code of conduct. A membership agreement has been approved by the CBE;
- From an operations standpoint, concern expressed about fact CBE Registry data is still aggregated. Advised recommendation for individual trade lines has been in place for a year and CBE needs to approve. Provided Refaat with complete list of recommendations from April visit so he can view all data element recommendations currently pending. All of his data issues, in dealing with the turnover of CBE data to Estealam, are contained in recommendations;
- Discussed concerns about regulations that cannot be met during construction of E. database. He will review the regulations and identify all issues of concern and provide to consultant who will make recommendations to the CBE for possible time sensitive exemption;



- Meeting scheduled for 11/8 with E, USAID and 3 MFI to discuss data issues. Would like consultant to attend to provide background and context on data issues and the CBE Registry;
- CBE Registry IT department and E will be meeting on 11/12 and 11/13 to review possible turnover of Registry data to E and what the IT group should complete from the task list to ensure that data conforms with proposed data for E. This would include the provision of individual trade lines and most of the current recommendations made to the CBE by the Consultant;
- Would like the Consultant to attend IT meetings to provide context and background given D & B technical people will also be attending and important for all to understand activities over the past three years of this project;
- Consultant provided E with some background data information accumulated during this project;
- Plan a workshop, for Banks, to update them on E activities and would like Consultant to attend and provide information on CBE efforts;
- E plans to create as their trademark the name 'ISCORE' as a way to indicate that individuals will benefit from the private registry;
- E will be relocating their offices in the next few months.

Meeting with Sahar Nasr, Senior Economist of the World Bank, November 7, 2006

Highlights:

- Reviewed current progress on project and activities occurring on this mission;
- Updated on activities of private credit registry;
- Reviewed future meeting with Minister of Enterprise, Moheildin, which should occur during the third week of this mission. The Minister has requested a meeting for an update of the registry and has a continuing interest in establishing a framework within which collection agencies can operate in Egypt;
- Ms. Nasr would like to attend the workshop for Central Bank Supervision and an invitation will be extended;
- Discussed possible third phase of this project that would further enhancements of CBE Registry and ensure close working relationship with the private registry;
- Provided some background information and will review her draft report on the subject of 'Access to Finance' as it relates to the CBE Registry and credit reporting. After review, will provide comments.

Meeting with Estealam, November 8, 2006

This meeting was organized to review with leading MFI the progress of Estealam, seek their information and discuss the CBE Registry successes and the CBE support for Estealam.

There were four personnel from EQI, which manages the largest MFI database in Egypt, on behalf of USAID, one individual from the Egyptian Small Enterprise Development Foundation and four representatives from USAID.

Highlights:

- The Deputy Managing Director, Mohammed Refaat, discussed the standard credit reporting format that has been developed by E;





- There was discussion on the need for signed consumer consent clauses for the sharing of information with E. Given the MFI are not supervised by the CBE, then they are classed as non banks and the recent changes in the secrecy laws require this consent clause in order for non banks to view bank information;
- Data sharing and data access methods were reviewed and the preferred method is via the Internet. The EQI head of IT indicated that banks would be unlikely to use this medium, for security reasons. It was explained that if this ended up being the case then E. would have access to the direct links that banks currently have with the CBE.
- Concern expressed relative to MFI information from Bank du Caire and other banks would extend MFI credit. It was explained that banks are mandated to report and, and all, credit data and that MFI information is included;
- Discussed paid accounts and how they would obtain consent on these credits. It would be up to the MFI to find a way;
- E. will provide a sample consent clause to the MFI and all they have to do is stamp it on applications, for a start;
- Technical questions were posed and properly addressed;
- It was explained, by the consultant, that the CBE is totally supportive of the efforts of E. and will be providing access to the data in the CBE Registry.

#### Meeting with Tarek Raouf – Head of CBE IT Department, November 12, 2006

This meeting was originally scheduled to include Estealam officials who were going to present the format and detail of information they were seeking from the CBE that would be added to their database. Attendees included the GM of the CBE Registry and the Head of the CBE Registry IT department.

Unfortunately, they Estealam officials were delayed and the consultant met directly with Tarek Raouf. The meeting included a review of the state of the CBE Registry and some historical information on the recommended approach to sharing the CBE Registry information, with E, through an interface.

There was discussion on the desire of the CBE to have more detailed information on corporate loans as it relates to ratings and potential guidance for investors in purchasing shares in a company. It was agreed that ratings are more complex on corporations than on individuals given the complexity of businesses, industries in which they function, financial statement reviews, cash flows etc., versus consumer ratings which are based on the historical payment patterns of individuals. It was further agreed it would be difficult, and not recommended, for the CBE to provide direction to potential share purchasers on the risk of purchasing shares in companies, by some sort of safety index or rating.

A later meeting was scheduled where E. will make a presentation on the data they need after which the CBE IT department will scope the work to determine what level of effort is required, system changes needed and costs are required before determining how to proceed. The consultant will assist with some of this analysis.

#### Meeting at Estealam – November 12, 2006

This meeting was held to present proposed file formats of data required, from banks, by E. as they construct their database.

CBE Registry staff, and the consultant, were present as resources to explain the CBE Registry system, answer questions, ask questions about the formats as they relate to potential changes in the CBE Registry data and understand some of these requests. Mohsen Youssef Sayed (Head of CBE



Registry IT) Wafaa Tolba Afifi (Deputy General Manager of Supervision Sector) and consultant Jim Aziz.

While eight banks were invited to attend, by E., only two were in attendance – HSBC and CIB. There were three officials from Dun and Bradstreet, the company contracted to construct the E. database and the head of the Estealam IT department.

Meetings with CBE IT Department officials and Estealam official, November 12 (one meeting) and November 13, 2006 (two meetings)

These meetings were arranged to review Estealam plans for CBE Registry data that would be used in the intermediate term as Estealam is building its private registry database.

The first meeting was held to review E. proposed plans for the dissemination of CBE Registry information at which time the CBE IT group agreed to prepare a forward looking gap analysis and scope the work to determine time frames and cost. After this work is completed the CBE will determine if and when the transfer of information will occur.

In this meeting attendees were Hussein Al-Dessouki (Project Consultant for Programming and Databases for the CBE), Almoataz Adel Raafat (Applications Delivery Manager for the CBE) and three other CBE IT officials. Mohammed Refaat (Managing Director for Estealam), the Estealam Director of IT and three Dun & Bradstreet (the company contracted to build the Estealam database) officials and Consultant Jim Aziz.

**Highlights:**

- Power point presentation made by D & B;
- CBE is requested to place monthly data in a bucket and Estealam will interface to retrieve data and place in their database;
- Monthly extract will be for current customers as supplied by banks;
- Paid customers will not be included;
- Banks continue to provide data to CBE;
- CBE continues to 'cleanse' data and has a five day window to complete this task;
- CBE database is in Arabic and Estealam is proposing to ask the Banks for their data in English, as well and asks CBE to consider capturing data in both Arabic and English;
- Estealam identified additional information, and changes they would like to have;
- Estealam estimate their database will be ready mid 2007 so this is an interim step to allow them to offer some information to banks in order to establish themselves as a viable entity;
- The value that E. will add is to accumulate historical information, each month, and provide to banks in their credit report;
- In depth analysis will occur at the second meeting scheduled for November 13, 2006.

The second meeting, on November 13, 2006, was attended by the same officials from the first meeting with one less D & B representative and the addition of Mohamed Mashhour (Head of Card Center and High Policy Committee Member) from Banque du Caire.

**Highlights:**

- This meeting dealt with the transition of data;
- A detailed review was conducted of formats and the proposed Estealam credit report;
- Rather than one format, several formats were presented for individuals, businesses and for the negative database;
- E. will continue to show aggregated amounts of borrowers from the main database and will break down, by one of four facility categories, for Negative Database. Negative Database will continue to display a four point rating. In essence banks will continue to receive exactly



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the same information from E. they are currently receiving from the CBE Registry, on successful searches;

- Accumulated historical information (up to six months) will be the value added from E., who will commence charging for their credit reports versus no charge on reports from the CBE Registry;
- Negative Database is constructed differently from the main database which means there are no unique codes (assigned by the CBE) attached to these loans. This was identified as a potential problem and a fix will have to be found. There are 57000 files in the Negative Database and 700000 files in the main database;
- Bank names will not be shown unless the credit is from the same bank that is requesting the information;
- In 2007 E will ask banks to supply more information (similar to what has been previously recommended by this project). In anticipation of that occurrence E. have developed new formats and are currently conducting focus groups, with banks, and following discussions will change the formats that are currently being used to supply data to the CBE Registry. They will ask banks to submit the enhanced information directly to E. while the banks will continue to supply normal data to the CBE;
- E. are requesting that the CBE IT department modify attributes that are currently in the Registry database;
- Other potential problems were identified and discussed;
- CBE IT group will complete gap analysis, determine man days required to close gap, the cost and time frames. From there they will discuss with management to determine next steps.

A second meeting was held at the end of the day, November 13<sup>th</sup>, with Hussein Al-Dessouki (Project Consultant for Programming and Databases for the CBE) and Almoataz Adel Raafat (Applications Delivery Manager for the CBE) to further discuss the requests received from Estealam.

Meeting with Minister of Investment, Dr. Mahmoud Moheildin, November 14, 2006

The Minister requested this meeting through Sahar Nasr of the World Bank. The Consultant normally meets with the Minister, each mission, to update him on progress and address any other subjects put forward by the Minister.

The Minister attended along with three of his aides.

**Highlights:**

- Update on progress of CBE Registry and status of Estealam;
- Discussed fact that Estealam are planning to meet with Ministry of Interior that handles the National ID #, to attempt to procure their database for placement in the Estealam database. Minister suggested Bank Governor should be involved in these attempts and if that does not work the Minister would be pleased to speak with the Minister responsible. He understands the importance of the number and suggests the private registry should have access to the database;
- Discussion around the need for a Collection Agency Law. This has been discussed during previous meetings with the Minister and it was suggested a feasibility study should be conducted prior to considering the form of any legislation;
- Background material had been gathered in advance of the mission and was provided to his aides;
- Minister would like to meet again on Sunday, November 19<sup>th</sup>.



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Meeting with Ghassan Saad Gowigati – November 15, 2006

This meeting was also attended by Zeinab Saheed Goher, General Manager of the CBE Registry.

Mr. Gowigati is a Consultant in the Banking Reform Unit. There is a project underway, for the past eight months that is intended to reform the Central Bank of Egypt Banking Supervision Department and move it from an On Site Supervision approach to a concept of Risk Based Supervision. His role is to review suggested changes from various constituent groups, as it relates to Banking Supervision, and coordinate all agreed upon changes into a master omnibus list of recommendations that will be presented to CBE Management for approval.

It is expected all recommendations will go forward to CBE Management by the end of 2006.

There were a total of thirteen (13) outstanding recommendations, from the April 2006 mission, remaining to be resolved at the commencement of this final mission.

Each of the thirteen was reviewed to ensure the consultant had a sound understanding of the recommendations. It was subsequently agreed that nine of the thirteen recommendations would be put forward, in the overall package, for the approval of CBE Management. One of the other recommendations was to conduct a workshop for the CBE Inspection department and it was agreed this would be held on November 21<sup>st</sup>. The three recommendations are tied together and GM Goher will prepare a further memo to explain and at that point these three additional recommendations will be included in the overall list. All recommendations have direct impact on the CBE Registry system as do recommendations from other departments.

All recommendations are contained in the CBE Registry task list. The consultant maintains a copy of that listing.

Meeting with Minister of Investment, Dr. Mahmoud Moheildin, November 19, 2006

This meeting was requested by the Minister, as a follow up to the meeting with the Minister of November 14, 2006.

Attendees included Sahar Nasr, Senior Economist from the World Bank, her assistant Amira Zaky and three aides of the Minister.

There was further discussion around the development of a law and regulations for collection agencies and the steps that need to be taken to achieve that development that would first include a feasibility study of the needs of the marketplace and how to incorporate those needs into a law.

Sahar Nasr and the consultant will have further discussions on the subject.

Workshop for CBE Inspection Department – November 21, 2006

Conducted at the new CBE Headquarters. There were 30 attendees from the Banking Supervision and Inspection Department along with six attendees from the PCR.

A Power Point overview of the PCR, its history and relationship with CBE Inspection Department was presented. This included the importance of the Supervision/Inspection Departments to the banking sector and discussion on the various forms of supervision and inspection practiced in other countries. Changes to the PCR, over the past three years were reviewed, reports that have been developed were discussed and the function of the new PCR Inspection team was presented. Finally there was discussion on the new private credit registry and future changes to the registry.

Presentation was well received and relevant questions were asked.



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#### **Meeting with Senior Advisor to the CBE Governor, Mahmoud Aziz – November 23, 2006**

This meeting was to provide a copy of the Executive Summary, a listing of the current outstanding recommendations and a summary of this mission's activities.

Discussion on the regulations resulted in Mr. Aziz agreeing to have a soft copy of the regulations, in English, emailed to the consultant that will highlight areas of concern. The consultant will then provide comments and suggestions should there be the need for a phased approach, over three to six months, to some of the sections of the regulations.

Senior Adviser Aziz reconfirmed the Governor's view that further TA was absolutely necessary to ensure proper guidance and monitoring of the transmission of CBE Registry data to the private credit registry, as well as oversight of the completion of the remaining seventeen recommendations.. The Consultant agreed to provide a background document to be used by the CBE when they request additional TA through Sahar Nasr of the World Bank and the FIRST Initiative.

#### **1.4.4 NEXT STEPS:**

- **Provide further technical assistance, to the CBE, as requested by Governor Farouk El Okdah, in order to ensure completion of all recommendations, provide oversight and guidance for the transition of PCR data to the private registry;**
- Follow the tasks and recommendations of this report that are summarized, commencing on Page 43;
- Continue with activity on the 'Forward Looking Gap Analysis' to approximate International Best Practices which are impacted by completion of the Task List;
- Continue to maintain the PCR Task List;
- Continue to advance recommendations, on the final mission of Phase Two to the CBE Registry, to achieve the goal of Best Practice for the PCR;

#### **FINAL THOUGHTS:**

As the Phase Two component has now been completed, there are still two primary focuses, as it relates to the PCR. The first is the continuing enhancement of the Registry to replicate best practice and provide comprehensive information, in a timely and efficient manner to Banks, along with ongoing training and workshops. There remain seventeen important recommendations to be implemented.

The second is the transition of CBE Registry data to the private credit registry, Estealam, The Governor of the Central Bank has correctly requested that additional TA be provided to provide guidance and oversight for the provision of this information to the private registry, on behalf of the CBE. The project has achieved major success, to date, and now that it is into the final phases it is important to continue with TA to ensure the continuing success of that growth as well as the proper and effective transition of information to the private registry.

The creation of the private registry has already experienced delays in activation and has only recently awarded a contract for a technical provider to build its database – this award took over nine months to be completed. There are now significant challenges as the private registry is requesting banks to change their reporting format and this could be a problem given banks have a different format they use to report information to the CBE and any changes must be agreed to by all parties. **There must be TA assistance provided to the CBE as this and other changes are requested by the private registry in order to protect the integrity and accuracy of data currently being provided to the CBE Registry databases.** The private registry expects to have their products ready within six months of the commencement of construction of the database however empirical evidence suggests that this process will take at least eighteen months, or more. So the six month goal, based on this empirical evidence, is extremely



ambitious and it is important not to rush for fear of errors that will affect credibility and take much time to correct. The CBE Governor wants to ensure there are no compromises of CBE Registry data through this ambitious program.

Accordingly it is important to continue the current process relative to the PCR as it bridges this gap and serves to provide banks with important credit information for a retail credit market that is rapidly expanding, as evidenced by the significant growth in registry inquiry searches.

PCR personnel, along with the CBE IT department, continue their excellent progress in restructuring the PCR to replicate International Best Practices while ensuring there is no compromise in their role as a supervisory body of the Egyptian Banking system. They continue to seek ways to better serve the banks. They understand the private registry will eventually interface with the PCR and the more they PCR replicates best practice, the simpler will be the interface.

Looking back over the past 34 months, it is easy to see the changes that have occurred (see pages 46 to 49 along with detail provided in Appendix 'B') and it is exciting to see the future as it relates to the potential private CIS and its impact on economic growth. Therefore it is vital that the progress continue for the 'Greater Good of Egypt'. Again, my compliments to the management and staff of the PCR for their ongoing commitment and determination to achieve the goals of this project!

Following this mission there are seventeen recommendations to be handled by the PCR. These changes are critical to the continuing success of the PCR as the private registry is being constructed.

Accomplishments, by the PCR team, have been significant over the past thirty four months, and nine missions.

#### **NEXT VISIT**

This is the final mission of this contract, however the Governor has requested additional TA visits in 2007 for the reasons noted in previous sections. Given the urgency of the situation, given the private registry is ready to commence construction, a return TA mission should be conducted in late March of 2007 with another mission to be determined by findings and progress of the private registry database creation.

#### **Remaining Recommendations, for the CBE Registry, following the November 2006 mission**



1. *On unsuccessful search requests a credit file should be established on the applicant. The file would include the applicant's demographic information as well as the inquiry date, name of inquirer and their location. Should credit be granted and reported over the threshold of the CBE Registry, the credit should be added to the newly created file. Searches by other Banks, on the subject credit applicant, would have those inquiries attached to the same file. Pg.24*
2. *Have Banks provide to the PCR the required or minimum monthly payments on all credits submitted to the Registry. Pg.15,18*
3. *Have banks provide information for a 'trade line' that should include a five point rating as well as the name of the Bank who has issued the credit in order to meet the requirements of current banking laws which require 'habit of payment' be provided to users of the PCR. Pg.15*
4. *Add five fields in the data input from Banks to the PCR that would capture; monthly, quarterly, semi annual or annual payments; date of last payment; manner of payment on retail and SME accounts; internal CBE formal rating of corporate accounts; internal CBE formula rating of retail and SME accounts. Pg15, 20.*
5. *Adjust input screens for the same items as noted in #4. Pg.15, 21*
6. *Report individual trade lines, on successful inquiries of the PCR, to the inquiring Bank with the full information noted in the 'Trade Line' section of the newly created standard report format. Pg.18*
7. *Develop a list of 'status' narrative codes, to be attached to trade lines of credits reported to the PCR, that would include items such as 'credit suspended', 'bankrupt', 'account closed' etc. Pg. 19*
8. *Obtain approval from CBE Management for the newly created standard credit report and format that will provide details, of all successful inquiries, to Banks. This would include all information that is currently being made available and any information that may become available in the future. Pg.18*
9. *PCR management team should contact existing leasing companies to obtain details of their credit portfolios and advise them of their requirements to report to the PCR. They should follow up to ensure they do, in fact, report to, and search, the registry. Pg.22*
10. *A Memorandum of Understanding (MOU) should be signed between each mortgage and leasing company and the CBE Registry to outline the conditions of their providing information and using the CBE Registry database. Pg.22*
11. *PCR to follow banks for completion of survey to determine the number of returned checks, in the banking system, their nature and how banks deal with them as it relates to the possible extension of credit facilities. Consideration should then be given to adding returned information to the CBE Registry database. Pg.23*
12. *If it is determined there are a large quantity of returned checks, then data fields should be added to the registry database and banks required to submit the number and LE amount of returned checks, by issuer, with this information being included in the aggregated credit totals. Pg. 23*
13. *Move corporate accounts, in the PCR, to a separate database from retail and SME accounts. Pg. 20*



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14. *A special field should be provided, for data input by Banks, which will identify the internal CBE rating on all credits. This rating is based on established CBE standards. Pg.17,21*
  15. *Details on paid in full legal accounts that are in the main database should be provided to banks on all successful search inquiries. Pg. 25*
  16. *CBE Registry should strike an agreement, with Estealam, for a percentage of their gross revenues, at such time as credit reports are available for sale. Pg.29*
  17. *Recommend that a field be created, in the PCR dataset, that indicates the amount of provision (if any) on credits and that banks are required to provide this information on all credits submitted to the PCR. Pg. 30*





## SECTION 2

### 2.1 Cumulative Project Activity Progress

| Project activities (Phase 2)  | Means of verifying progress                       | Progress to date  | Comments and recommendation        |
|---|---|---|------------------------------------|
| <b>Comprehensive CBE Registry, in line with International Best Practices</b>              | Included in current and previous progress reports | Ongoing   | See section 1.4 and pages 43 & 44. |
| <b>Technical workshops through the Egyptian Banking Institute, re the Registry System</b> | Included in current and previous progress reports | Completed workshop for Banking Inspection Department during the November 2006 mission   | See Page 34                        |
| <b>Awareness campaign for the banking industry on value of providing paid information</b> | TDB-See comments in current progress report.      | Paid data cannot be placed in registry until active credits have been placed and that will not occur until after this Phase is complete. Cannot be completed. | See Appendix 'B'                   |
| <b>Amend Bank secrecy laws to allow for sharing of Bank information with Non-Banks</b>    | Included in current progress report               | Completed in Stage One of Phase Two   | See section 1.4 and Appendix 'B'   |
| <b>Accepted licensing and regulations for private credit registries</b>                   | Included in current and previous progress reports | Completed in Stage Two visit of Phase Two.  | See section 1.4 and Appendix 'B'   |
| <b>Trained PCR staff to operate a CIS</b>   | Included in current and previous progress reports | Ongoing   | See section 1.4                    |
| <b>Assignment Completion Report</b>   | TBD   | Have discussed with CBE Management  | TBD                                |



### Chart with Progress since commencement of FIRST project in February 2004

Summarily, more comprehensive information, in a timelier manner, is being provided to banks as the demand for retail credit grows in Egypt. The components have been put in place for the creation of a private registry. The creation of a private registry takes two years which requires continued expansion of the registry, during that time, so as not to starve the banks of critical data,

| <i>Subject</i>                                       | <i>Prior to FIRST</i>                                 | <i>Current</i>  | <i>Comments</i>  |
|--|---|---|--|
| Philosophy   | Supervision and minimum data sharing                  | Supervision and increased data sharing  | CBE moving to Risk Based Management meaning more data is important   |
| Threshold at which banks must report to CBE registry | 40000 LE  | 30000 LE  | Presently at 30000   |
| Ongoing reporting once account in registry.          | When balance dropped below 40000 LE stopped reporting | Once credit in registry, must report until balance paid in full.  | Best Practice  |
| Communication with banks                             | Memorandum  | Significantly improved. Memorandums, workshops, onsite visits, enhancement launches in Registry offices | CBE focused on continually improving registry functions and interaction with banks. Banks positive and appreciative. Registry now of much greater value. |
| Strategic Plan                                       | None  | Four phase Plan developed   | Well underway to development of private registries   |
| Secrecy Laws   | No allowance for sharing of credit data beyond banks  | Amendment allows for sharing with private CB and non banks, with consent                                | Best practice  |
| Regulations for credit bureau industry               | None  | Developed and in place  | Best Practice  |
| Private credit                                       | None  | Estelam established   | Will take 2 years to   |



|   |  |  |   |
|---|--|--|---|
| bureau                                      |  |  | have a private registry fully operational.  |
| CBE Registry data storage                   | Limited to 600000 credits in system  | Added servers to allow for 10 million credits  | Significant room for growth   |
| Delinquent account reporting                | Reported on balances of 40000 LE, or more, <b>only</b> where legal action initiated        | All delinquent accounts reported   | Best Practice. Delinquents reported in separate database and balances are not being updated.    |
| Total credits reported to Registry          | 162313   | 847591 active  | Represents 17.5% of total # of bank credits   |
| Negative credits reported                   | 2000 (Est.)  | 57096 active   | Assists banks with credit adjudication.   |
| Bank access to registry                     | 5 days per week, 08:30 to 15:00  | 6 days per week 08:30 to 17:00   | More in line with bank hours  |
| Submission of new credits to registry       | Hard copy – prepared by bank and checked by registry staff before code # assigned          | Data input screen and # automatically assigned   | Productivity improvement  |
| Bandwidth for registry access               | Restricted to 64 kb  | Expanded to allow for faster response times on registry searches and banks can now add on site terminals for access. | Increased volumes of searches, combined with slow access, were restricting productivity.        |
| National ID #                               | Option to report number to registry.   | Mandatory to report number.  | Best Practice. Allows for accurate placement in, and retrieval of, information for CBE registry |
| Credit applicants with negative information | Mandatory to decline all credit applications that had negative information in CBE registry | Mandatory on all legal accounts unless bank who sued is considering new application.                                 | Allows for some judgment by bank who sued, if applicant has improved circumstances.             |
| Inquiries                                   | Banks completing searches  | Inquiries now being  | Best Practice to assist   |



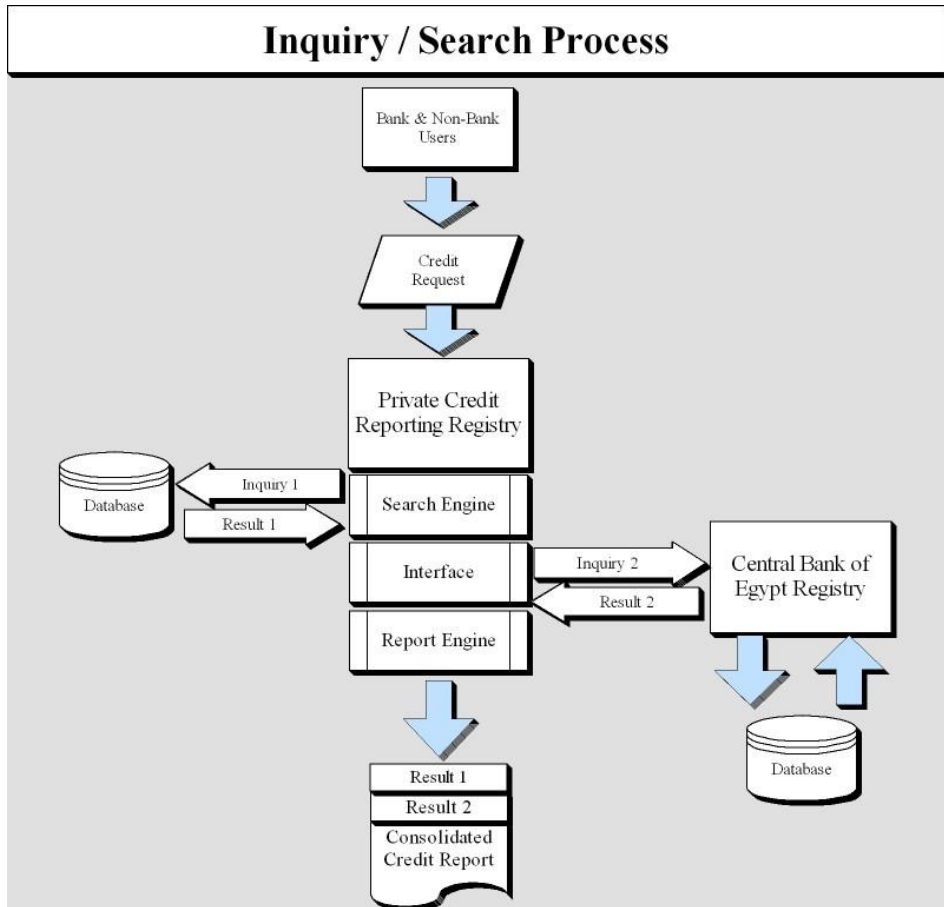
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|--|---|---|--|
|  | were not advised if other banks had inquired on same applicant  | reported and delivered to banks on successful searches.   | with debt development.   |
| Pledged collateral                               | Not being reported to banks on successful searches  | Now being reported  | Best Practice  |
| Addresses  | When reporting new credit to registry, only one address reported  | If address changes, the new address is now being reported to registry   | Best Practice to assist with accurate file retrieval.  |
| Credit data                                      | Banks reporting only demographics and amount of credit. Would update balance, only, each month and that is all registry stored. | Now reporting date of original credit, original balance, date of last payment and current balance. Registry stores all data.  | Best Practice  |
| Return of information on successful searches     | CBE registry provided banks with Code #, aggregated balances and # of banks with credits  | Individual credits being reported, rather than aggregated, from Negative list database but not as yet on main database.   | Towards best practice.   |
| Searches   | Mandatory on all applications of 40000 LE or more   | Mandatory on all credit applications  | Best Practice  |
| # of searches completed by banks in CBE Registry | 2003 - 169,608<br>2002 - 39,804   | 2005 - 1,164,598<br>+ 994,988 (+586%)<br>vs. 2003<br><br>To October 31, 2006 there have been 1,232,766 searches projecting to 1,479,319 for the year, a 13% growth from 2005. | Increase is reflection of amount of credit activity that is occurring in Egypt. <b>Unfortunately only 17.5% of active credits in banking system are being reported to registry meaning banks do not have access to much information.</b> |
| Consumer rights and protections                  | None  | Entrenched in regulations   | The first consumer protection law, of any kind, in Egypt.  |



|  |  |   |  |
|--|--|---|--|
| Education  | No consumer education  | Two brochures developed, in conjunction with EBI, also placed on website. Used by banks and consumers.  | Best Practice. USAID have undertaken to expand consumer awareness as part of their initiatives.  |
| Workshops on credit bureaus  | None   | 3 held at EBI. For bankers. Average attendance 100. Educate on credit bureaus and progress on registry. One held for Inspection with 30 attending.                                      | Best Practice. Survey completed to find out how the registry is doing, from bank perspective, and seeking recommendations from banks for further improvement                                     |
| Management reports   | None   | Negative database and main registry database: have developed content report and search/hit report.  | Additional reports created, see Page 29.<br>Assist banking supervision in identifying problem areas of individual banks and the banking sector as a whole. Special reports for the CBE Governor. |
| CBE Registry Inspection Team   | None   | Team established, with guidelines, to conduct on site visits to bank branches to monitor compliance in reporting required data to CBE Registry and take corrective action as necessary. | Best Practice and a bench mark for other countries.  |
| CBE Registry staffing  | Seventy one staff  | Fifty five staff, a reduction of sixteen  | Result of automation and improved efficiencies   |
| Costs to banks for failure to comply with providing data to CBE Registry | Required to deposit LE based on size of credit not reported and left for a specific time not earning interest. | Specific fine amounts established for failure to provide data.  | Bests Practice   |

## APPENDICES

APPENDIX A: FLOW CHART OF THE INQUIRY/SEARCH PROCESS



## **APPENDIX B: FOR BACKGROUND AND CONTEXT BELOW ARE SOME OF THE MAJOR ACTIVITIES/RECOMMENDATIONS THAT HAVE BEEN COMPLETED FROM FEBRUARY 2004 TO DECEMBER 2004 AND FROM JANUARY 2005 TO APRIL 2006**

Since commencing the project in February of 2004, significant steps have been taken and enhancements made to the CBE Registry to meet the objective of 'Strengthening Egypt's Credit Reporting System'. To the end of December 2004, they are:

- A full analysis of the marketplace was completed to determine the most appropriate course of action, given the current marketplace conditions, to achieve a proper CIS Registry. As a result a Strategic Plan was developed to create a full scale CIS, in stages, over three years. The Central Bank Board of Directors has given their verbal approval to the plan.
- Agreement reached to include all Bank credits in the CBE Registry system. The requirement to report credits has decreased from 40000 LE to 30000 LE and a further reduction approval to 20000 LE is imminent.
- When the Registry expansion is completed, as per the Strategic Plan, the number of individual files maintained in the Registry will have increased from 338000, at the commencement of the project, to almost 4.6 million files. This expansion should be concluded by Q3 of 2005.
- Providing significantly more information on borrowers, to the Banks by the CBE Registry, was agreed to and subsequently implemented. This included a four point rating of credit transactions which will be further expanded to include monthly payment information along with pay habit information of all borrowers.
- There are a significant number of additional enhancements that have been agreed to and only time has prevented their implementation. These include, but are not limited to, a standard credit reporting format, monthly payment information, breakdown of trade lines, internal reports, detailed inquiry information, etc. A task progress list, of over twenty tasks, has been set up to implement and monitor these changes. The proper and effective completion of these tasks requires continued/ongoing technical assistance from an international CIS practitioner consultant.
- Hardware is being purchased to allow for a twenty three fold increase in the capacity of the CBE Registry database to allow for the previously mentioned growth as well as additional future growth.
- Agreement was reached for the establishment of a private sector CIS that would eventually be linked with the CBE Registry, in one form or another.
- The development of Regulations to frame the CIS industry, primarily for consumer protection, was agreed to and activity commenced after information and philosophy were provided. This activity must be continued, again with the assistance of an international CIS practitioner consultant.
- Creation of a Manner of Payment grading, mandatory to effective credit granting, was agreed to.
- More comprehensive and detailed information is being provided by the CBE Registry to the Banks on successful inquiries of the CBE Registry.



- Access hours of the Registry, for use by the Banks, have been significantly increased and one additional day has been added.
- A change to the Bank secrecy law has been agreed to and should be passed by parliament, early in 2005.
- An educational Credit Bureau (CIS) brochure was developed in the first step of a public awareness campaign.
- A negative list was set up for credit card balances under 30000 LE and agreement reached on expanding it to include all negative accounts.
- Two workshops were held to educate Bank personnel on a CIS.
- Communication relative to the CBE Registry changes has been improved and continues to be analyzed and enhanced to ensure all parties are familiar with the positive Registry changes.
- New internal management reports were created for the benefit and use of CBE Registry personnel.

**In 2005, there have been further improvements and these are lifts from the July 2005, report:**

1. Full demographic information, as noted in the 'Demographic Information' section of this report, should be provided to Banks on all successful inquiries of the Registry database.

**Since December 2005 - Task completed.**

2. Have Banks provide the Registry with the type of credit that is being submitted to the Registry. As example, one could be a credit card, line of credit etc.

**Task completed, in 2006, and banks are submitting the required information.**

12. Establish a regular meeting frequency with IT department to review the Task List to ensure continuity and momentum. That frequency could initially occur at bi-weekly intervals with subsequent expansion to monthly. The key here is to keep the lines of communication open. This suggestion has been discussed with PCR staff and the G.M. of IT and his staff.

**This task completed in early 2006. There are weekly meetings and frequent phone contact and communication is excellent.**

13. PCR staff to prepare letter to IT department outlining all the changes they wish the IT department to make, that were reviewed during the visit, and are referenced throughout the report. This formal process is necessary to ensure clarity and conclusion of a number of issues that are important to the expansion of the PCR as it relates to information captured from Banks and subsequent transmission of that information back to users of the PCR on successful searches of the database.

**Since December 2005 – This task has been completed.**

***PCR System Capacity***

During the September and December visits it was determined there was a need to expand the capacity of the Registry system in order to allow for all active credits in the Banking system to be reported to the

Registry. A plan was developed to have a new server added to the system which would allow for a twenty-three fold increase in capacity. This expansion was to be completed and tested by April 2005 and that plan is currently on target. Delivery of the new server is imminent.

***In July, 2005 the newly appointed General Manager of the CBE IT Department, Tarek Raouf Fayek, confirmed the new servers had been installed and tested which meant the system was ready to handle up to three million files and, at August 18<sup>th</sup>, had the capacity increased to at least ten million files.***

#### ***Access to PCR***

During the December 2004 visit it was determined that the IT group of the Central Bank, had advised Banks the bandwidth, for access to the PCR, was constant at 64 kb. The Banks needed increased bandwidth given their response time to searches of the PCR database became much slower when they additional access terminals to the system. The addition of these special terminals was necessary as Banks increased the number of requests of the PCR database. It was determined that, in fact, increased bandwidth was available and all a Bank needed to do was have their IT department make a request to the Central Bank's IT department, to access the Registry with a faster communication line (higher bandwidth), and it will be accommodated.

***In July of 2005 it was confirmed that Banks have been advised of the increased bandwidth and there were no further issues.***

#### ***Addresses***

Previously Banks were providing only the existing address of the borrower, at the time the credit was initially reported to the PCR. If the borrower moved, the PCR was not informed of the address change. It was recommended that Bank transmissions should be expanded to include any information on addresses the borrower had moved to after the credit was extended and that all addresses associated with the borrower be maintained in the PCR database.

***In early 2005 this recommendation was implemented and Banks are now reporting any additional address information.***

#### ***Requirement to reject credit applicants found to have negative data in the PCR***

September 2004 activity recommended this requirement be lifted for reasons previously outlined. This recommendation is now being considered as part of an overall updating of PCR requirements.

***In early 2005, the policy was changed so that if there is a record in the PCR of legal action against the credit applicant, the new application must be declined, unless the applicant is dealing with the bank that filed the legal action and then it is up to that Bank to determine whether or not to accept the credit request.*** What this means is if a natural person had been sued by Bank 'A' and applies at Bank 'B', then Bank 'B' must decline the credit request.

#### ***Recording of Inquiries***

Details of specific inquiries, by Banks on credit applications, were not being displayed on files delivered by the PCR to these Banks, on successful searches.

It was recommended that each individual inquiry was to be detailed in the file under a section for inquiries. Those details would include the date of the inquiry and the name and location of the Bank that made the inquiry.

This was agreed upon and added to the PCR task list.

During the July 2005 mission, it was determined the CBE maintained an inquiry report that was used internally, for audit purposes. It was agreed that that, as an interim step, Banks would have access to a screen that would display those inquiries recorded on individual credit files in the PCR. The requestor would be able to click on an icon and the information will be presented on the screen, for viewing.

***The task was completed in Q1, 2006, beyond the interim step, and complete inquiry information is now being supplied on all successful searches, where an inquiry has occurred within the past year on the subject of the search.***

#### ***Physical location of bank branches making inquiries of the CBE Registry***

Currently all inquiries of the PCR are processed through a central site of each user which means the actual location of the branch making the inquiry is not known. A task is being raised to have Banks make the branch location information available. This is an issue of compliance and risk control.

***In early 2006, the change was been made. Banks are providing the information and the registry is providing the branch location on successful searches.***

#### ***Recommendations from the Project's Initial Progress Report***

During the initial visit of this project, in February 2004, thirteen recommendations were advanced in order to improve the delivery and quantity of information, by the PCR, to Banks who complete inquiries on the CBE database. A Strategic Plan was developed for implementation. Subsequent visits have reviewed these recommendations, for implementation, and as they are completed and verified they are not reported or reviewed on subsequent visits. Some of the recommendations are complicated by the fact they have a significant impact on the complete system and, as such, require more time to complete.

As of April, 2006, all of these tasks have been successfully completed. Four of the tasks are noted below:

**1.** When a search of the PCR yields information, consideration should be given to providing more than just the Code #, the number of banks dealing with and the amount outstanding. Because the Registry already contains the information, it would be prudent to provide confirmation of the applicants name, National ID#, address, birth date and city of birth. Confirmation means that the input information from the inquiring Bank, would match the information in the Registry.

*The information, noted above, is now being supplied to Banks. In addition, the CBE is supplying names of Banks who have recently inquired on each individual. The Registry is further supplying the names of Banks with whom individuals have their credit accounts (as shown in the Registry) and information on legal accounts.*

*As a further enhancement, on the Master Screen, the system allows users the option of selecting the correct credit applicant's file from a number of possible files. Each possible file will have two lines of text data that will allow the user to identify the correct file they are seeking. The Bank employee then highlights the field of the correct credit applicant and they select that information.*

**2.** From a credit experience standpoint, the following should be provided, given it forms part of the Registry: date of original credit, original balance, required monthly payment, date of last payment, current balance, manner of payment and collateral. This type of historical information is critical to the value of a CIS. It is defined as a 'six point rating'.

*It was discovered that, in fact, the Banks do not report the required monthly payment information to the*

Central Bank Registry and as such this information is not available to be reported to the Banks. It further was found that there is no breakdown as to the type of individual credits that are reported to the CBE (line of credit, credit card, installment loans etc.) so a Bank would only see the details of the credit and would have to use their own initiatives to calculate the monthly payments that should be expected as it relates to individual credits.

The rest of the information is now being supplied with the exception of the 'manner of payment', which is not currently a component of the Registry database. A standard for reporting the 'manner of payment' is now being discussed. Once the standard has been decided then that information will be provided to the Banks who will, in turn, expand the information they provide to the PCR to include 'manner of payment' on each credit account. Once the information is in the Registry database then the information will be provided to the Banks on successful searches.

The Registry is also now supplying information on the collateral pledged on the loan and, if a co-maker/guarantor of the loan is involved, the 'rating' of the co-maker/guarantor of the loan.

Under both Items #1 and #2, as a measure of the success of these two enhancements being added to the information being provided to the Banks who have successful inquiries, it was necessary to confirm with the Banks that they, in fact, were receiving this information. The contact attempted was with Citibank and through them it was determined they were not receiving the information and indicated that, in their opinion, the information was not available. This was determined following the filing of the September 2004 report.

The PCR indicated the information was available. Clearly there was confusion so, to address the situation, a meeting was arranged to have three Citibank representatives visit the PCR to find out why, if the information was available, they were not receiving it. During the meeting, PCR staff observed how the Citi people handle their inquiries and it was determined that the Citi people, when they completed a successful inquiry, were only seeing a summary of the information available and were not aware as to how to proceed to obtain more detailed information.

The Citi staff were then shown how to obtain the information and, as a result, expressed their satisfaction as well as how impressed they were as to the amount and depth of information they could obtain. It will definitely assist them in their adjudication process relative to information and processing time and costs.

The problem lay in the fact they had never seen a memo, sent by the PCR, as to how the system enhancements worked. In addition the process to obtain all the information is quite complicated. It was indicated to them that a task is in place to make all the information available in a unified report on all successful inquiries.

To address this problem, the PCR will be inviting personnel from other Banks to visit the Registry to train them on how to obtain all the available information and will send a follow up letter to all Banks to ensure personnel are aware of the processes to follow to obtain all relevant information on successful inquiries.

***A program has been set up and, with enhancements made in 2005; user personnel have been invited to the PCR to receive training and instruction on these changes. This is in addition to the normal correspondence that announces these changes.***

3. Expand the use of the new data input screen (for delinquent accounts under 40000 LE) to allow for all accounts to be transmitted using this screen thus eliminating completion of the hard copy input form currently in use.

*Previously it was determined that the screen had been developed and was being tested for release in October 2004. Initially the Registry will still require the Banks to submit their hard copy of the changes (as is their current practice) to verify the data input on the screen is the same as that on the hard copy.*

As a follow up it was learned that a Pilot test was being conducted with six Banks. Once the pilot is successful the screen will be offered to all Banks. In the Pilot phase it was determined that one Bank had

completed inquiries of the PCR database and submitted the names of 94 credits for assignment of a PCR code. This indicated that the inquiries of these 94 borrowers resulted in a no record in the PCR. In fact it was determined that 29 of these did, in fact, have a record in the Registry. The problem with this is that these 29 would normally be assigned a proprietary code number and if there was already an active code number, then the true balances on the individual would be not be available due to this discrepancy. As a result a task is underway to understand why these 24 did not determine that a file on each was already maintained in the Registry. It is to be determined if there was an error on the part of Bank personnel relative to input and, if so, take prompt corrective action. If the problem was in the system logic to match information to files we must also identify that problem and take proper corrective action. No expansion to all Banks, of this screen, will occur until the problem has been identified and corrected.

4. Banks currently 'screen input' details of delinquent loans less than 30000 LE. It is suggested that the Banks be allowed to transmit this information in a special format so the information can be automatically placed in the system. The format would be in the same manner as Banks currently update existing Registry balances. Similarly Banks should be allowed to update their new credits in a similar manner as opposed to the current practice of having to complete a 'hard copy' form for submission to the Registry. On accounts new to the Registry, the system should be programmed to provide the new code # and have it automatically transmitted back to the Bank. This will be a more efficient and practical approach to these tasks.

The task was developed and being tested for release in October 2004.

In December 2004 it was determined this had not been developed. The PCR receives 200-300 of these items each month and, as such, this item is not a priority. Development will be delayed to a future date. There are now a total of 55000 of these type of accounts currently housed in the registry.

In July 2005 the IT department advises this task will be resolved by September 30 2005 and the task was successfully completed early in 2006 and banks are utilizing the special format.

*All Banks now have access to the screen and data is being input using this method.*

**From June 2004 until December 2004, fourteen additional recommendations were made:**

In the construction of a CIS database or, in this case the expansion of the PCR, given the project is dynamic; there will be ongoing recommendations that result from the 'ripple effect' created by previous changes. This project is no different. As a result, of the 14 recommendations five have been completed, as noted below:

1. Given the fact the PCR will eventually include all bank credits, it is vital to ensure that no accounts are removed from the Registry database, as is the current practice, if the balance of the account falls below the current minimum reporting requirement of 30000 LE (soon to be 20000 LE).

*Banks now are now required to report on all balances, originally reported to the PCR, until such time as the balance is paid in full.*

14. Communicate to Banks that additional bandwidth is available to allow for faster response time for inquiries of the Central Bank Registry.

**Completed**

15. Establish a Task List, within the PCR, that will identify all present and future items relative to the expansion of the PCR along with the providing of more comprehensive information to the users of the Registry. These past, present and future changes are part of the PCR Action Plan.

**Completed. Further suggestions were made, and subsequently implemented, to expand the detail of the Task List.**

16. Develop a plan to invite Bank personnel to the PCR when system enhancements are made available to Banks. This would be to ensure an understanding as well as looking for any feedback that would assist in refining the changes, as necessary.

***Completed***

Banks should be required to submit current addresses with their monthly updates and the Registry should be programmed to update Registry files with new addresses.

***Completed***

17. Ensure that draft regulations, as it relates to consumer rights and protections, obligate any private registry to provide this right to Natural Persons only which means the private registry would not have to provide the same rights to companies. This approach is in keeping with International Best Practices.

**December 2005 Status – Completed.**

18. In keeping with International Best Practices, regulations for private credit registries should include the fact an individual has the right to provide up to 50 words of explanation for any disputed information that cannot be resolved.

**December 2005 Status – Recommended and nothing further to be done.**

19. The finalization of draft regulations, based on discussions held in July 2005, should occur in the next few months to allow the private sector to commence activity that will result in the formation of one or more private registries.

**December 2005 Status – Completed**

20. As with #22, and for similar reasons, the licensing requirements for a private credit registry should be finalized in the next few months.

**December 2005 Status – Completed**

21. In order to provide CBE and PCR officials with a proper perspective and understanding, as it relates to the credit reporting marketplace and proposed new regulation and licensing requirements, it is recommended that they participate in a Study Tour of several credit reporting databases, in a mature marketplace, as well as visiting regulators of the industry in that mature marketplace. An overview of a proposed tour, by the consultant, was reviewed with D.G. Aziz.

**December 2005 Status – There has been further discussion and it is the view of the CBE that USAID should consider sponsoring such an excursion. No further follow up required.**

22. Create a report of searches of the Negative database that will breakdown the number of searches, the number of these searches that were successful and the number that were unsuccessful. This report will be similar to the current report that breaks down searches from the main PCR database.

**December 2005 Status – This report was created on December 13, during this mission. Now complete.**

***In 2005, further recommendations were made:***

23. All successful inquiries, made by Banks of the PCR, must be recorded on the respective files. The inquiry information must include the name of the inquiring Bank, the date of the inquiry and the location of the Bank.

***Since December 2005***

***Task has now been completed and information is being recorded as suggested.***

24. Given the circumstances of the project's original recommendations, all information provided to Banks, by the PCR, on successful inquiries must be consolidated into a single report.

***Since December 2005***

***This task has been completed. The report is in UAT and all additional information will be included in the single report.***

25. Full demographic information, as noted in the 'Demographic Information' section of this report, should be provided to Banks on all successful inquiries of the Registry database.

***Task completed in fall 2005.***

26. Have Banks provide the Registry with the type of credit that is being submitted to the Registry. As example, one could be a credit card, line of credit etc.

***Task completed in fall 2005.***

27. Establish a regular meeting frequency with IT department to review the Task List to ensure continuity and momentum. That frequency could initially occur at bi-weekly intervals with subsequent expansion to monthly. The key here is to keep the lines of communication open.

***Task completed in August 2005.***

28. PCR staff to prepare letter to IT department outlining all changes they wish the IT department to make, that were reviewed during the visit, and are referenced throughout the report. This formal process is necessary to ensure clarity and conclusion of a number of issues that are important to the expansion of the PCR as it relates to information captured from Banks and subsequent transmission of that information back to users of the PCR on successful searches of the database.

***Task completed in August 2005.***

29. Have Banks provide the exact location of branches who are the source of inquiries in the PCR. The location should be included as a component of the PCR search input.

***Task completed in fall 2005.***

30. When Bank location is provided then that information should become part of the inquiry information that will be provided to users on successful searches.

***Task completed in fall 2005.***

### ***Process for submission of new credits to the CBE Registry***

Individual Banks, mortgage companies and leasing companies, who submitted any credit accounts, to the CBE Registry, required staff to individually input each of the specific demographic and credit information of these accounts, on to screens, for submission to the PCR. In addition, in order to validate the accuracy of the screen information, Banks were still required to submit the hard copy of the screen entry so the CBE staff could check the accuracy of the screen information submitted. This had been a cumbersome and time consuming process. That being the case, it was proven that this process is necessary given mistakes that had been found, as a result of data input errors by Bank personnel, would not have been otherwise detected without this check. The importance of identifying these errors results from determination not to contaminate the PCR database with incorrect information. However it was felt that with enough time working with the banks, the error rate would decline and it would no longer be necessary to have the hard copy screen entry sent to the CBE Registry.

***The CBE Registry identified twelve of forty five banks with little or no errors in their transmitted information and eliminated the requirement to submit the hard copy of the screen entry, for these twelve banks. Registry officials continue to monitor the error rate of the remaining banks, conduct training where necessary and feel confident that in the next few months this requirement will be eliminated. The manual process will be totally eliminated and the system will be more efficient. When this happens, the proprietary PCR Registry number will be automatically assigned by the system. Once this is completed, the CBE Registry system will be totally automated, thus becoming the first department within the Central Bank to achieve this status.***

### ***Pricing***

It had been recommended that a charge for each successful inquiry of the Registry be implemented as well as a charge for an unsuccessful inquiry and that recommendation was made by the PCR staff to Senior Advisor to the CBE Governor, Aziz to institute a specific charge for each inquiry, regardless of the inquiry's result. The recommendation was based on the fact the PCR had spent significant monies in both brown and green dollars to enhance the PCR in order to provide more detailed and comprehensive information to users of the PCR system.

In July of 2005, D.G. Aziz indicated that the CBE is not, at this point, entertaining the thought of cost recovery for the time and effort extended in the expansion of the PCR and its information. The PCR is in place to assist banks and serve as a supervisory tool for the CBE.

### ***Paid Accounts***

In June of 2004 it was estimated the number of paid accounts in the Banking system was 800000, or more, which have never been reported to the PCR given their originating balances were under the minimum reporting threshold that existed at the time the credits were granted.

It was previously recommended, for the purposes of accumulating historical payment behavior information on natural persons, that Banks provide information on these paid accounts, to the PCR. While there are no specific time lines for the paid accounts to be reported, the suggestion is to obtain information that goes back to the year 2000. This would include all accounts paid/closed, and not reopened, where the initial balance was less than 40000 LE (accounts above 40000 LE would have previously been reported to the Registry). While there is an estimate of 800000 accounts noted above, the Banks should be polled to determine the number of paid accounts, from all categories noted above, that are currently housed in their databases and that information be provided to the PCR. Placing this



additional information, in the PCR, would expand the amount of information available for Banks when they make their credit decisions. It would also lay the ground work for future expansion into credit scoring, which relies on historical credit experience as one of the primary components of developing a credit score.

In July, 2005 it was determined it would be practical to delay further discussion, on this subject, until the second visit of this Phase. The Banks will have to make significant effort to provided the PCR with additional accounts to the proposed 20000 LE level and it is unlikely any paid accounts could be moved to the PCR database for at least one year – these paid accounts would only be moved to the PCR after the reporting limit has been eliminated and all active credit accounts reported to the PCR.

#### Since July 2005

*Given the fact the approval has yet to be given to lowering the threshold to 20000 for reporting current credits, and the fact that paid accounts would only be added to the registry after all current credits have been added, it is still too early to work with the banks on adding paid accounts. This initiative should be reviewed on subsequent visits to determine the practicality of adding these accounts, at the time of review.*

#### Since December 2005

*Since the approval to lowering the threshold to 20000 has still not been approved it is now clear that adding any paid accounts to the registry database is not possible during the duration of this project, given further placement of active credits in the CBE Registry (if approved) would extend well beyond the end of this project, given active credits are placed in a database prior to any paid credits being added. The paid credits addition will be left to the private CIS.*

#### *Strategy for access to the PCR by a private CIS*

In July 2005, D.G. Aziz requested thoughts on how a private CIS might access credit information from the PCR. In response to that request, there are two options that should be considered.

The First option is to allow any private CIS to build an ‘interface’ with the PCR. That is, a computer link could be constructed to link a private CIS with the PCR. When the ‘interface’ is completed then any search request, made to the private CIS, would automatically include a search of the PCR with any results returned to the private CIS and combined with any information contained in the private CIS. The combined information would form a single credit report that would include all information located in both registries, as it pertains to the credit applicant on which the search is being completed. A ‘flow chart’, outlining the process, is provided on Page 33 of this report. Page 34 also provides a ‘flow chart’ of the data collection process.

The Second option is to transfer all existing PCR information to any private CIS that is licensed and requests the information. That information would then be stored in the private CIS database and be available on any search requests. If this option were used, there are further subjects to be considered. The first is to how the transfer of information would occur and whether or not the transfer of information should be on a monthly basis that would include monthly updates as provided to the PCR, by entities under its jurisdiction. Would the transfer be completed electronically via an interface or would there be transmission by tape, disk etc.? With this transfer would it be anticipated that Banks etc. would continue to transfer their data directly to the private CIS, as well as the PCR? If there was a one-time transfer of data from the PCR, to a private registry, would the Banks etc. be then providing information directly to the private CIS and not the PCR? If this was the case then how would the CBE be current on information, relative to Bank credits, that would be necessary for the CBE to complete its mandated role of monitoring

credits in the Banking system? If information continued to be provided to both the PCR and private registries, by Banks etc., this would be unnecessary duplication. These are the main issues and while there are also minor issues, all can be discussed and resolved at the time when a decision will have to be made as to whether the PCR adopts option one or two.

Based on International Best Practices, the First option makes the most sense. This option is simpler, allows for an unlimited number of licensed private registries to access the PCR and, until such time as a private registry is not only operational, but has proven to be effective and meeting the marketplace needs, this option protects the PCR. The second option becomes difficult to manage if there is more than one private registry and in a country the size of Egypt, it would make sense that the likelihood of two or more registries seems reasonable. As well, with option two, would Banks etc. want to regularly provide information to both the PCR and one or more private registries? Strategically this option protects the PCR.

The key to providing information directly to a private registry is the quality of its system, the satisfaction of the marketplace with its offerings and service and the security of the system.

There are a number of countries that maintain both private and public registries and they are: Argentina, Austria, Belgium, Bolivia, Brazil, Chile, Costa Rica, Dominican Republic, El Salvador, Germany, Italy, Malaysia, Pakistan, Paraguay, Peru, Portugal, Spain, Taiwan, Turkey (see comments on Turkey later in this report) and Uruguay. While the Public Registries have developed a variety of methods to work with private registries, in these countries, the decision as to how Egypt should work with any private registry should be based on local factors. It is interesting to note that the Egyptian PCR is far more advanced than any of the Public Registries were, in the noted countries, at the point that a private registry came into being.

Finally, the PCR has a system in place to assign proprietary identification numbers, to specific borrowers, in order to ensure all credits of one borrower are contained in that borrower's file. This system has been perfected and would be a challenge for a private registry to replicate. Again, why reinvent the wheel by moving these accounts to a private registry?

***The consultant recommended, and continues to recommend, Option One, in the near term until such time as a private registry is built and this is estimated at two years from the date a license is issued. The CBE can keep its options open and maintain control of the PCR, until such time as it is prepared to cede that control.***

***Since July 2005 - It has been agreed by both the CBE and the private CIS management that no decision is needed on this subject until such time as the private registry is close to being ready for the market. This is expected to take approximately two years. It has also been agreed that the private CIS would be built in parallel with the CBE Registry until such time as the decision is made. A flow chart that outlines a possible 'interface' between the private CIS and the CBE Registry is shown as Appendix 'A'.***

***Since December 2005 - Management of the private CIS, Estealam, have indicated they have agreed to, and will follow, Option One.***

#### ***Forward-Looking Gap Analysis***

During visit Four of Phase one of this project, the subject was completed and the details are noted below. Included are comments relative to any progress achieved, since September 2004 that includes that mission and missions from December 2004 and July and December of 2005. These areas are important for the PCR as it strives to achieve International Best Practices.

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**ISSUE: FRAMEWORK LEGISLATION FOR A CIS**

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*Best Practice:* Countries that have an established CIS passed legislation that framed the activities and contents, in advance of the creation of the CIS.

*Current Situation:* There has been no legislation proposed.

*Steps to Close Gap:* Lead Consultant, Jim Aziz, will provide a draft of proposed legislation and pass to D.G. Aziz who will follow the same process as noted in 'Individual access to personal credit files'.

*Since September:* Please see notes, above, relative to regulation.

*Status: Gap now closed with passage of legislation in June 2005.*

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**ISSUE: CAPACITY OF DATABASE**

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*Best Practice:* An effective CIS has sufficient room for existing credit and demographic information as well as the potential to add information for at least five years, based on projections.

*Current Situation:* The PCR only has limited space left and will not be able to handle the anticipated volume of information that will be submitted when the threshold for the Banks to report credit information falls below 20000 LE.

*Steps to Close Gap:* Within the next six months the PCR will acquire a new server that will increase its memory, twenty three fold, and will be able to handle new information for at least five years out.

*Since September:* The new server has been ordered and delivery is imminent. A survey has been completed with the Banks to determine the number of active credits they will eventually submit to the Registry. The estimate is 3.2 million and including paid accounts back to 2000, that number should approach 4.6 million. The new server has sufficient capacity to handle double this amount. Once the server is delivered, and the new Central Bank building is ready to accept installation, it will take one month to test and should be ready to handle additional credits by April of 2005, which is on target to the projected completion date of September 2005 for the completed expansion of the PCR.

*Status – Gap now closed given the new servers have been installed and the PCR can now handle three million files and by August 18<sup>th</sup> will be able to handle well over ten million files which is more than sufficient to handle any anticipated expansion for at least the next decade*

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**ISSUE: BANK AND NON-BANK INFORMATION**

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*Best Practice:* There is a free exchange of credit information between Banks and non-Banks.

*Current Situation:* Bank Secrecy laws prevent the exchange of this information.

*Steps to Close Gap:* The Governor of the Central Bank is committed to having this law changed to allow the Central Bank to decide who has access to credit records. In the interim it is proposed that consideration be given to providing non-Banks with the 'manner of payment' of any Bank credit. D.G. Aziz is working with Bank lawyers to determine how Bank information can be shared with non-Banks.

*Since September:* Deputy Governor Aziz advises that an amendment will be presented to Parliament in February 2005 that, if passed, will allow for the exchange of information between Banks and non-Banks by authorizing the Banks to share their information with a CIS and, by extension, to non-Banks. A meeting was held with the Minister of Enterprise, Dr. Mahmoud Mohieldin, who confirmed Government plans to have the amendment introduced in February and prompt passage is expected.

*Since December –* In June 2005, amendments to Law # 88 of the Year 2003, Promulgating the Law of the

Central Bank, the Banking Sector and Money, under Law # 93, 2005 were passed that, among other subjects, now allows for the sharing of information between Banks and non-Banks, through a private CIS. The articles of the law that cover this and other components of credit reporting are 67, 99, 100, 101, 123 and 135.

The passage of this law is significant given it now allows for the creation of a CIS that can, and will, include Bank and non-Bank information that will allow it to replicate International Best Practices to support the burgeoning credit economy here in Egypt.

***Status – Gap is now closed for the reasons noted above.***

#### **ISSUE: INDIVIDUALS ACCESS TO THEIR PERSONAL CREDIT FILES**

**Best Practice:** Under consumer legislation, dealing with a CIS and the information that is contained in their database, there are provisions that provide individuals the right to reasonable access in order to view their credit reports and to be provided with a copy of the report. The report will include a listing of those companies who have inquired on that individual's file. There are provisions for a consumer to challenge incorrect information and the responsibilities of a CIS do deal with any challenge.

**Current Situation:** Egyptians have no individual protection laws directed to their credit files; have no rights to view their personal credit report.

**Steps to Close Gap:** Lead Consultant, Jim Aziz, provided some draft legislation/regulation for the Deputy Governor by October 11<sup>th</sup>. D.G. Aziz reviewed and commenced a process for modification and eventual passage. Jim Aziz provided sample legislation from two other countries.

**Since September:** Lead Consultant, Jim Aziz, provided legislation from seven different jurisdictions along with Regulations from five of those jurisdictions. He also provided a conceptual overview relative to a Law and Regulations in order to guide the process. Members of the PCR management team completed two drafts of proposed regulation. During this Phase Five visit, extended time was spent on refining the proposal as well as preparation of a draft agreement between users of a CIS and the CIS. This process needs completion given there are one or two private CIS currently in operation and there is the anticipated passage of amendments to Bank secrecy laws that will allow sharing of Bank information with a CIS. There are a few days remaining in the project and Mr. Aziz will continue to work with the team, when he returns to Canada, to ensure there is an effective and appropriate draft ready for review and creation by legal experts within the Central Bank. These experts will have to determine the 'ripple effect' of the proposals relative to laws currently in place in Egypt. Beyond this, the CBE will need continued detailed technical assistance in this area until a final document is in place.

**Since December –** Legislation has been passed that allows for the creation of a private CIS. Draft regulations and licensing were provided to the PCR and a draft was created and, over the past months, further work has been completed that includes legal review of the relevance and overlap of other laws as it may relate to the proposed draft. The proposed draft provides for consumer rights and protections as it relates to credit information. Proposed licensing of a private CIS outlines the responsibility of a private CIS in meeting these requirements. It is expected by the end of 2005 that these regulations and licensing will be in place that will enshrine these protections.

**Since July 2005 - Regulations have been redrafted and were reviewed during the visit.**

***Under Article 99 of the Banking Act, the CBE will have oversight of the regulations established for the credit reporting industry. There is a requirement that Banks, Leasing companies and mortgage companies must report their credit information, on all credits with balances less than 200,000 LE to any and all licensed private registries – this is a reflection of similar requirements that the same entities***

are mandated to report their credits to the CBE Registry, with balances of 30000 LE or more. The current requirement that these entities must search all credit applications through the CBE Registry is maintained and will be made through a private registry, when operational. Permissible purposes are detailed and CIS employees must maintain secrecy.

Under the regulations a CBE supervisory structure is contemplated. Credit files will not contain any data as it relates to the credit file subject's race, religion, health or politics. Consumer consent must be obtained by all non banks who wish to use a private CIS that would include bank credit information, in order to comply with recently passed amendments to the secrecy laws.

Permissible purposes for requesting credit reports are defined, relations between a CIS, data providers and users of a CIS are defined and consumer rights and protections are detailed. Consumers are entitled to view their personal credit reports for a fee. There is no mechanism to control that fee, at this point. A process for the handling of consumer challenges to information on their personal files has been developed.

The regulations also allow for competition in the credit reporting industry.

#### Recommendations:

1. The major issue is the fact the reference to fact any CIS database must be located in Egypt. The clause has been returned to the regulations with the agreement of D.G. Aziz, Investment Minister Mohieldin and CBE Registry staff along with the management of the private CIS Registry. This requirement would prevent information on Egyptians being stored in another country. This is a nationalistic issue and represents Best Practice.
2. There should be a prohibition on the reporting of criminal record information in a credit file. Best Practice is that data in a CIS relates to credit and demographic, not character.
3. In accordance with Best Practice, an individual should be entitled to receive one copy of their personal credit report on an annual basis, at no charge. It is also recommended that any fee for subsequent credit reports be nominal and that the CBE must agree with the fee being charged. The proposed regulations allow for individuals to have access to their personal credit reports but at a price. It also allows for a fee to be charged when individuals are provided a copy of their personal credit report. There is no control mechanism on establishing the fee.
4. The requirement that an individual 'must provide documentation to support any challenge to information in a credit file'. This requirement should be removed, or tempered by adding 'where possible'. There will be situations where information is placed on the wrong file and there is no way anyone could provide documentation when the credit does not exist.
5. A clause should be added to the fact that only the subject of the credit report may see their file or be provided a copy of their file. The clause should state 'an individual shall be permitted to be accompanied by one other person, of his/her choosing, who may have the information disclosed to that person as well as the subject of the credit report. This is Best Practice given there may be individuals with disabilities that would prevent them from understanding the content of their credit report – e.g. visually impaired or illiterate.
6. A clause should be added that will allow an individual the opportunity to provide an explanation of an ongoing dispute of information that cannot be resolved between the data provider and the individual, after intervention by the CIS. The explanation would be entered in the comments section of their personal credit report for viewing of users of the system. Users would then have to consider those comments in the context of the file. This situation Best Practice is to allow from 50 to 100 words to be entered.

**Status: Gap now closed with the imminent approval of the regulations.**

#### **ISSUE: CONSUMER AWARENESS PROGRAM**

*Best Practice:* In mature CIS markets, the consumer awareness level is high and individuals are encouraged to view their personal credit reports. Users of a CIS make individuals aware of their rights.

*Steps to Close:* The Egyptian Banking Institute has held two workshops, in the last 4 months to create greater awareness amongst the Banking community relative to a CIS. It has also just produced a publication explaining a CIS, for distribution within the banking community and beyond and has placed the information on its website for public access.

*Since September:* There have been no further initiatives since September. A workshop is planned to update both Banks and non-Banks relative to the history and success of this project. That workshop will be scheduled after the proposed amendment to the Bank Secrecy Act, noted above, is passed by Parliament. In this report there is a reference to a meeting held with USAID who have just approved a project that contains a CIS component. One of the subjects is consumer awareness and it is appropriate that the USAID project handle that aspect for the general marketplace. This project should continue to handle information directed to Banks given they are impacted by the PCR and change/enhancements that are occurring under the project.

*Since December* – Efforts are on hold as it relates to a consumer awareness program for the near term. This is a good strategy given regulations, as they specifically relate to consumer rights, are not finalized and may not be until late in 2005.

#### **Since July 2005**

*USAID have undertaken this project. The construction of the private CIS will take two years or more and there is no purpose served in creating any consumer awareness for at least one year or more. By that time this phase of the FIRST project will be completed. USAID have the budget and commitment to complete. As an important first step, the hard copy documentation, with the subject 'What Are Credit Bureaus?', developed in conjunction with the Egyptian Banking Institute (EBI), has now been posted on the Banking Institute's website and is available to the marketplace for reference and viewing. In addition, there is also a consolidation of the three workshops conducted in 2004, at the EBI, in both hard copy and on the same website that provides more information relative to Credit Bureaus (CIS).*

**Status:** For the purpose of this project, the gap is closed given all the work necessary, at this point, has been completed.

#### ***Consumer consent for the Release of Credit Information***

*The legislation, passed in 2005, requires that non-Banks obtain written 'consumer consent' for the sharing of Bank information. This information will become a component of CBE Regulations as it pertains to a private CIS and access to Bank information by non-Bank subscribers to the services of a private CIS.*

#### ***Licensing***

*Rules and guidelines are now in place and the CBE issued a credit reporting license to a private registry, Estealam, in November 2005.*

