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# THE EGYPTIAN CREDIT BUREAU AND NON BANK FINANCIAL INSTITUTIONS

EGYPT FINANCIAL SERVICES PROJECT  
TECHNICAL REPORT #58

**December 2005 - June 2006**

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## DATA PAGE

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Task: Task 4: Establish a Broad-Based Credit Information System

KRA: KRA 4.2: Private Sector Credit Bureau(s) Operational

Activity: Activity 4.2.05 Study and Determine Best Mechanism for Government Agencies and Non-bank Financial Institutions to Provide and Share Information with Private Credit Bureau

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## ACRONYMS

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AI	Appraisal Institute
ABS	Asset-backed Securities
BDA	Bond Dealers Association
CAPMAS	Central Agency for Public Mobilization and Statistics
CASE	Cairo and Alexandria Stock Exchanges
CBE	Central Bank of Egypt
CMA	Capital Market Authority
CRA	Commercial Registry Authority
CTO	Cognizant Technical Officer
EAA	Egyptian Appraisers Association
EBA	Egyptian Bankers Association
ECMA	Egyptian Capital Market Association
EFS	Egypt Financial Services Project
EHFC	Egyptian Housing Finance Company
EIMA	Egyptian Investment Management Association
EISA	Egyptian Insurance Supervisory Authority
EJA	Egyptian Judges Association
ELA	Egyptian Lawyers Association
EMBA	Egyptian Mortgage Brokers Association
ESA	Egyptian Survey Authority
EREA	Egyptian Real Estate Association
ERESA	Egyptian Real Estate Surveyors Association
GAFI	General Authority for Free Zones and Investment
GOE	Government of Egypt
IFS	International Federation of Surveyors (Egypt Chapter)
IPF	Investors Protection Fund
KRA	Key Results Area
MBA	Mortgage Bankers Association
MCDR	Misr for Clearing, Depository, and Registry
MFA	Mortgage Finance Authority
MLS	Multiple-listing Service
MSAD	Ministry of State for Administrative Development
MOF	Ministry of Finance
MOH	Ministry of Housing
MOJ	Ministry of Justice
MOI	Ministry of Investment
MOU	Memorandum of Understanding
NASD	National Association for Securities Dealers
NIB	National Investment Bank
PGF	Payment Guarantee Fund (Guarantee Fund)
PIN	Parcel Identification Number
SEC	Securities and Exchange Commission
SII	Securities and Investment Institute
UCD	Universal Cadastral Database
UNCITRAL	United Nations Commission on International Trade Law
USAID	United States Agency for International Development
YEBA	Young Egyptian Bankers Association

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## Introduction

The Egyptian credit bureau “ESTEALAM” was established by 27 banks and the Social Fund for Development to represent the first private sector credit bureau established following the change in the banking law approved by the parliament in mid 2005.

The board of directors of the credit bureau is composed of nine members representing public and private sector banks. Being bankers, the board is fully aware of the needs of the banking industry and how the credit bureau could best meet them.

The Credit Bureau and the Central Bank had requested EFS to assist in approaching the non bank sector. Furthermore, as a USAID project, EFS was equally keen to pay particular attention to the non bank sector so that the credit bureau project can serve the whole financial and commercial sectors not only the banking sector.

From a macroeconomic perspective, it is known that credit bureaus can induce higher growth rates as a direct result of increases in purchasing power. This is possible with the increase in credit availability which relies on the existence of credit information. Whereas the banks have a window at the Central Bank of Egypt public registry, the rest of the market does not. However a window is now available to them to obtain credit information through the credit bureau following the recent legislative change. The rest of the market has plenty of needs and any type of credit information that can be available to them is of great value.

From a micro perspective, the inclusion of non bank entities as members in the credit bureau supports the creation of a financially sustainable institution. Members pay fees for every inquiry. To the credit bureau this translates into revenue, profit and finance sources to make possible development of credit bureau services.

The EFS work plan for the second year targets three main groups: microfinance institutions, suppliers of goods and services and lastly non bank financial institutions which fall under the umbrella of the Ministry of Investment through its different authorities.

EFS followed a top-down approach by contacting the Ministry of Investment which was extremely supportive and encouraging.<sup>1</sup> This is the subject of this report.

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<sup>1</sup> On December 15, Task Four Leader Marian Mishriki and Task 3 Senior Financial Adviser Ahmed Hussein, met Mr. Abdel Hamid Ibrahim, Senior Financial Adviser to the Minister and ex Chairman of CMA. During the meeting Mr. Abdel Hamid requested that EFS presents a report with some details on the credit bureau project.

## **Part A: Report delivered to the Ministry of Investment on non-banking financial services that require credit information and the importance of credit inquiries 2**

### **Purpose:**

This memorandum is presented to the Ministry of Investment with the following objectives:

- Informing the Ministry of Investment with recent developments related to the credit bureau project in Egypt.
- Present a number of non-banking financial services and activities that require credit information and inquiries.
- Coordinate with the Ministry and its authorities / affiliated companies to highlight the importance of credit inquiries to their work.
- Recommend a suitable mechanism which allows the companies to provide information and data to the credit bureaus in addition to using its services.

### **Introduction about Egypt Financial Services**

EFS is a USAID-funded project which started its activities in December 2004 with the purpose of providing technical assistance to the Egyptian government to develop its financial markets. The project comprises four principal tasks:

1. Developing mortgage finance market.
2. Developing and simplifying registrations in urban areas.
3. Creating and developing new financial instruments.
4. Establishing credit information systems (i.e. credit bureaus).

With respect to task 4, EFS supports Central Bank of Egypt capacity to oversee and regulate the operations of credit bureaus, as well as the credit bureau and works to establish a system for protecting consumers/borrowers rights following international practices.

### **Importance of Credit Bureaus**

Credit bureaus which are privately owned provide credit information systems about persons: natural or legal entities. It goes without saying that the availability of credit information results in increasing credit at the national level, encouraging purchase of goods and services since there is an opportunity for deferred payments, all of these matters improve living standards and increase demand which expands production and employment. In addition, credit information availability supports and develops the financial, commercial sectors and micro-finance sectors.

Despite the existence of credit information systems in the public sector in some countries, including the Central Bank of Egypt, yet experience has shown that information provided by them is limited, focuses on large loans and usually credit information system is utilized for supervision and control purposes and borrowers do not have access to their data.

On the contrary, credit bureaus provide more comprehensive credit information since they collect information and data from various entities other than banks and provide them to those who need it, in addition to their providing credit scoring services.

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<sup>2</sup> Report delivered to Mr Abdel Hamid Ibrahim, Senior Financial Adviser to the Minister of Investment on January 8<sup>th</sup> 2006

The services provided by it assists the credit providers in making more accurate evaluation of credit risks, managing their operations more efficiently which reduces default rates and interest rates.

## **Recent Developments**

Since the Egyptian government is convinced of the importance of credit bureaus, the Egyptian Parliament has, in mid 2005, agreed to amend the banking law. The amendments included the following:

1. Permit the establishment of credit bureaus under the supervision and control of the Central Bank which was authorized to grant licenses, issue rules & regulations, establish working operating system for credit bureaus, Central Bank own supervisory system and rules for exchanging information.
2. Exchange of information between banks, mortgage finance & financial leasing companies and the Central Bank on one hand and credit bureaus on the other hand became possible.
3. The first credit bureau under the banking law named ESTEALAM was established by 28 banks and the Social Development Fund with a capital of LE 30 million of which 25% was paid. The first Board of Directors was selected, chaired by Mr. Mohammad Kafafi as Chairman, Mr. Mohammad Ashmawy as Deputy Chairman. Mr. Mahmoud Abdel Aziz, CBE Deputy Governor was nominated as an external adviser to the board. At present the company is in process of completing its studies and establishing the best methods to collect and provide the market with credit information.

## **Important Conclusions of EFS**

EFS conducted a legal research in 2005 on privacy rights which included the constitution, laws pertaining to the exchange of information in Egypt and the recent amendments in the banking law. Following are the conclusions of this study:

- Egyptian laws, same as others elsewhere, respect the private lives of its citizens. No information about them can be disclosed or provided unless with their consent or if permitted legally.
- In conformity with the general principle that respects the private lives, the banking law incorporates articles that generally address the secrecy of bank accounts. An exception to this principle the banking law has permitted some institutions (Central Bank, mortgage finance, financial leasing companies and credit bureaus) to exchange information without prior approval by borrower as long as such exchange pertains to an existing debt of a customer.
- The Banking law did not address other entities that can exchange information and data with the credit bureaus since such entities are governed by other Egyptian laws and fall under different regulators and other ministries such as the Ministry of Investment. However, the study conducted by EFS concluded that exchange of information between other entities and credit bureaus is allowed with the consent of the borrower/consumer.
- It is worth mentioning that EFS studies agreed with Central Bank legal advisors findings.
- Despite the change in the banking law, the articles related to the operations of the public registry at the Central Bank of Egypt remained unchanged. Therefore, the banks, mortgage finance and finance lease companies are still obliged to report their borrowers' debts to the CBE. Banks are also obliged to continue to use the public registry at the Central Bank whereas mortgage finance and financial leasing companies have the option to use it.
- In 2005, EFS assisted the CBE in developing the licensing requirements for credit bureaus, the operating system of credit bureaus, Central Bank supervisory system, some rules related to exchange of information rules. EFS continues to support the

Central Bank in addition to ESTEALAM and dedicates special attention to the non-banking entities which include all companies and authorities under the Ministry of Investment due to the importance of the is project nationally and economically.

### **Non- Bank financial services provided by authorities and companies falling under the Ministry of Investment and the importance of credit inquiries:**

#### 1. Providing licenses by authorities in a country:

The Capital Market Law specifically includes many clauses that require the nonexistence of court sentences against companies' founders, managers and the necessity of conducting investigations, requiring good reputation, etc. Thus, obtaining credit reports in a country facilitates providing licenses by them. Following are some examples:

- The Capital Market Authority is the responsible authority to provide licenses to all financial securities companies. The availability of credit reports facilitates the implementation of article 29 in law no. 95 of 1992.
- Necessity of ensuring good reputation before granting licenses to Custodians (*article 46 bis no. 7 in Part 4: Custodians*).
- Internal compliance officer in portfolio management and brokerage companies is obliged to notify the Authority with any judgments related to the managers of companies (*article 220*).
- The Cairo and Alexandria Stock Exchange members are obliged, as per membership rules, to investigate anyone who is appointed (*article 24, Part 3: membership rules*).

#### 2. Know your client rule

Credit reports assist brokerage, portfolio management and mutual fund companies know their clients well and verify their basic information to prevent any "money laundering" operations as required in article 1 of decree no. 620 of 2001 which prohibits brokerage firm investing in dirty money.

#### 3. Types of Credit

Many companies with different activities provide credit in one way or another. Credit reports and credit scoring support these companies in assessing risks. Following are some examples:

- Public enterprise companies sell on credit to natural persons or could provide trade credit to legal entities
- Insurance companies offer loans guaranteed by insurance policies and others by real estate collaterals.
- The companies operating in the field of portfolio composition, management and brokerage are obliged to verify the clients' solvency. This necessitates assessing the risks of delinquencies in securities (*article 262 and 9-218 in law no. 95*).
- Margin trading involves agreement between the brokerage companies and their clients to defer payment of the securities purchased for them (*article 289, Part 9, law no. 95*).
- Mortgage finance companies that are under the supervision of the Mortgage Finance Authority offer long term loans ranging between 10–20 years against mortgages.
- Finally, in financial leasing, despite the fact that the lessor is the owner of the leased property, yet there are risks related to the lessee's default or delay in making the lease payments or destroying the equipment and other risks that require the lessor assessing the lessee's ability to pay on due dates at time of contracting with him.



#### 4. Insurance

Insurance companies issue a variety of insurance policies on persons. This includes all types of life insurance, also on properties and liabilities (against damage). Insurance companies can benefit of the information in credit report information in many instances which include:

1. Issuing an insurance policy for the first time which requires that insurance companies assess the insured person's status to determine the installments that are affordable and commitment to pay them.
2. Reconsidering a request to increase the value of insurance policies and the associated increase in the installment amounts.
3. Knowing the driving habits of insurance companies' clients which helps insurance companies evaluate the potential risks and determine the installment amounts.
4. Accepting or rejecting insurance on natural or legal persons if the credit report includes information that is discouraging, for example the insurance company may refuse to issue fidelity insurance, or provide credit insurance in connection with trade.
5. Determining whether some of the insured persons insurance with more than one companion the same property.
6. Knowing prior claims made by the insured persons in the past.
7. Avoiding insurance fraud since some of the insured persons may intentionally cause the accident to occur in order to claim the insurance amount or may claim from several insurance companies.

To conclude, relations between insurance companies and credit bureaus by which the former provides information and data about their customers and inquires about them before issuing or renewing insurance policies will support development of the entire insurance sector resulting in increased profit, reduction of losses, managing operations more efficiently, limiting risks and pricing it more accurately.

#### 5. Direct Investment

Direct investment is undertaken by direct investment companies, venture capital companies, direct investment funds under the Capital Market Authority, insurance companies, public enterprise companies and any Egyptian joint stock companies. The availability of credit reports helps investment companies assess investment opportunities from several angles. Following are some examples:

- Investigating potential partners (natural or legal entities and avoiding risking capital when partnering with persons who are not very well known or whose reputation is questionable.
- Direct investment activity requires conducting due diligence studies on the subject of investment. The credit report may reveal the existence of claims, court cases and other information that can help the investor make his decision.
- One of the direct investment valuation methods is to arrive at the present value of future cash flows after deducting debts to banks. The availability of information about debts from other sources such as from the credit report confirms the information on hand and assists the investor in finalizing the study and reaching a decision.

#### 6. Factoring

Factoring is a financial service provided by a specialized company known as the "Factor". The Factor buys the portfolio of short term receivables, i.e. accounts and commercial papers which are created in the course of commercial activity while selling goods and services to the clients (buyers/debtors).

The portfolio of receivables is purchased by the Factor at its present value which is determined based on a discount rate mutually agreed upon between both parties. Normally such a purchase is done by the Factor without recourse to the seller, if some of the debtors do not pay either fully or partially.

Consequently, the Factor takes credit risks since some debtors may not pay. To manage credit risks efficiently, the Factor needs to assess the credit worthiness of the debtors before making its decision to buy the portfolio. Practically, the factoring contract may be a tripartite one: factor, seller and buyer, in a way that the seller does not sell on credit except to those approved for credit, by the Factor, based on their credit assessment.

The Factor requires information from credit bureaus, as provided by the credit reports on the buyers. The credit scoring determines the discount rate, the higher the score the lower the discount rate used in calculating the present value of the portfolio.

On the other hand, the Factor has available useful information to the calculation of the credit score of buyers/debtors, pertaining to their prompt payment of their dues to the Factor, making the Factor a source of information to the credit bureau.

## 7. Securitization

A Securitization company issues transferable bonds covered by a portfolio, representing financial rights and deferred payments “the securitized portfolio”, sold to it from an owner, known as the originator or transferor. The securitization company repays the bonds at their nominal value and interest on them from the proceeds of the securitized portfolio. Neither the originator nor the securitization company are responsible for the bonds nor for the interest.

To issue the bonds, the securitization company is obliged to provide a credit rating certificate for the securitized portfolio against which the bonds are issued. The rate should not be less than the set level to ensure solvency. The credit rating certificate is issued by a rating company, which can assess the credit worthiness of the debtors using the credit reports and credit scores issued by the credit bureau.

## **Part B: Outcomes of the First Round of Meetings conducted with the authorities falling under the Ministry of Investment <sup>3</sup>**

*Refer to appendix for review of the PowerPoint presentation delivered to the Ministry and the authorities visited.*

### **Mortgage Finance Authority**

Date: April 3, 2006

Participants:

Mr. Ashraf El Kadi, Deputy Chairman

Ala Hozayen, Consultant to the Chairman, Industry Affairs

Wafaa El Dares, Consultant to the Chairman, Interior Affairs

May Abdel Hamid, Consultant to the Chairman, Consumer Affairs

Ms. Iman El Gammal, Economic Expert, The Ministry of Investment representative

Marian Mishriki, EFS Task Four Leader

Kevin O'Brien, EFS Task 1 Leader

Ms Amal Ezz El Din, EFS Task 1 Senior Financial Adviser

*Outcome: Response and suggestions provided to EFS during the meeting*

1. MFA was interested in obtaining more information such as the name of the foreign vendor, the price for a credit report, the start up date, etc.
2. MFA confirmed that the mortgage finance companies are in need of it and welcome the credit bureau project.
3. They offered to assist EFS if required especially since they come from the banking sector. Also, they advised that we get in touch with "Contact" a care finance agency which has databases and has completed a securitization deal.

### **Egyptian Insurance Supervisory Authority ( EISA)**

Date: April 5, 2006

Participants:

Dr. Adel Mounir, Chairman, EISA

Mr. Mahmoud Abdallah, Senior Advisor to the Minister of Investment, insurance sector

Mr. Hesham Ebrahim Mohamed, Insurance specialist, Ministry of Investment

Marian Mishriki, EFS Task Four Leader

Date: June 05, 2006

Participants:

Yehia Abdel Chaffar, Deputy Chairman

Marian Mishriki, EFS Task four Leader

*Outcome: Response and suggestions provided to EFS during the meeting*

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<sup>3</sup> Following a meeting on January 26, 2006 with Mr Abdel Hamid Ibrahim, Senior Financial Adviser to the Minister of Investment with Task Four Leader Marian Mishriki, EFS suggested preparing a simple power point presentation to be presented to the different authorities of the Ministry in the planned joint visits. Participants to the meeting were Ms Iman El Gammal, Economic Adviser and Mr. Mohamed Farid, Economic/Financial Adviser from the Ministry of Investment.

1. The credit bureau project is very welcome. Insurance companies have investigation departments and they normally conduct such investigations on anyone who insures for a minimum of LE 1 million. The availability of credit reports would definitely help.
2. The credit bureau can support the whole insurance industry in Egypt by enabling insurance companies to introduce new insurance policies which they were unable to provide in the past. Attempts to introduce credit insurance policies in the sixties failed due to lack of credit reports
3. EISA itself as a regulator can use the credit bureau to license insurance brokers who accumulate a lot of cash before delivering it.
4. The Egyptian Credit Bureau (ESTEALAM) can address the Chairmen of the Insurance companies in Egypt who meet, together with insurance experts, once a month at the Egyptian Insurance Federation. EISA is willing to provide EFS with an introduction to the Egyptian Insurance Federation when the credit bureau is ready.
5. While the insurance sector is being reshaped and privatized, EISA can incorporate the data requirements of the credit bureau, once *known*, into new IT requirements that will be introduced.
6. EFS should present in some detail how the insurance industry can best benefit of credit bureaus. EISA may consider dedicating one of their insurance experts to work closely with EFS.
7. The Deputy Chairman indicated that the credit bureau by providing information on securitized portfolios will be able to encourage the insurance companies to buy long term financial securities and can also be instrumental in avoiding fraud

### **General Authority for Investment and Free Zones**

Date: April 5, 2006

Neveen El Shafei, Vice Chairman, General Authority for Investment and Free Zones  
 Dahlia Mohamed Ashour, Economic Analyst, Ministry of Investment  
 Marian Mishriki, EFS Task four leader

*Outcome: Response and suggestions provided to EFS during the meeting*

1. In the past 12- 18 months General Authority's role was changed. It now perceives itself as a facilitator and a promoter of investment in Egypt, and attempts to resolve issues of concern to some selected economic sectors.
2. The General Authority holds roundtable discussion with the financial leasing companies that fall under its umbrella and, in many cases, succeeds in resolving issues of concern to them.
3. Presently there are 5-7 financial leasing companies. There is also an Egyptian Leasing Association headed by legal councilor Mr. Mahmoud Fahmy. The General Authority proposed to arrange for EFS meetings with the major financial leasing companies such as Orix which aspires to provide leasing to the small and medium size market segments,
4. The General Authority confirmed that the existence of credit bureaus will also make it easier for factoring to start.

### **Capital Market Authority**

Date: April 6, 2006

Participants:

Mr. Hani Serie El Din, Chairman  
 Dahlia Mohamed Ashour, Economic Analyst, Ministry of Investment  
 Marian Mishriki. Task Four Leader

*Outcome: Response and suggestions provided to EFS during the meeting*

1. The Capital Market Authority could use the Credit Bureau itself as a licensor and the companies falling under its umbrella can use it for compliance to the Capital Market Law.
2. It is recommended that EFS addresses the largest number of companies by meeting the Egyptian Capital Market Association (Dr. Mahmoud Taymour), Misr Co. for Clearing, Settlement and Central Depository (Chairman Mohamed Abdel Salam), Cairo and Alexandria Stock Exchange (Chairman Mr. Maged Shawky).

## **Part C: Conclusions and EFS technical assistance**

Meetings with the authorities falling under the umbrella of the Ministry of Investment which oversee the non bank financial institutions sector confirm their great need for the credit bureau. However, all potential members of the credit bureau seem to expect to get responses to their queries directly from the executives of the credit bureau. The queries pertain to fee per inquiry, the type of information that will be available, know-how, the expected implementation phase, foreign vendor, etc.

To date, the Egyptian Credit Bureau "ESTEALAM" has not made a decision on the foreign credit bureau operator who will provide the software, systems and advice on the operational set up and organizational structure and therefore ESTEALAM does not seem fully ready to address the market and provide more accurate/concrete information with respect to its planned activities.

EFS's view is that once ESTEALAM makes a decision on the selection of the foreign vendor, ESTEALAM will take faster steps, but will still be in the preparatory stage.

The preparation of the non bank financial institutions *will require time* and should be done parallel to ESTEALAM's preparatory phase.

ESTEALAM will need to inform the non bank financial institutions of the required adjustments in their information systems so that they can make available to it the type of information as per best practices. In addition, obtaining the consent of their own customers (consumers/borrowers) will take time before the non bank financial institutions can send the information to the credit bureau.

The non bank financial institutions in turn expect to know the information that will be available from the credit bureau to start with and which can be provided to them, as dealing with credit bureau is normally based on the principle of reciprocity.

ESTEALAM will be able to access the existing database with the Central Bank of Egypt which will be made available to the member of ESTEALAM from the non bank sector

EFS Technical Assistance:

This report presented the first round of visits to the Ministry of Investment and the Authorities underneath it. Many more visits need to be made to both the authorities and the different industries with the ultimate objective of attracting members from the non bank financial institutions to deal with ESTEALAM. This will send strong signals to the market that the credit bureau can serve the needs of the Egyptian market not only the banking sector.

EFS continues to provide technical assistance to the Central Bank of Egypt and ESTEALAM and pays particular attention to the type of information that will be available to the credit bureau from the Central Bank and via the credit bureau to the non bank sector thus making it possible for the credit bureau to start with a product that can be offered to the non bank financial institutions. This will induce the latter to provide their own databases.

Furthermore, EFS will continue to work closely with the non bank financial institutions, explaining to them the concept of private sector credit bureaus, acting as a facilitator and building bridges between and ESTEALAM.

**Appendix: PowerPoint presentation delivered to the Ministry of Investment and the authorities visited by EFS**



## **Task Four Credit Information Systems**

### **Presentation to the Ministry of Investment:**

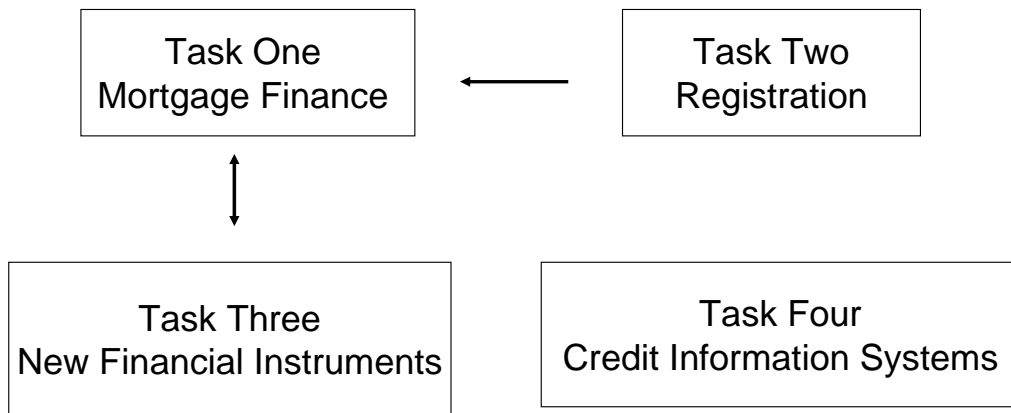
- Capital Market Authority
- Egyptian Insurance Supervisory Authority
- Mortgage Finance Authority
- General Authority for Investment and Free Zones

Marian Mishriki - Task Leader

April 2006



## Egypt Financial Services Project



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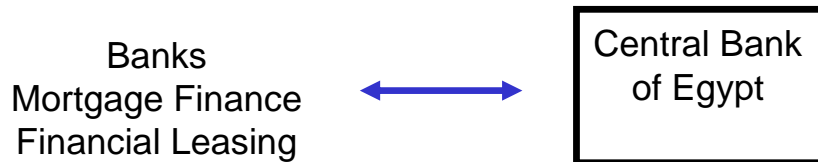
## Task Four Technical Assistance

- Strengthening the ability of the Central Bank to oversee credit information systems
- Supporting the operation of a private sector credit bureau
- Establishing a system for protection of consumer rights

3



## Credit Information System



1. Banks, mortgage finance & financial leasing only provide their customers information to Central Bank. They alone can access Central Bank. No other data is supplied from other sources about their borrowers.
2. Data subjects are borrowers who have debts/credit facilities.
3. Borrowers/consumers cannot access their credit reports

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## Egyptian Parliament approved changes in the banking law no 88 for 2003 as follows:

- Incorporation of private sector credit bureaus
- CBE licensor
- CBE has wide authority to put rules and regulations: (1) working system of credit bureau (2) CBE supervision system (3) rules of exchange of information
- Credit information can be shared with a new entity ( private sector credit bureau)
- Articles pertaining to the public registry unchanged

5

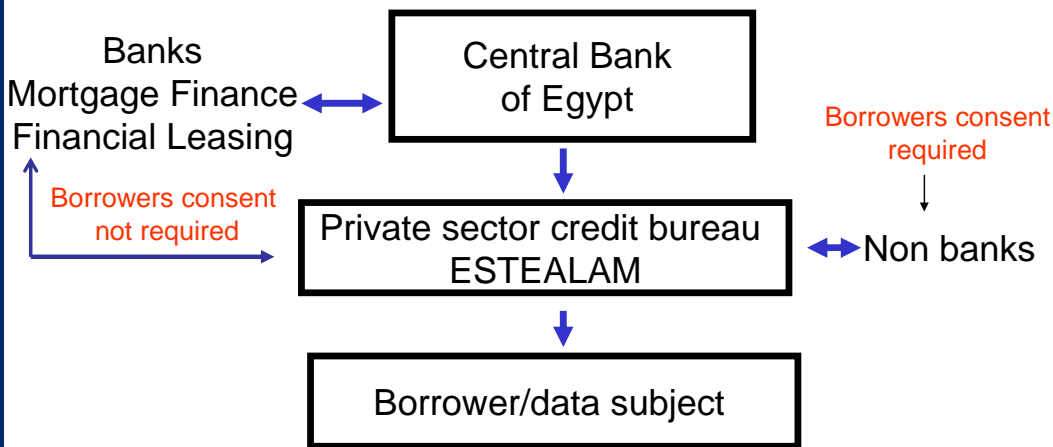


First Egyptian Credit Bureau was established under the banking law with the participation of 28 banks and the Social Fund for Development and obtained a preliminary approval

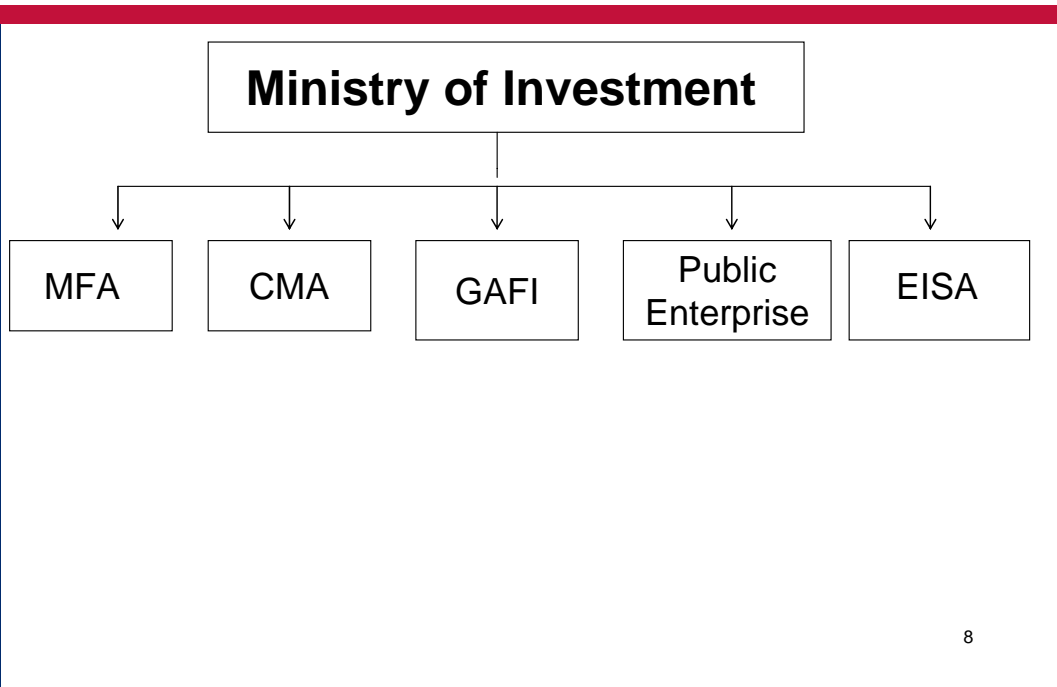
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### Status after amendment in the banking law



*The right to obtain credit report  
The right to complaint if information is erroneous* <sup>7</sup>



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## Importance of credit information to insurance companies regulated by EISA

### 1. Insurance:

Assess the insured status to set installments and ability to pay

Know the driving habits of customers of insurance companies

Determine whether customers ensure at more than a company

Know insurance claims made in the past

Avoid fraud if there are multiple claims

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2. Determine credit risk when providing loans
3. Investigating potential partners and providing information to support due diligence studies in case of direct investment

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## **Importance of credit information to companies regulated by GAFI**

1. Support of factoring companies when they buy short term portfolios without resource on the seller
2. Leasing companies can better assess the credit risk of nonpayment of lease payments due by the lessee or mishandling leased assets

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## Importance of credit information to companies regulated by CMA

- Ensure good reputation of bookkeepers
- Members of the stock exchange check their employees
- Know your client rule to avoid money laundering through brokerage, portfolio management firms and mutual funds
- Know whether there are court judgments against managers of brokerage and portfolio management firms

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- Brokerage and portfolio management firms to ascertain that their customers are able to pay, especially when there is margin trading.
- Investigating potential partners and use information to support due diligence studies in case of direct investment.
- Evaluating portfolios in securitization by using credit reports and scores available on debtors

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## **Importance of credit information to mortgage finance companies regulated by MFA**

- Availability of credit information on borrowers or applicants for mortgage loans

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## **Summary: Due to the importance of credit bureaus services to the non bank financial institutions, EFS project is in process of:**

- Undertaking studies to research legal/regulatory basis that enable the different authorities under the Ministry to collect information/data of non bank financial institutions customers and the possibility of exchanging such information with credit bureaus
- Facilitating the creation of direct relations and voluntary contracts between a number of non bank financial institutions and the first Egyptian credit bureau established to offer the credit information services

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