

ROYAL MONETARY AUTHORITY OF BHUTAN

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CREDIT INFORMATION BUREAU RULES & REGULATIONS 2017

PART I

1. Short title, commencement and extent

- i. These rules and regulations have been adopted pursuant to power granted under Section 140 of the Royal Monetary Act of Bhutan 2010 and Section 203(f) of the Financial Services Act 2011.
- ii. These rules and regulations shall apply to Credit Information Bureau (CIB) and all its stakeholders.
- iii. These rules and regulations shall come into effect from.....2017.

2. Purpose

The purpose of these rules and regulations is to provide the general rule on the licensing and functioning of a Credit Information Bureau, including details of data and information required to be provided to a CIB, reporting modalities and time limits, and the terms and conditions of using the data and information by the data users of CIB.

3. Rules of construction

In this rules and regulations, unless the context indicates otherwise, the singular shall include plural and the masculine gender shall include the feminine gender.

4. Functions and Responsibilities of a CIB

The CIB shall:

- i. Collect data and information from the data provider;
- ii. Compile, store and disseminate information and data from a centralized database, relating to the credit exposure of any borrower/client, and connected person, for use by the data user for the purpose of assessing the credit worthiness of a borrower/client;
- iii. Issue Loan Clearance Certificate to an employee who has resigned, retired, expired, availing long term leave and other ways of separation from service;
- iv. Capture and process information relating to the credit exposure of all borrowers/clients in the financial system, and to make that data available for the purpose of performing the supervisory and regulatory function of the Authority;
- v. Ensure the confidentiality of information relating to a borrower/client at all times;
- vi. Not share the information reported to a CIB, outside the territory of Bhutan, except provided by the law; and

- vii. Not collect, record or process sensitive personal data, such as race, religion and politics.

5. Reporting of data to a CIB

- i. A data provider shall report to a CIB the information and data set out in a file format as defined by a CIB. The data provider shall provide information on its outstanding credit, closed loan and any other information as may be determined by a CIB.
- ii. The data provider shall include, but not limited to:
 - a. Entity under the jurisdiction of the Authority;
 - b. Telecommunication company and other utility service provider;
 - c. Wholesale and retail store; and
 - d. Any other entity designated by the Authority from time to time.

6. Frequency of Reporting

The data providers shall report to a CIB the complete information and the credit data as prescribed by a CIB in the following manner:

i. Lending Institutions:

- a. Active loans: within 5 working days of the following month; and
- b. Closed loans, newly sanctioned loans or any change in borrower/credit information: on a daily basis.

ii. Utility Service Provider and Wholesaler/Retailer:

- a. Utility credit such as bill repayment history and client information on a monthly basis.

7. Responsibility of data providers as to accuracy and completeness of data

- i. Data provider shall be responsible for the accuracy and adequacy of the information and credit data;
- ii. In the event the data provider discovers that any information or credit data reported is inaccurate or inadequate, the data provider shall immediately notify the CIB, and submit the corrected data; and

- iii. In the event a CIB discovers that any of the reported or stored data is inaccurate, the CIB shall seek explanation from the data provider on the cause of the inaccuracy and shall ensure that the data provider takes all necessary measures for the rectification and resubmission of corrected data within five working days.

8. Users of CIB data

The data user of a CIB data shall be:

- i. Data provider of a CIB; and
- ii. Any other user with the approval from the Authority and an order from the court.

9. Access to credit report

ACIB shall provide credit report to data user for the following:

- i. A person who has made a written application to the data user to avail of/ extend/ renew/ review/ enhance credit facility;
- ii. A person who accepts liability for payment on a bill of exchange drawn by a person who has applied to the data user for a credit facility of any type;
- iii. A person who draws a promissory note in favor of person who has applied to the data user for a credit facility of any type;
- iv. A person who proposes to act as guarantor for a person who has applied to the data user for a credit facility of any type; and
- v. A person who proposes to avail service of a utility service provider.

Notwithstanding Section 9 above, any other agency may seek credit report based on an order from court.

10. Prohibited use of a CIB data

Data user shall not obtain and use a CIB data, for reasons of offering or advertising to a potential borrower as well as to a past borrower.

11. A CIB data retention period

A CIB shall retain information and data from the data provider for a minimum period of ten years from the date of the full repayment of credit.

12. Obligation of the data provider

- i. Data provider shall develop internal policy and procedure to ensure compliance with a CIB data reporting standards and the Dispute Resolution Process as prescribed by the CIB;
- ii. Data provider shall take necessary measure to secure and protect the data reported to the CIB from damage, manipulation or unauthorized use; and
- iii. The data provider shall provide credit report to the borrower when his application for credit facility is rejected due to the credit report.

PART II

13. Application for a licence

- i. A CIB shall obtain licence only upon written application to the Authority and shall contain the following documents along with a non-refundable application fee of Nu.5,000.00 in favour of Authority:
 - a. Letter of application;
 - b. Licensing application form; and
 - c. Biographical report.
- ii. After consideration of the documents and other information, the Authority if satisfied may issue an in-principle approval which shall be valid for a period of three months. During this period, the applicant shall take all preliminary measures specified in the in-principle approval.
- iii. An applicant upon complying with the condition specified in the “in-principle approval” may request the Authority to issue a licence.
- iv. CIB shall commence business within three months of issuance of a licence.

- v. CIB, from the year it starts generating profit, shall pay an annual non-refundable licence fee of Nu.2500.
- vi. Only licensed CIB shall use the words 'Credit Information Bureau' in their names.

14. Revocation or suspension of Licence

- i. A licence issued to a CIB may be revoked, or suspended based on the following:
 - a. By request of a CIB;
 - b. A CIB has not commenced operations within three months from the date of issuance of a licence;
 - c. A CIB is bankrupt or liquidated; or
 - d. Fails to fulfill other requirement specified by the Authority from time to time.
- ii. The Authority shall revoke or suspend a CIB licence within 30 days from the date of a written notice to a CIB of the proposed revocation or suspension. The notice shall contain the reasons for the proposed revocation or suspension.
- iii. If a CIB decides to appeal against the decision to revoke the licence, the appeal must be made in-writing with proper justification within 30 days from the date of notice.
- iv. Within 30 days after the review of the appeals submitted by a CIB, the final decision shall be communicated to the CIB.

15. Capital Requirement

- i. ACIB shall have a minimum paid-up capital of Nu. 25 million which may be reviewed from time to time by the Authority.
- ii. ACIB shall transfer at the minimum 10 percent of the profit after tax to the reserve fund.

16. Ownership and Governance

- i. ACIB shall be a company registered under the Companies Act of Bhutan 2016, and amendments thereto.
- ii. ACIB shall not be considered as a financial institution.
- iii. The Chief Executive Officer and Board of Directors shall fulfill the "fit and proper" criteria as required under Annexure III of this rule and regulation. In addition, the Chief Executive Officers shall have a minimum of 10 years working experience.

- iv. Members of the Board of Directors shall:
 - a. Meet at least once quarterly;
 - b. Ensure that the activities conducted in all offices of a CIB are in full conformity with this rule and regulation;
 - c. Be responsible for the appointment of a competent Chief Executive Officer;
 - d. Ensure that a CIB maintains at all times an effective internal control system;
 - e. Ensure that a CIB maintains a customer complaint and inquiry record;
 - f. Ensure that a CIB has adequate staff to undertake the function of the credit bureau and to meet the demand of a client;
 - g. Promote transparency on pricing policy and procedure;
 - h. Adopt appropriate security measure, procedure and policy for the efficient operation of a CIB;
 - i. The CIB shall have an Audit Committee chaired by the Independent Director for the internal control system; and
 - j. The accounts and financial statements of CIB shall be audited by the external auditors empaneled/appointed by the Royal Audit Authority.

17. Supervision

- i. The Authority shall have the following supervisory responsibility:
 - a. To review and ensure compliance with this Rule and Regulation;
 - b. To conduct on-site inspections & off-site surveillance.
- ii. A copy of the inspection report shall be provided to a CIB within fifteen (15) working days from the date of completion of the onsite inspection.
- iii. CIB shall provide its comment on the report to the Authority within ten (10) working days from the receipt of the report.
- iv. The final inspection reports shall be submitted to the CIB Board.
- v. CIB shall submit statistical report on quarterly basis in the format prescribed by the Authority.

18. Organizational and technical requirements

The CIB shall ensure that:

- i. It has right premises to operate its data systems, credit information database and other necessary systems;
- ii. Information submitted to the CIB by data providers is safely maintained;
- iii. It maintains an adequate and appropriate Disaster Recovery plan and Business Continuity plan;
- iv. It prepares and maintained operational manuals that ensure accuracy of information contained in its database including manuals for: queries; loading of data; source quality control; maintenance; security, and procedures for handling complaints;
- v. Its database is updated regularly;
- vi. Provisions are included in agreements between a CIB and data providers and between a CIB and data users which set out the obligations on parties to jointly implement technical measures for the protection of software applied in the design of a credit information database and the means of their protection;
- vii. Implement appropriate quality control procedures;

- viii. It adopts measures and systems that record requests or queries for the credit report of a person;
- ix. It adopts measures to detect misuse of data stored in its database;
- x. It recruits competent personnel trained in customer relations;
- xi. It uses information collected only for intended purposes;
- xii. It provides access to information for the investigation purposes; and
- xiii. It ensures compliance with this and other applicable bylaw.

19. Supervisory role of a CIB over data providers

The CIB shall operationally work with data provider to validate, identify errors, and load the credit information. However, the Authority shall be responsible for verification of the completeness and correctness of the credit information, as and when required.

20. Confidentiality

- i. A CIB shall protect the confidentiality of customer information and shall only report or release such customer information:
 - a. To the Authority;
 - b. To other agency as per the law or based on order from the court.
 - c. To a data-user, provided that:
 - (i) The client or guarantor has signed a consent to validate, identify error and load the credit information document;
 - (ii) The data-user has agreed that it will use the client or guarantor information for the purpose of making a permitted purpose; and
 - (iii) The data-user has agreed to properly **dispose** of client information that is no longer needed for a duly permitted purpose so that the information is not misused.

- ii. The CIB shall provide the credit information to a third party upon production of customer's consent.

21. Offences, penalties and enforcement measures

If a CIB fails to comply with this Rule and Regulation, the Authority may take one or more of the following corrective and enforcement measures:

- a. Issue instructions to rectify the violation;
- b. Impose appropriate administrative action or other penalty determined by the Authority from time to time; and/or
- c. Revoke the licence.

22. Offence, penalty and enforcement measure against the data provider and data-user

- i. The following activity shall be considered as an offence against data provider:
 - a. Use of CIB data, for reasons of offering or advertising to a potential borrower, when the potential borrower does not have a current or past borrowing relationship with the data user;
 - b. Submission of incorrect and incomplete credit information;
 - c. Failure to submit credit information on time;
 - d. Issuance of credit report to the borrower;
 - e. Violation of terms and conditions as specified in the Membership Agreement;
 - f. Unauthorized use of data;
 - g. Unauthorized disclosure of confidential information.
- ii. Impose appropriate administrative action or other penalty determined by the CIB from time to time.
- iii. A CIB has the right to suspend access of the data provider and data-user to a CIB, if the data provider does not take necessary corrective

action, or refuses to adequately respond to a CIB's request to review or correct inaccurate data.

23. Fees

ACIB Board shall determine the fees for a CIB membership and other CIB service, which shall be effective upon approval by the Authority. ACIB shall publish the fee structure or any change with 30 days notice.

24. Right to information

A person has the right to request, and receive, a hard/soft copy report of information maintained in a CIB database, on that person. In order to receive the report the person must complete a 'Self Inquiry Request Form' and provide proper identification at the time of the request.

25. Right to request data correction

Any person can request the data provider directly or through CIB for the correction of inaccurate or inadequate data maintained in the CIB database.

26. Disclosure for statistical purposes

Both CIB & the Authority may disclose, on a consolidated basis, the information and data maintained in a CIB for statistical purpose, without specifying a data provider or borrower.

27. Indemnification

ACIB is indemnified from any type of action, or damage that may result from inaccurate information being reported to a CIB by a data provider.

28. Miscellaneous

The Authority, upon enforcement of this Rule and Regulation, shall introduce any technical and administrative measure that may be necessary to comply with the provisions of this rule and regulation.

The CIB shall not require any consent from the clients to collect the information/data from the data provider.

30. Definitions

In this rule and regulations, the following terms shall have the meaning indicated, unless the context clearly indicates otherwise:

- i. **“Authority”** means the Royal Monetary Authority of Bhutan.
- ii. **“Borrower/client”** means a person in a credit transaction who receives money, or other consideration, from a credit grantor and promises to repay the credit grantor in a specific time and manner.
- iii. **“Consent”** means the written authorization given by the client/borrower/guarantor, during the credit application/service, for the retrieval of his personal data, from a CIB, in accordance with the manner laid down in this Rule and Regulation.

- iv. **“Credit”** means any transaction creating for a person a direct or contingent obligation to deliver financial asset in exchange for a claim, including and not limited to loan, advance, discount of bills of exchange, lines of credit, payment order and guarantee.
- v. **“Credit history”** means the details of borrower’s present and past credit obligation including terms, status, security, repayment history, and client information.
- vi. **“Credit database”** means the database that houses all credit history under the jurisdiction of a CIB.
- vii. **“Credit information”** means the positive and negative information on all clients.
- viii. **“Credit report”** means and includes any information or data, in relation to a borrower/client, furnished by the CIB to the data provider, and in such form as may be decided by a CIB from time to time.
- ix. **“Credit scoring”** means the service of providing a numeric value, based on a statistical analysis of a borrower’s/client’s credit information and data, to represent the creditworthiness of a borrower/client.
- x. **“Data”** means all the information that constitutes a CIB database.
- xi. **“Data provider”** means a person that provides information to the CIB on the basis of a contractual obligation with the CIB.
- xii. **“Data user”** means a person permitted to receive service and product offered by the CIB.
- xiii. **“Financial institutions”** shall have the same meaning as prescribed under Section 371 of the Financial Services Act 2011.
- xiv. **“Guarantor”** means a person who makes himself responsible for the debt of another person.
- xv. **“Inquiry search”** means the request from a data-user, for credit report of a borrower/client or a prospective borrower/client.
- xvi. **“Client Information”** means the specific attribute that identifies a specific borrower/guarantor/client.
- xvii. **“Membership Agreement”** means an agreement signed between a data provider/data user and the CIB.

