



A COMMERCIAL
CREDIT REFERENCE
AGENCY FOR
HONG KONG



The Hong Kong
Association of Banks

The DTC Association



HONG KONG MONETARY AUTHORITY

Increasing public attention has been given to the need of small and medium-sized enterprises (SMEs) for greater access to credit. At the same time it is recognised that lending institutions need access to information from an auditable source about the overall indebtedness and credit history of SMEs to allow better credit assessment.

To meet these needs, the Hong Kong Association of Banks (HKAB), the DTC Association (DTCA) and the Hong Kong Monetary Authority (HKMA) are working together to establish a Commercial Credit Reference Agency (CCRA). Participation by SMEs and lending institutions in the CCRA, which is expected to come into operation in 2004, will be voluntary. However, given that the CCRA should benefit all parties concerned, HKAB, the DTCA and the HKMA strongly encourage SMEs and lending institutions to participate in the CCRA.

The aim and benefits of a CCRA

What is a CCRA?

A CCRA is an organisation that collects information about the indebtedness and credit history of business enterprises and makes this information available to lending institutions. CCRA's are a common feature of credit markets around the world. Before deciding whether to extend credit facilities to a customer, lending institutions will check with a CCRA about the customer's credit record in order to help assess the credit application.

What are the benefits of a CCRA to borrowers?

As more information about the creditworthiness of borrowers becomes available through a CCRA, credit-worthy borrowers stand a better chance of obtaining loans from lending institutions more quickly and at more competitive prices.

What are the benefits of a CCRA to lenders?

A CCRA increases lending institutions' knowledge of borrowers' credit records, expedites the loan approval process, and helps to strengthen lending institutions' credit risk management. Exchanging information about borrowers by lenders also increases the incentive for borrowers to repay, thereby reducing the overall default rate.

The operation of the CCRA scheme

Will my business be covered by the CCRA scheme?

The CCRA will cover only the SME customers of lending institutions. Generally, an organisation is considered to

be an SME if it is:

- (a) an unlisted company with an annual turnover not exceeding HK\$50 million (unless the company belongs to a larger group whose annual turnover is larger than HK\$50 million); or
- (b) an unincorporated enterprise such as a partnership or sole proprietorship with an annual turnover not exceeding HK\$50 million.

If your business is covered by the scheme, your lending institution(s) will seek your consent for the sharing of credit data if the lending institution's terms and conditions do not already permit this.

What information will the CCRA hold?

The CCRA will keep credit data about SMEs, such as the total number of credit facilities they have obtained from lending institutions, and the limits on these, as well as information about defaults on loans. Information such as the assets of your business or personal wealth of your business's investors will not be collected.

How long will the CCRA hold the credit data of my business?

The credit data will be held by the CCRA for as long as it is relevant for the purposes of considering any grant, review or renewal of credit facilities. In general, the intention is that credit data relating to each facility will be retained by the CCRA for five years, from the date of full repayment of that particular facility. As there is a cost to maintaining the data in the system, it is in the interests of the CCRA to delete the data as and when the information becomes irrelevant.

Who will have access to the data held in the CCRA's database about my business?

The CCRA is only allowed to disclose the credit data it holds in its records about your business to lending institutions. Lending institutions will only use the data in relation to the grant, review or renewal of your business's credit.

Will lending institutions seek our consent before they report our data to the CCRA?

If consent for disclosure is not included in the terms and conditions of your account, lending institutions will be required to obtain your consent before they can disclose your business's credit data to the CCRA. Disclosure will be made when, for example, your business successfully applies for a new loan, or for an increase in the credit limit of an existing credit facility, or for the renewal of an existing credit facility. You are encouraged to

give your consent to facilitate the process of building a comprehensive database which will help to speed up loan assessment procedures.

Can my business withdraw its consent?

Your business will benefit from a complete credit record. It is therefore not advisable for you to revoke consent to the disclosure of data to the CCRA. Further, revocation of customer consent will provide grounds for the lending institution to terminate or decline to renew the facilities granted to your business. However, if your business decides to revoke its consent, it will need to give 90 days' notice to the lending institution(s). The lending institution(s) will report the revocation to the CCRA and will stop reporting the credit data of your organisation to the CCRA after 90 days.

My business has made some late payments in the past. Will this information be reported to the CCRA?

The CCRA will collect data only from its start-up date onward. Default data of past facilities, or overdue payments of current facilities that have been subsequently settled, will not be reported. In other words, only overdue payments that are still not settled in respect of current facilities will be reported. By keeping payments current and building a good credit history, your business will improve its access to credit in the future.

When will the CCRA start?

The financial industry is now working on establishing the CCRA. If everything goes smoothly, the CCRA is expected to be up and running in the third quarter of 2004.

Who will run the CCRA?

The financial industry will identify an appropriate service provider in the credit bureau business to run the CCRA.

Data protection

Are there adequate safeguards to protect the confidentiality of the data maintained by the CCRA about my business?

Yes, the confidentiality of your business's data will be safeguarded. The HKMA will issue a statutory guideline under the Banking Ordinance to set out the data protection guidelines in relation to the use of credit data by data users. The data protection guidelines will require the CCRA to take appropriate steps to safeguard the security and accuracy of the data it holds,

and to respond to an access or correction request by an SME promptly.

Will I be able to access the data held by the CCRA about my business and request corrections if there are errors in the record?

Yes, you will have the right to access your business's data held by the CCRA. The lending institution will be required to provide you with the name, address and telephone number of the CCRA to which your business's data are disclosed. If you think that any of the data held by the CCRA is inaccurate or incomplete, you can request the CCRA to correct it. The CCRA will investigate your request and make any corrections.

What are the sanctions against lending institutions and the CCRA if they breach the data protection requirements?

If a lending institution breaches the data protection guidelines, this would call into question its ability to satisfy the relevant authorisation criteria under the Banking Ordinance, thereby giving rise to potential regulatory sanction by the HKMA.

The data protection guidelines will be incorporated in the terms of the CCRA's service agreement with lending institutions. Breaching them would be a breach of contract that might lead the lending institution to terminate the service of the CCRA.

To whom should I lodge complaints in case of need?

If you have an unresolved dispute with the CCRA or a lending institution, you may contact the HKMA in writing at:

Address: 30/F, 3 Garden Road, Hong Kong

Fax: 2878-1899

E-mail: hkma@hkma.gov.hk

The HKMA will seek to ensure that your complaints against a lending institution or the CCRA are properly handled in accordance with the relevant data protection guidelines.

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