Bank Fosters International Public – Private Dialogue on Credit Reporting

Beijing conference draws nearly 300, highlights include discussion of new credit reporting standards, participation of sitting legislators and viewing of a Colombian soap opera

By Margaret J. Miller, FSE

Nearly 300 delegates from more than 50 countries participated in the international conference, “Public Policy for Credit Reporting Systems: Strengthening Public—Private Dialogue and Partnership” which was held in Beijing, China from September 28 to 30.

The event was co-hosted by the People’s Bank of China and organized jointly with the bi-annual international private consumer credit reporting conference.

One of the key public—private issues in many countries, including China, is the relative roles to be assumed by public and private credit registries. In one of the conference’s first sessions, these relative roles were discussed in the context of the Chilean experience, where the public credit registry worked in combination with private credit bureaus to develop large positive files and broad-based credit reporting. The value of public credit registry data for banking supervision was also explored. Recent Bank research has shown that public registry data can help to provide a type of ratings framework for developing appropriate norms, regulations and risk-based capital and provisioning levels in line with Basel II. Credit reporting mechanisms and applications to improve access to finance for SMEs and microfinance clients were also presented.

The conference was unique in focusing on the importance of consumer outreach and education throughout the two day event, by showing examples of TV videos produced in China, Colombia and the U.S., to educate consumers on their credit reports. In the case of Colombia, a private credit registry, Datacredito, paid to include the issue of credit reporting in the story line of Francisco el Matemático—a popular Colombian soap opera. Datacredito’s goal was to educate a broad segment of the Colombian society, including lower-income consumers, about the role of a credit report in credit decisions and to show them how to request copies of their reports, and challenge and remove errors.

Additional sessions looked at the legal and normative foundations needed for safe and proper treatment of credit data. A panel of sitting legislators from Mexico, Nicaragua, Thailand and China provided insights into the legislative process, based on a variety of experiences. For example, Mexico passed comprehensive legislation for credit reporting in 2002 which has provided a much needed legal and regulatory framework for this activity. In Thailand, a law for credit reporting which became effective in 2003 provided for such severe criminal penalties in cases of data errors that both private bureaus suspended operations for several months until modified regulations could be issued.

The legislators as well as public and private sector participants also contributed to a spirited discussion on a new Report on the Observance of Standards and Codes (ROSC) for credit reporting, which is being developed jointly by FSE and the Bank’s Legal Department. These principles and guidelines received wide praise and will be helpful in systematizing reviews of credit reporting in future Bank and IMF financial sector missions, as well as provide needed guidance to policy makers on this topic.