



CLIENT PROTECTION CERTIFICATION

Report for Asian Credit Fund, Almaty, Kazakhstan

Certified in August 2017

Mission Conducted by MicroFinanza Rating

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“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”

- *Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by MicroFinanza Rating, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted for Asian Credit Fund (ACF). MicroFinanza Rating is pleased to announce that ACF became client protection certified in August 2017.

Certification missions entail a streamlined desk review of institutional policies and procedures, followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#), proven by complying with [standards](#) associated with principles related to institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Public announcements are made only for organizations that pass the certification. Certification status is valid for up to two years, after which an institution must undergo a certification check-in mission.

This summary presents selected excerpts from the analysis conducted throughout the certification process, which in total covers 25 standards of care. The evidence presented is not exhaustive, but rather meant to illustrate what the certification standards look like in practice and to highlight specific practices of ACF. We encourage readers to refer to the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign’s website <http://www.smartcampaign.org/certification>.

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Selected Examples of Practices

Client Protection Principle 1 – Appropriate Product Design and Delivery

- ACF has formalized a marketing policy that describes its target group and credit products as well as steps required for designing and introducing new products and delivery channels with the focus on client suitability.
- ACF systematically monitors client satisfaction using regular client surveys and other events such as comprehensive audit of all points of contact with the client. Management discusses results of such monitoring and takes corrective measures. For example, ACF has introduced standardized scripts were introduced to streamline client consultations.
- ACF prohibits aggressive sales and trains staff on acceptable and unacceptable marketing practices using role plays and case studies. The institution has defined adequate sales thresholds for its loan officers and sales agents and monitors compliance on regular basis.

Client Protection Principle 2 – Prevention of Overindebtedness

- ACF's repayment capacity analysis includes the analysis of household income and expenses. Complexity of the analysis depends on the loan amount and borrower's source of income. The institution runs credit history check for all borrowers at each loan cycle. Debt threshold levels are appropriate and are enforced for group and individual loans.
- Standardized training on loan analysis is conducted for all new-hires, while existing staff is required to take mandatory annual tests that are followed-up by refresher trainings.
- ACF has formalized procedures for internal control over client underwriting practices such as documented visits of the Branch Director, regular monitoring of loan application forms by HO credit administration department and comprehensive checks by the Internal Audit.
- Staff productivity targets are reasonable and are enforced through regular monitoring. To ensure staff members comply with the optimal case load targets, ACF sets limits in the Incentive Scheme on the maximum number of clients served, portfolio quality and maximum share of bonus from the fixed pay.
- Senior Management and the Board regularly reviews portfolio quality and risk of overindebtedness based on standard reports on parallel loans and delinquency trends. Besides, Senior Management and Board of Directors regularly visit offices and meet with clients. If there are any signs of growing over-indebtedness, ACF takes corrective measures.

Client Protection Principle 3 – Transparency

- ACF provides Key Facts Sheets to Individual Borrowers, each Group Member and Guarantors. The document describes main loan terms and complaint submission channels.
- ACF provides loan contracts to groups, guarantors and collateral providers. The document is both in Russian and Kazakh languages and lists main product terms and conditions.
- ACF informs clients about product terms orally during marketing activities and throughout loan application process and in writing through brochures, website and posters in the office. Public advertisement of pricing includes mandatory disclosure of the effective interest rate.
- ACF requires its senior staff to monitor group certification meetings to observe how staff explains product terms to clients and confirms correct understanding of these terms. Internal Audit uses standardized checklists to survey clients during field visit to verify clients' understanding of the product terms.

Client Protection Principle 4 – Responsible Pricing

- ACF is a self-sustainable institution. The institution's shareholders balance profitability expectations with reinvestment of returns into expanding the offices, improving MIS,

Selected Examples of Practices

delivery channels and recruiting technical assistance for improving client experience.

- ACF's pricing practices are in line with the local regulatory cap. The institution does not charge any upfront fee for loan origination. Prepayment is allowed for clients at any time at no additional cost. Late payment penalty is only charged on loan principal.

Client Protection Principle 5 - Principle 5 - Fair and Respectful Treatment of Clients

- ACF promotes the culture of treating all clients with respect and to avoid any form of discrimination. The Code of Ethics lists core values, expected standard of conduct from staff and prohibited behaviors. ACF conducts initiation training for new-hires on the Code of Ethics and systematic refreshers for existing staff.
- ACF lists main standards of staff conduct in Key Facts Sheet provided to all clients.
- The institution has a formalized policy describing loan recovery steps. Cases for loan write-offs and restructuring are defined in the Manuals and communicated during trainings.
- ACF prohibits its staff from forcing clients to sell their collateral or property to repay the loan. Collateral seizure is mostly done through courts.
- Internal control over fair and respectful treatment of clients by staff includes visits of senior staff to delinquent clients. Internal Audit also surveys delinquent clients using standardized checklists to identify any potential complaints. Potential violation of rules is closely investigated and, if confirmed, results in sanctions against responsible staff member.

Client Protection Principle 6 – Privacy of Client Data

- ACF has a policy and documented process in place to maintain confidentiality, security and accuracy of clients' personal, transactional and financial information. Staff sign confidentiality agreement upon hire and acknowledge sanctions foreseen for violation of client privacy. Confidentiality agreement needs to be honored for 5 years after termination.
- Loan Contracts have a confidentiality clause for clients that explain how their data will be used and with whom it will be shared. Staff is required to seek client consent for exchanging client data with credit bureau before running credit history checks.
- Physical security of client data is ensured through storage in locked cabinets. Access to client data stored in MIS is only possible from authorized computers. Use of loan files and access to MIS outside the office is allowed only for work purposes and is strictly monitored.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- ACF provides several channels for submitting complaints including mobile phone numbers of CEO, Head of Credit Administration and Office-Manager based at HO; ACF's email address, suggestion journals at offices and staff members based in the office.
- Clients are informed about complaints submission channels through posters in offices, Key Facts Sheet and orally during consultations.
- Complaints handling policy is formalized and describes duties of relevant staff members, as well as the maximum time limit for complaint resolution (15 days). Corresponding training on complaints handling is provided to all staff.
- Reports to the management team on complaints are systematic and compiled by specifically designated person. The management team follows up with corrective measures.