

GUIDE TO THE ASSESSMENT OF APPLICATIONS FOR LICENCE UNDER SECTION 4(3) OF THE CREDIT REPORTING ACT AND REGULATION 2 OF THE CREDIT REPORTING REGULATIONS, 2010

Introduction

Pursuant to Section 4(1) of the Credit Reporting Act (CRA) and Regulations 1 and 2 of the Credit Reporting Regulations (CRR), an application for a licence to establish a credit bureau in Jamaica is made to the Honourable Minister of Finance and Planning. Copies of the applications for licence are submitted to the Bank of Jamaica (“the Bank”) who, as the Supervising Authority under the CRA, is mandated by Section 4(3) to review/assess the application and make a recommendation to the Minister of Finance that the application either be refused or approved.

Copies of the CRA, CRR and other documents pertinent to the licence application process, notably the Licence Application Form and Fit and Proper Questionnaire are accessible from the Bank’s website at:

http://www.boj.org.jm/financial_sys/supervised_cb_overview.php

Assessment Approach

Given its statutory obligations under the CRA, and mindful of the costs of establishing an operational entity which may not eventually qualify for licensing, the Bank adopts a two-phased approach in its assessment of applications for licence. In this regard, Phase one involves a comprehensive assessment of certain fundamental criteria which if satisfied provides the basis for Phase 2 assessments under which the applicant would be required to provide detailed information and documentation, and including demonstration of its credit reporting system. Details of the Bank’s two-phased assessment approach are outlined below.

Phase 1 Assessment

The Bank of Jamaica expects that applications for license under the CRA address all the information and documentation requirements outlined in Regulation 2 of the CRR. These are:

1. Proof of payment of the prescribed licence application fee of \$25,000.00
2. Submission of Articles of Incorporation and Certificate of Incorporation
3. Submission of audited financial statements for the three years preceding the application or, if incorporated for less than three years, audited statements for the years of operation or opening balance sheet as the case may be
4. Information detailed in the Licence Application Form prescribed in the Schedule under Regulation 2;

Bank of Jamaica’s expectations during the first Phase of its review of the license application form requirements as prescribed in the Schedule under Regulation 2 of the CRR, are detailed in Table 1 below.

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Table 1 – Phase 1 Assessment

Licence Application		Bank of Jamaica’s Minimum Expectations
Item #	Information Requirement	
1-19	Background information on the applicant entity	Provision of all requested information detailed in the Credit Bureau Licence Application Form under the CRR e.g. date of applicant, company incorporation, business address, names of attorneys and auditors, other regulated business involvements etc.
20	Shareholding Structure	Applicant should indicate total share capital, types of shares held and identify shareholders holding 10% or more of total shares of the applicant company. (see also 27 below)
21	Board Structure	Details on the proposed Board size, composition, and committees and respective reporting and accountability responsibilities to be indicated.
22	Group Structure and Regulatory Standings	Where the applicant entity is a member of a group of companies a diagrammatic group shareholding structure should be submitted. Ownership chain to be shown ending with the ultimate beneficial shareholders. All countries/jurisdictions in which a related credit bureau operates should be listed, and where subject to licensing or regulation, the name of the relevant Authority/ies to be provided.
23 & 24	Qualification, Competence, Knowledge and Experience, Fitness and Propriety	Prospective shareholders holding 10% or more of the voting shares of the applicant company; board directors, and persons who will perform corporate management functions are subject to fit and proper review pursuant to the requirements of Section 4(3)(a) of the CRA. To enable this review, all such persons are required to complete and submit the Bank of Jamaica Fit and Proper Questionnaire and resume, and arrange for the submission of external due diligence reports (e.g. police reports). Further information on the Fit and Proper assessment requirements is accessible from the Bank’s website as follows: i) Guidelines to Fit and Proper Assessments: http://www.boj.org.jm/pdf/Guidelines%20to%20Fit%20and%20Proper%20Assessments 2012.pdf

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Licence Application		Bank of Jamaica's Minimum Expectations
Item #	Information Requirement	
		<p>ii) Fit and Proper Questionnaire: http://www.boj.org.im/pdf/Personal_Questionnaire_-_Applicants.pdf</p> <p>iii) Company Profile Questionnaire: http://www.boj.org.im/pdf/Company%20Profile%20Questionnaire%20for%20Significant%20Shareholders%20of%20Credit%20Bureau.doc</p>
25	Organisational Structure	Organisational Chart to be provided. Organisational arrangements expected to address key operational functions e.g. IT, Consumer Complaints Handling, Risk management etc. and also show among other things, reporting and accountability relationships, independence and separation of key managerial functions, and reporting lines up to the CEO and Board. Proposed staffing and skills sets for start-up of operations also to be indicated.
26	Business Plan and Feasibility Study	The applicant's business plan should show at minimum, a three year forecast of operations and include details on proposed funding, products/services pricing, revenues and expenses and all underlying assumptions including information in relation to business/search volumes etc. Worst case revenue/bottom line positions also to be advised.
27	Capital Structure	<ul style="list-style-type: none"> • Submission of audited financial statements for the three years preceding the application or, if incorporated for less than three years, audited statements for the years of operation or opening balance sheet as the case may be. • Paid up share capital (actual/proposed) should meet minimum requirement of US\$100,000 pursuant to regulation 4(1) of the CRR and should be sufficient to support proposed business plan/operations (e.g. cover initial investments in IT and other necessary start-up infrastructure). • Proof of injection of the stipulated minimum capital to be provided (e.g. submission of banker's or auditor's confirmation) and/or capacity demonstrated to inject proposed capital funding to ensure no AML/CFT concerns.

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Item #	Information Requirement	
28	Technological Capacity	Information requirements outlined in the CRR in relation to Technological capacity (e.g. IT platforms, software programs, encryption standards, security features etc.) to be provided. The proposed information systems governance structure to be described and reflect requisite controls, policies and procedures, management oversight, and audit reviews and also address acquisition/development approach as necessary, information security, disaster recovery/business continuity planning, project and IT management and operation planning.
29	Disposal Procedures	Applicant to outline its proposed procedures for the treatment/disposal of credit information established to be inaccurate, ineligible as credit information or no longer current. Such proposals should reflect the need for preserving confidentiality of information.
30	Proposed operational policies	Description of proposed or actual operational policies and procedures covering the critical areas of its operation (e.g. security of information, integrity and accuracy of information; customer dispute resolution; compliance with applicable laws; operational risk management, capital/financial resource management, employee screening and integrity procedures; contingency planning among others as necessary).
31	Arrangements with credit information providers	Description/ copy of the proposed terms to govern arrangements/agreements with credit information providers to be submitted. Proposed terms should not be in conflict with the CRA, CRR or other legislation and would be expected to cover matters such as transmission of information; frequency of data updates; format of information to be collected; frequency of data access; use of information in accordance with the Act; provisions for confidentiality of information; fees payable by credit information providers; respective roles of credit bureau and Information provider in supplying/maintaining infrastructure for the transmission of data to the bureau.
32	Storage of credit information in another jurisdiction	Under Section 12 (1)(c) of the CRA, proposals to store credit information in a repository outside of Jamaica require the Minister of Finance's approval under advice from Bank of Jamaica. Where this is proposed, the applicant should provide all

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Item #	Information Requirement	
		information listed at 32 a – h in the Licence Application Form. The applicant is expected to demonstrate that the risks attaching to any such outsourcing have been identified and outline the measures proposed to mitigate and manage such risks.
33	Scoring methodology	Applicant to indicate whether it proposes to offer credit scores at start-up and if so a description of the proposed methodology is to be provided.
34	Insurance	Applicant should outline all the types of insurance coverage proposed to be taken out in relation to its operations. The Bank expects that material risks would be covered including some form of professional liability insurance.

At the end of the Phase 1 review, the Bank proceeds to Phase 2 of its assessment provided that the applicant has fully met the expectations relating to the following matters;

1. Background information on the entity (Items # 1 -19);
2. Shareholding structure and capital requirements (Items # 20 & 27);
3. Group structure and regulatory standings (Item # 22);
4. Fit and proper requirements (Items # 23 & 24);
5. Business plan (Item # 26);
6. Technological Capacity (Item # 28) ; and
7. Storage of information in an overseas jurisdiction where such an application is made (Item # 32),

Phase 2 Assessment

The Bank of Jamaica would invite the applicant to a meeting where any remaining matters for assessment under the second and final phase are outlined. To the extent not previously provided in sufficient detail, additional documentation may be requested to facilitate further/in depth reviews of:

1. Organizational structure, proposed staffing and other operational arrangements (*Licence Application Form Item 25*);
2. Technological Capacity inclusive of a demonstration of the prototype (*Licence Application Form Item 28 & 30*);
3. Proposals for treatment or disposal of credit information established to be inaccurate/ineligible/no longer current (*Licence Application Form Item 29*);

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4. Proposed operational policies (e.g. as regards general risk management, customer dispute resolution, employee screening and integrity procedures, etc. - *Licence Application Form Item 30*);
5. Proposed arrangements/agreements with credit information providers (*Licence Application Form Item 31*);
6. Scoring methodology, where applicable (*Licence Application Form Item 33*);
7. Insurance arrangements (*Licence Application Form Item 34*);

During this stage, applicants are also advised of the matters which would be addressed post-licensing should a licence be granted. Such matters relate to arrangements that could only reasonably be expected to be put in place after the granting of a licence. Such matters include tangible demonstration of specific corporate governance arrangements inclusive of fully documented operating policies and procedures; confirmation of contracts with credit information providers; insurance policies; review of physical premises; and other relevant operational arrangements. Satisfactory demonstration of these matters would be recommended as conditions of the licence to be fulfilled prior to the start-up of operations.

Post Licensing

The law allows for a six month, or such other period as specified by the Minister in the licence, for start-up of operations from the date of licensing. In this regard, the BOJ's research suggests that a reasonable period for a credit bureau to develop and customize its technical infrastructure to enable start-up of operations is six to 18 months¹. In light of preliminary work that would be undertaken by applicants in making their applications, the BOJ would recommend, that at a minimum, the Minister grant a period of 12 months after licensing for the commencement of operations. This period would form part of licence conditions. During this preparatory period, the BOJ will perform site visits and other confirmatory checks to ensure that the arrangements indicated during the licensing review process have been implemented. At this stage, the credit bureau would be expected to be engaging in discussions/agreeing contracts with credit information providers regarding, inter alia, issues of data submission, system development/configuration, and staff training.

¹ IFC Credit Bureau Knowledge Guide P.33.