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**NATIONAL BANK OF ETHIOPIA**  
ADDIS ABABA

**Directives for the Establishment and Operation of Credit Reference Bureau**

**Directives Number CRB/02/2019**

**(1<sup>st</sup> amendment)**

Whereas, adequate and timely information that contributes to enable a satisfactory assessment of the creditworthiness of a borrower is crucial for making prudent lending decisions;

Whereas, prudent lending decisions made on the basis of objective, accurate, complete and timely information on the creditworthiness of borrowers is one of the principal factors in ensuring the financial soundness of financial institutions;

Whereas, presence of effectively functioning credit information system overcomes the risk of over indebtedness and multiple borrowing on the side of borrowers and greatly contributes for the enhancement of access to finance in the financial system;

Now, therefore, in line with the powers vested in it by articles 57 and 59 (2) of the Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia has issued these directives.

**1. Short Title**

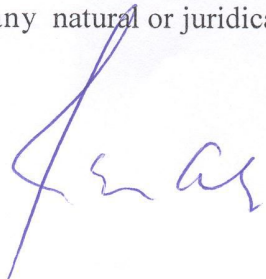
These directives may be cited as "**Establishment and Operation of Credit Reference Bureau Directives No. CRB/02/2019**".

**2. Definitions**

For the purpose of these directives:

- 2.1. "Bank" means a company licensed by the National Bank to undertake banking business in Ethiopia or a bank owned by the Government;
- 2.2. "Borrower" means a person applying for new credit or holding an existing credit account or both;
- 2.3. "Capital Goods Finance Company" means a company licensed by the National Bank to provide capital goods finance service.
- 2.4. "Credit Information" means all information about a borrower and the

- borrower's credit account(s) as specified in the Data Standardization Manual and/or Data Submission Specification;
- 2.5. "Credit Information Sharing" means the periodic reporting and accessing of credit information from the Credit Reference System;
- 2.6. "Credit Reference Bureau" refers to the work unit established under the National Bank to carry out duties and responsibilities stipulated in these directives;
- 2.7. "Credit Reference System" is computerized credit reference database system set up by the National Bank to facilitate the function of the Credit Reference Bureau in which provision, updating and correction of credit information is rendered by financial institutions, and enquiries of credit information on borrowers and other related activities of financial institutions are carried out electronically through a dedicated computer system or network;
- 2.8. "Data Standardization Manual" and "Data Submission Specification" refer to the manual and specification attached to these directives and which shall be part hereof that provides the standard data reporting requirements on borrowers, loan account(s), collateral, guarantors, stakeholders and other similar credit information;
- 2.9. "Defaulter" means a borrower, other than that under export credit guarantee facility of Development Bank of Ethiopia, whose outstanding loans have been classified as "substandard" and/or "doubtful" and/or "loss" in accordance with the relevant applicable directives of the National Bank;
- 2.10. "Error File" refers to a file originated by the system, after validation for quality on monthly and or quarterly batch update file is run, and constitutes credit information which is not prepared in line with the Data Standardization Manual and/or Data Submission Specification;
- 2.11. "Financial Institution" means a bank, a capital goods finance company or a microfinance institution licensed by the National Bank;
- 2.12. "Loans or Advances" means any financial assets of a financial institution arising from a direct or indirect advance (i.e. unplanned overdrafts, participation in loan syndication, the purchase of loans from another lender, etc.) or commitment to advance funds by a financial institution to a person that is conditioned on the obligation of the person to repay the funds, either on a specified date or dates or on demand which are approved and outstanding as of the reporting date;
- 2.13. "microfinance institution" refers to a company licensed by the National Bank to undertake micro financing business;
- 2.14. "National Bank" means the National Bank of Ethiopia; and
- 2.15. "Person" means any natural or juridical person.



### 3. Scope of the Directives

These directives shall apply to all financial institutions.

### 4. Establishment

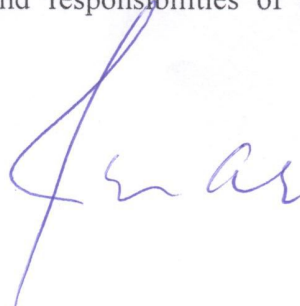
- 4.1. In accordance with the powers vested in it by article 57 of Banking Business Proclamation No.592/2008, the National Bank has established Credit Reference System.
- 4.2. The Credit Reference System shall be operated by the Credit Bureau of the National Bank, which is one of its operational work units.
- 4.3. Access to Credit Reference System is restricted only to financial institutions registered with Credit Reference System in line with article 5 of these Directives and other entities authorized by law or the National Bank.
- 4.4. Notwithstanding sub article 4.3 of this article, financial institution borrowers or guarantors:
  - 4.4.1. who are in dispute about their own credit status with their lending financial institutions may obtain such credit information from the Credit Reference System upon payment of fee to be set by the National Bank; and
  - 4.4.2. may obtain credit information from the Credit Reference System free of charge i) once in a period of 12 consecutive months, or ii) at the time when financial institutions start processing their application for additional new loans, or restructuring or renewal of the existing loans.

### 5. Registration to Participate in Credit Reference System

- 5.1. No financial institution shall extend new, or renew, reschedule or refinance existing loans unless it is registered with the Credit Reference System.
- 5.2. All financial institutions shall register with Credit Reference System by lodging a written application to the Credit Reference Bureau.
- 5.3. Upon receipt of written application stipulated under sub-article 5.2 of this article, the Credit Reference Bureau, after ensuring all infrastructure required by the Credit Reference System is put in place, shall register the applicant within 7 (seven) working days of receipt of the application.

### 6. Duties and Responsibilities of the Credit Reference Bureau

- 6.1. The duties and responsibilities of Credit Reference Bureau shall include the



following:

- 6.1.1. collecting credit information from financial institutions;
- 6.1.2. maintaining Credit Reference System in secured manner and with strict confidentiality;
- 6.1.3. facilitating credit information sharing services to financial institutions;
- 6.1.4. ensuring access to Credit Reference System is given only to authorized persons;
- 6.1.5. ensuring Credit Reference System is operating smoothly and reliably;
- 6.1.6. handling complaints of borrowers of financial institutions in relation to accuracy and correctness of their credit information maintained in the Credit Reference System;
- 6.1.7. retaining and/or displaying credit information submitted to it for the following set time period;
  - a) positive credit information: - for a minimum of 10 (ten) years after the date of full settlement of the loan and advance.
  - b) negative credit information of defaulted outstanding loans and advances: - for a maximum of 7 (seven) years after the date of full settlement of the defaulted loan and advance.
- 6.1.8. providing clear direction, guidance and or exceptions to any of the provisions of these directives in the incidence of prolonged credit reference system outage or failure due to any reasons beyond the control of the Bureau; and
- 6.1.9. carrying on such other functions customarily related to Credit Reference Bureau.
- 6.2. The Credit Reference Bureau shall not be responsible for any damages, claims or liabilities that may arise as a result of inaccurate, misleading or incomplete credit information on borrowers supplied to the Credit Reference System by individual financial institutions and shared through it with other financial institutions.

## **7. Duties and Responsibilities of Financial Institutions**

- 7.1. Each financial institution shall receive from its borrowers and their guarantors written and signed off consents for the sharing of the borrowers' and the guarantors' credit information among all other financial institutions. At the time of receiving application for credit, a financial institution shall also receive consent from the applicant and his/her guarantor to access their Credit Information maintained with Credit Reference System.
- 7.2. Financial institutions shall provide, correct and updated credit information on each and every one of their borrower and guarantor online as specified in the Data



Standardization Manual and/or Data Submission Specification.

- 7.3. Each financial institution shall provide, electronically, initial credit information, to the Credit Reference System, on each and every one of its borrower in such detail as specified in the Data Standardization Manual and Data Submission Specification.
- 7.4. Financial institutions can update their own credit information on each and every one of their existing borrower provided to the Credit Reference System on an on-going basis; but they shall, at a minimum, update such information once in a month for banks; and once in a quarter for microfinance institutions and capital goods finance companies. In the case of the latter, the updating, showing positions as of the close of each reporting period, shall be made within 20 (twenty) calendar days from the close of each reporting period.
- 7.5. Financial institutions shall make corrections and subsequent updating of error files within 5 (five) working days after receipt of such files from the National Bank.
- 7.6. Credit application of a bank borrower shall be reported, electronically, within 5 (five) working days after receipt of the application. Meanwhile, any outstanding credit application of a microfinance institution or a capital goods finance company shall be reported to the credit reference system on quarterly basis along with credit account information of borrowers as per the reporting format and detail to be, periodically, provided by the National Bank.
- 7.7. Each financial institution shall be fully responsible for submitting accurate, complete and timely credit information to the Credit Reference System. In cases where incorrect information has been reported, such inaccuracies shall be corrected as soon as the inaccuracy is detected by the concerned financial institution.
- 7.8. Each financial institution shall establish a work unit, staffed with at least two officers, at the head/main office which is fully dedicated for the Credit Reference System.
- 7.9. Each financial institution shall appoint one super user at a senior managerial level, preferably a person heading the credit department or directorate at head/main office, to oversee the operations of Credit Reference System. The name and designation, contact address, telephone number(s) and e-mail address of the super user shall be communicated in writing to the Credit Reference Bureau. Any subsequent change or replacement of such person shall also be communicated in writing to the Credit Reference Bureau immediately. The super user shall be responsible for the following:

7.9.1. act as liaison officer between Credit Reference Bureau and his/her

*[Handwritten signature]*



- institution, including branches, on matters relating to Credit Reference System;
- 7.9.2. manage roles within the institution as per the module rights assigned for the institution and other requirements of the functionalities of the Credit Reference System;
- 7.9.3. ensure proper implementation of Credit Reference System at its head/main and branch offices in strict compliance with these directives and the institution's own internal policies and procedures; and
- 7.9.4. respond promptly to queries from Credit Reference Bureau.
- 7.10 Each financial institution shall appoint a senior officer at managerial level, preferably the person heading the information and communication technology unit of the financial institution, as security administrator. The security administrator is responsible for the following:
- 7.10.1. maintaining and monitoring the list of users within the financial institution, including updating the list whenever there is a change due to any addition or removal of users;
- 7.10.2. assigning, the appropriate security access level for the authorized users in the financial institution when authorized by the super user in writing; and
- 7.10.3. preparing periodic reports on users access, breach of access rights or other issues on the security of Credit Reference System within the financial institution when requested by the Credit Reference Bureau.
- 7.11. To ensure the integrity and security of the data, each financial institution shall make sure that Credit Reference System at the financial institution is operated with strict data access procedures.
- 7.12. Each financial institution shall use the credit information on borrowers obtained from the Credit Reference System only for making a lending decision and or account management procedures/periodic portfolio reviews as stipulated under article 7.14.2 of these directives. Such information shall be treated with utmost confidentiality and shall not be disclosed to any third party or used for any other purpose.
- 7.13. Each financial institution shall be fully responsible for any damages, claims or liabilities that may arise as a result of:
- 7.13.1. providing inaccurate, misleading or incomplete credit information to the Credit Reference System or failure to provide, inadvertently or otherwise, information to the Credit Reference System that should have been provided in line with these directives; and/or,

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- 7.13.2. disclosure of credit information on borrowers obtained from the Credit Reference System to third parties or use of that information for purposes other than for making lending decision and or account management procedures/periodic portfolio reviews as stated under article 7.14.2 of these directives.
- 7.14. A financial institution can only query the Credit Reference System for credit information when:
- 7.14.1. there is a genuine credit application submitted to the respective financial institution by a borrower; or
- 7.14.2. during activities pertaining to account management procedures or periodic portfolio reviews conducted by the financial institution on its own borrowers.
- 7.15. If so requested by a borrower or a guarantor, during application for and processing of new loan, or renewal or restructuring of the existing loan, a participating financial institution processing the application shall provide the borrower or the guarantor with a copy of the borrower's or the guarantor's credit information obtained from Credit Reference System free of charge.

## **8. Obligation to Use Credit Information to Make Credit Decision**

From the effective date of these directives, no financial institution shall:

- 8.1. extend new; or renew, reschedule or refinance existing loans without first obtaining credit information on a borrower from the Credit Reference System; and
- 8.2. extend new loans or advances to a defaulter in any form whatsoever.
- 8.3. Notwithstanding the provision stated under article 8.2 hereinabove, a financial institution may extend additional loans and advances to a borrower who defaulted from own financial institution with a view to rehabilitate loans and advances, i.e., in the case of banks, in line with National Bank Directives SBB/69/2018 and in the case of microfinance institutions and capital goods finance companies in line with the respective directives and approved policies and procedures of same.

## **9. Complaint Handling**

- 9.1. A Borrower may submit complaints as to the accuracy of credit information in writing to the respective branch office of the financial institution which initially supplied the information to Credit Reference System or to its head office.
- 9.2. A financial institution branch or head office which received application in line with sub- article 1 of this article shall give a response to the borrower within 5 (five) working days.



- 9.3. If the borrower is not satisfied with the response given or has not received response from the concerned financial institution in line with sub article 2 of this article, he/she may file his/her compliant in writing to the Credit Reference Bureau by paying investigation fee to be determined by the Credit Reference Bureau. Upon receipt of written compliant, the Credit Reference Bureau shall investigate the case and respond within 7 (seven) working days.
- 9.4. If the Credit Reference Bureau identifies errors during its investigation, the financial institution or its branch office under investigation shall promptly correct the error and refund to the borrower the investigation fee paid under sub article 3 of this article; or give written explanation for not correcting the error within 5 (five) working days from the date of receipt of instruction for correction by the Bureau.
- 9.5. The Credit Reference Bureau shall promptly notify the applicant actions taken under sub article 4 of this article by the financial institution.

## 10. Fees

- 10.1. A financial institution shall pay service fees, to be specified in writing from time to time by the National Bank, to Credit Reference Bureau to obtain credit information.
- 10.2. Financial institutions borrowers or guarantors who are in dispute about their own credit status with their lending financial institutions shall pay investigation fee or service fee, to be determined by the National Bank, as the case may be.

## 11. Penalty and Suspension

- 11.1. A financial institution that violates sub articles 7.2, 7.3, 7.4, 7.5 or 7.6 of these directives shall be:
  - 11.1.1. given a written warning for the first time violation;
  - 11.1.2. penalized birr 10,000 for banks, birr 5,000 for capital goods finance companies and birr 3,000 for microfinance institutions for the second violation that took place within 12 months from the date of the first warning;
  - 11.1.3. penalized birr 100,000 for banks, birr 50,000 for capital goods finance companies and birr 30,000 for microfinance institutions for the third violation that took place within 12 months from the date of the application of paragraph (11.1.2) of this sub article; and
  - 11.1.4. suspended from using the Credit Reference System for the fourth violation that took place within 12 months from the date of the application of paragraph



(11.1.3) of this sub article.

11.2. A suspended financial institution may be reinstated into the Credit Reference System if it:

11.2.1. has been suspended at least for three months; and

11.2.2. confirms in writing that it will fully comply with the provisions of these directives starting from the date it is reinstated.

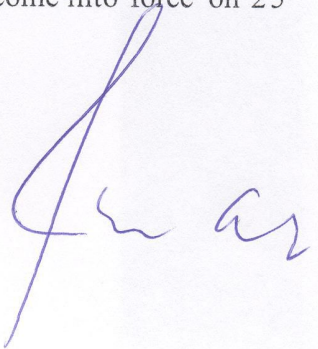
11.3. A financial institution that violates any of the other provisions of these directives shall be penalized in line with the applicable Directives of the National Bank concerning penalty of respective financial institutions.

## 12. **Repeal**

Credit Information Sharing Directives No. CRB/01/2012 is hereby repealed/and replaced by these directives.

## 13. **Effective date**

These directives shall come into force on 25<sup>th</sup> day of April 2019.



**Yinager Dessie (PhD)**  
Governor

