

## BAHAMAS CREDIT BUREAU PROJECT

### RESPONSES TO QUESTIONS RELATING TO THE REQUEST FOR SOLUTION TO ESTABLISH A CREDIT BUREAU IN THE BAHAMAS

14<sup>th</sup> January, 2015

Question No.	Reference Document (If applicable)	Question/Comment	Response of the Central Bank of The Bahamas
1.	RFS Page 1 – Clause 1.1	How many licenses can [the Central Bank of The Bahamas] issue?	The draft Credit Reporting Bill (hereafter referred to as “the CRB”), once enacted, will allow the Central Bank to issue a licence to any qualified applicant and does not limit the number of licenses that may be issued. However, given the market size of The Bahamas, the Central Bank intends, at the outset, to issue a licence to only one credit bureau operator.
2.	RFS Page 1 Clause 1.1	Will CB inquiry be mandatory for a lender in a loan application?	While the CRB does not mandate that lenders make a credit bureau inquiry in order to consider a loan application, it does mandate that the lenders listed in clause 18(1) of the CRB automatically transfer a borrower’s personal and credit information to the credit bureau. It is anticipated that lenders will require potential borrowers to consent to a credit bureau inquiry as a part of the loan application process.
3.	RFS Page 2 Clause 3.6	In Hub & Spoke configuration should the licensee incorporate a local company in Bahamas? If yes, what legal form should the company have (ltd, inc, ...)?	In the Hub & Spoke configuration the licensee will be required to establish a local presence either through – (i) a company incorporated pursuant to the provisions of the Companies Act, 1992; or (ii) a foreign company registered pursuant to the provisions of the Companies Act, 1992.

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4.	RFS Page 6 Clause 6.2	Can you detail the presentation's methodology of the offers (e.g. two different envelopes for technical and pricing policy)?	Final responses to the Request For Solution should be sent in one package addressed to the Governor, Central Bank of The Bahamas.
5.	RFS Page 5 Clause 8.1.1	Can [the Central Bank of The Bahamas] provide the data which will be provided by courts?	<p>In relation to court proceedings, the Bill provides for the following data to be included in a credit report –</p> <ul style="list-style-type: none"> <li>(i) convictions for fraud and forgery and outstanding court judgments;</li> <li>(ii) receiverships, bankruptcies and liquidations; and</li> <li>(iii) liens, garnishment or any other such judgments.</li> </ul> <p>It is anticipated that the credit bureau will collect this data directly from the courts.</p>
6.	RFS Page 4 Clause 5.3	We request to partially amend this provision, by saying that any use of the information received by the Central Bank of Bahamas will be used solely in compliance with the terms of the NDA under Annex 1 to the RFS	<p>We have no difficulty with your request and suggest that clause 5.3 be amended as follows:</p> <p>“5.3 The Central Bank of The Bahamas reserves the right to use information submitted in response to this document in any manner it deems appropriate, <u>subject to the terms of the Non-Disclosure Agreement set out in Annex 1,</u>”.</p>
7.	RFS Page 4 Clause 5.4	This statement seems in contradiction with the (mutual) NDA enclosed at Annex 1 to the RFS, according to which the Central Bank of the Bahamas commits not to disclose the Confidential Information received from the bidder (so, keeping the information	<p>We intend to delete clause 5.4.</p> <p>The Central Bank undertakes to provide each vendor which responds to the RFS, with a copy of the Non-Disclosure Agreement (NDA) duly signed by the Bank.</p>

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		received from bidder confidential should be "mandatory" and not "discretionary"). In light of the above, please confirm that (i) provisions under the NDA shall prevail over art. 5.4 and (ii) on or before the response to the RFS by the relevant bidder, the Central Bank of Bahamas will provide such bidder with copy of the NDA under Annex 1 duly signed by the Central Bank.	
8.	RFS Page 4 Clause 5.6	We request to delete this provision (which seems unfair to us), according to which any information in response to the RFP should be the property of the Central Bank of the Bahamas. On this, article 4 of the NDA enclosed as Annex 1 to the NDA should apply, according to which the discloser (i.e. either the bidder or the Central Bank) will keep the ownership of any confidential information disclosed to the other for the purposes of the NDA.	We have amended paragraph 5.6 of the RFS as follows:  “5.6 The response to the RFS is confidential and, subject to paragraph 4 of the Non-Disclosure Agreement set out in Annex 1, is the property of the Central Bank of The Bahamas.”
9.	RFS – Page 13 NDA Clause 17	Please let us know if the Central Bank is prepared to amend article 17, in such a way that the NDA	We are not prepared to amend article 17 of the Non-Disclosure Agreement.

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		under re. will be governed by the law of the State of New York (USA), and any dispute will be submitted to the jurisdiction of the Courts of New York.	
10.	RFS Page 1 Clause 1.1	Is there any currently existing database operated by the Central Bank or other subject, containing credit information about debtors? E.g. Public Credit Registry operated by Central Bank? If yes, can it be migrated to the new solution?	The Central Bank does not operate a public credit registry. There is no existing credit registry operated by any entity in The Bahamas.
11.	RFS Page 5 Clause 8.1.1	System should be ready to upload the data from various external sources, as court records (law suits, judgments and bankruptcy records), collection agencies, employment records. Is it possible to provide us with the more information about all particular data sources - if such sources are available in the Bahamas? What is the data structure, data format, interface (if such databases are available in online regime or as a bulk database for example)?	Currently, there is no standard data structure/format or interface. The credit bureau would have to work with data providers, to devise common data formats, data dictionaries, data extract mechanisms, interfaces, etc.
12.	RFS Page 5 Clause 8.1.1	It is stated in the RFS that Names and Addresses should be stored in the language as submitted by the data providers. What other	English is the Official language of The Bahamas and it is the language which Data Providers will be expected to use.

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		languages (excluding English) can be expected to be used by Data Providers in the Bahamas?	
13.	RFS Page 1 Clause 2.3	Do Banks/MFI's/Credit Unions currently use the National Insurance Number for the identification of customers? Is it unique and reliable identifier?	<p>Banks/MFIs and Credit Unions use the National Insurance Number for the identification of customers. The National Insurance Number is a unique identifier and is reliable.</p> <p>All persons engaging in gainful employment in The Bahamas and all persons who (whether employed or not) claim benefits or assistance under the National Insurance scheme, are required to register with the National Insurance Board. The National Insurance Number is distinctive and personal and is assigned for life. Its digits include representation of the year and quarter of a registrant's birth; the Local Office at which he/she registered; and his/her sex.</p>
14.	RFS Page 5 Clause 8.1.1	Are there available any detailed requirements on parameters of the Warm Backup Site? Must be the Warm Backup Site a full copy of the Primary Site? How many hours maximally is acceptable for switching between Primary and Warm Backup Sites?	<p>The Central Bank has not finalized the requirements and parameters of the warm back up site and will do so following the receipt of proposal responses by the different candidates. In the interim, and as a guide, it is anticipated that data will be regularly replicated to the warm back up site with an acceptable disaster recovery time of 36 hours for the resumption of normal business.</p>

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15.		What is the standard bandwidth of lines used currently by Banks/MFI's/Credit Unions for the connectivity to Internet and connectivity to Central Bank (if applicable)	The Central Bank utilizes Virtual Private Networking (VPN) for connectivity between the Central Bank and its various stakeholders. This allows the Central Bank to utilize any internet connection to establish connectivity securely regardless of the bandwidth. As such, the Central Bank does not stipulate bandwidth requirements to connect for RTGS, Mimics and the soon to be launched ORIMS portal. Most institutions use their existing Internet link to also connect to the Central Bank.
16.		Will licensed Banks/MFI's/Credit Unions and potently other providers of information, be obliged to provide data to the new Private Credit Bureau by any law or regulation issued by Central Bank?	The CRB, when enacted, will make it mandatory for banks, credit unions and other money lenders to provide information to a licensed credit bureau (see clause 18(1) of the CRB).
17.		Will Banks/MFI's/Credit Unions and other providers of information be obliged to make inquiry on every new applicant to the new Private Credit Bureau by any law or regulation issued by Central Bank?	Please see the response to question 2 above.
18.		Is signed consent of data subject always necessary for data to be sent to the Private Credit Bureau? If yes, have data providers been collecting such Consents already?	<p>Data subject consent will not be required for data to be sent to the credit bureau. Data subject consent' however' must be obtained by users and subscribers before they may access credit reports, provided that such access is for a purpose permitted under the Bill. See clause 24 of the CRB.</p> <p>Banks and other lenders are currently reviewing a standard consent clause for use by data subjects to authorize lenders</p>

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			and other users to access their credit reports.
19.		What is the expectation for timing of enacting of the Credit Reporting Bill?	It is anticipated that the CRB will be enacted by the second quarter of 2015.
20.		What is the expected timeline for the whole project, from the date of License granting to the issuing of the first Credit Report?	The projected timeline from the date of licensing of a private credit bureau to the issue of the first credit report is twelve to eighteen months.
21.	RFS Page 10 - Clause 13.1	Paragraph 13.1 of RFS shows the total number of loans for particular years. How many New Loans were granted in whole sector in years 2014 and 2013?	The information on new loans is not available, as it is not collected from the licensees. The data presented represents loans outstanding.
22.		Is the intention of the Central Bank to issue only one License for the operating of Private Credit Bureau or there could be more licenses granted as a result of this Tender?	Please see the response to question 1 above.
23.		As a local operating company will the Private Credit Bureau be required to have local ownership and if so, to what level?	The credit bureau will not be required to have local ownership, however, partnership between the credit bureau and local investors would be welcomed as this would aid in the transfer of knowledge and skills relating to the credit bureau.
24.		What taxation will the Local Credit Bureau be subjected to?	<p>The local credit bureau will be subject to taxation in The Bahamas, including the following taxes:</p> <ul style="list-style-type: none"> <li>• Import Duties</li> <li>• Real Property Tax</li> <li>• Value Added Tax</li> <li>• Stamp Tax</li> </ul>

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25.		Will the Local Credit Bureau be exempt from import duties and Value Added Tax?	The local credit bureau will not be exempt from import duties or Value Added Tax.
26.		What are the local business license requirements for the Local Private Credit Bureau to operate?	The credit bureau will be required to pay the licensing fee as required under the proposed credit bureau legislation.
27.	RFS Page 9 - Clause 8.9.1	Will the Central Bank mandate a common reporting format for the submission of trade lines such as the "Metro 2" format more commonly used in the United States?	The Central Bank does not intend to mandate the reporting format to be used by the bureau. The bureau will have to work with data providers, to determine an appropriate reporting format.
28.		With respect to disputes or enquiries raised by consumers, will online and telephone facilities be sufficient or will the Central bank require face to face site communications?	The Central Bank has no difficulty with the credit bureau utilizing online and telephone facilities to address consumer disputes. However, face to face site communications should be available on request from consumers and the bureau should designate someone in the local office to handle face to face complaints.
29.		Will consumers have a right to receive consumers reports on an annual basis for free or for a charge?	<p>The CRB proposes that a consumer will have the right to receive a free credit report in the following circumstances:</p> <ul style="list-style-type: none"> <li>• once each year;</li> <li>• whenever the credit bureau corrects any information contained in the consumer's credit report; and</li> <li>• whenever a consumer is denied credit because of information contained in their credit report.</li> </ul> <p>In all other circumstances, the credit bureau may charge a fee for its services.</p>
30.		Is the legislation contemplating only access to users who will report trade lines to the bureau versus	Clause 24(2) of the CRB proposes that users that do not have a subscriber agreement with the credit bureau may access credit reports with the consent of the consumer provided that the

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		non reporting, for example "Pay to Play Model"?	credit bureau- (a) first verifies- (i) the identities of the data subject and the user; and (ii) that the data subject has given consent for the release of the data subject's credit report to the user; and (b) uses reasonable means of transmission that ensures that the data subject's credit report is not altered, modified or corrupted during the transmission process.
31.	RFS Page 11 - Clause 13.1	In the Pricing Policy table submitted for the number of loan accounts, can additional detail be provided for a breakdown between consumer and commercial accounts?	Please see the attached spreadsheet. Kindly note that consumer items are represented by items (ii), (iii) and (iv) under the Personal category. All other items can be considered commercial, with the exception of the residential mortgages, Government, Public Corporations, and Public Financial Institutions categories.
32.	RFS Page 10 - Clause 8.11.1	The RFS contemplates daily file transaction reporting as input to the billing system, however does the Central Bank envision monthly billing for all transactions?	The Central Bank anticipates that there will be monthly billings for all transactions.
33.		Does the Central Bank contemplate the bureau [having]the ability to access government records for births, deaths, government assistance payments, other identifying information such as	It is anticipated that the credit bureau will have access to data such as birth and death records, and national insurance numbers to assist with verifying customer identity; and eventually will also have access to tax and other records to assist with providing comprehensive credit information.

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		drivers or professional licenses, commercial or consumers tax records, etc.?	
34.		Upon awarding a contract to the selected credit bureau, does the Central Bank of The Bahamas maintain a current and historical database of performing and non-performing loans, banking transaction and account histories and/or other service-related payment activity that will be made available to the credit bureau for the purposes of optimizing credit and other scoring models on consumers in The Bahamas?	The Central Bank of The Bahamas does not maintain a database of performing and non-performing loans, banking transaction and account histories and/or other service-related payment activity for The Bahamas.
35.		Will government ID data such as National Insurance Number, corporate registrations and/or other identifying data on consumers and businesses be made available for use by the selected credit bureau directly from the governing agency that manages each type of record within the Commonwealth of The Bahamas?	Please see the response to question 33.
36.		Is the selection committee only considering selection of a single credit bureau to deliver all services, or is there a potential of multiple	Please see the response to question 1 above.

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		bureaus being selected for management different functions?	
37.		In addition to allowing use of the data for credit risk decisions during the underwriting process, does the Central Bank of The Bahamas also desire functionality that will assist with collections and skip tracing processes should a borrower default and enter into a collections and/or skip status?	Yes. The Central Bank anticipates that the selected credit bureau operator will be able to provide value added services such as credit scoring and skip tracing, in addition to providing credit reports.
38.		What data (consumer identification, trade, credit) will be available for the initial system load?	Initially, banks and other lenders which are mandated to provide data to the credit bureau should provide customer identification data (name, age, sex, address, etc.,) and credit information such as the amount, type and status of credit facilities.
39.		Are there any other government issued identification numbers that are widely used for the consumer identification?	Government issued identification numbers (apart from the National Insurance number) for consumers include passport, voter's card and drivers licence numbers.
40.		How many copies of our final proposal would you like to receive?	Respondents should submit three copies of their proposal to the Central Bank.
41.		We would be grateful to have separate the total number of retail loan accounts and the total number of commercial loan accounts for each year (between 2009 to 2013)?	Please see attached spreadsheet. See also the response provided to question 21.

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		If possible can you further break down the retail loan accounts into the number of mortgages, credit cards, instalment loans, auto finance loans, etc.	
42.		What currency would you like us to use in our submission?	Please use Bahamian dollars (B\$) in your submission to us.
43.		Does the Central Bank of The Bahamas intend to license more than one Credit Bureau (in the short term or the long term)?	Please see the response to question 1 above.

**CENTRAL BANK OF THE BAHAMAS**  
**DOMESTIC BANK LOANS BY SECTOR: 2009 - 2013**

B\$'000

SECTOR	2009		2010		2011		2012		2013*	
	Number	Value								
AGRICULTURE	306	15,660	279	12,815	273	15,396	213	16,015	232	12,647
FISHERIES	106	7,715	88	6,136	84	8,571	80	8,412	70	7,037
MINING & QUARRYING	9	807	7	3,393	8	2,703	12	2,399	6	2,487
MANUFACTURING	335	37,118	284	30,209	331	38,787	300	41,744	281	52,457
DISTRIBUTION	1,094	147,880	1,069	150,495	1,167	171,128	1,155	216,145	1,023	214,295
TOURISM	225	198,864	206	22,987	297	70,265	183	65,279	143	47,714
ENTERTAINMENT & CATERING	187	44,130	174	26,270	204	67,058	206	64,131	182	79,700
TRANSPORT	161	28,033	151	30,481	161	37,265	168	42,020	148	36,250
PUBLIC CORPORATIONS	34	305,336	35	48,768	32	326,442	26	338,450	25	329,770
CONSTRUCTION	1,274	409,561	1,082	308,465	942	424,809	808	422,240	950	450,602
GOVERNMENT	14	76,516	11	110,335	21	145,748	14	152,375	13	253,606
PUBLIC FINANCIAL INST.	17	564	-	-	3	381	-	-	-	-
PRIVATE FINANCIAL INST.	86	21,454	85	18,589	104	21,589	119	18,541	69	22,152
PROFESSIONAL & OTHER SERVICES	730	66,088	1,336	166,948	1,342	185,346	1,238	192,796	2,299	145,788
PERSONAL	243,831	5,031,769	209,748	5,068,184	247,292	5,110,339	235,753	5,140,642	231,478	5,179,522
(i) Residential Mortgages	20,391	2,719,866	22,451	2,817,925	22,474	2,880,360	22,261	2,923,422	21,828	2,926,937
(ii) Home Improvement	7,437	160,551	5,623	137,205	5,084	118,658	4,530	119,610	3,936	116,076
(iii) Land Purchase	4,366	242,783	4,049	247,684	3,832	232,317	3,771	225,139	3,533	217,509
(iv) Other	211,637	1,908,569	177,625	1,865,370	215,902	1,879,004	205,191	1,872,471	202,181	1,919,000
MISCELLANEOUS	18,283	559,610	6,165	311,177	6,800	477,866	6,032	384,787	4,927	284,726
<b>TOTAL RESIDENT</b>	<b>266,692</b>	<b>6,951,105</b>	<b>220,720</b>	<b>6,315,252</b>	<b>259,061</b>	<b>7,103,693</b>	<b>246,307</b>	<b>7,105,976</b>	<b>241,846</b>	<b>7,118,753</b>

\* number information revised