Digital Data Corridors: Access to Financial Services for Ukrainian Refugees

1 June 2022 - 14:00 to 16:30 CEST - Online

1 June 2022

DIGITAL DATA CORRIDORS: ACCESS TO FINANCIAL SERVICES FOR UKRAINIAN REFUGEES - ACCIS & THE INTERNATIONAL FINANCE CORPORATION (IFC)

Programme

14:00 – 14:15 Opening remarks and introduction

Enrique Velázquez, *Director General, ACCIS*
Vittorio Di Bello, *Senior Manager, FIG EUR, Regional Industry, IFC, WBG*

14:15 - 14:25 Ukrainian Refugees

Liliana Pozzo, *Principal Operations Officer, FIG EUR, IFC, WBG*

14:25 - 14:50 Local Data Availability

Tetiana Batalova, *Project Manager, Strategy and Innovations, Department, National Bank of Ukraine*
Kateryna Danylchenko, *Head of the Board, International Bureau of Credit Histories*
Bohdan Pshenychnyi, *Director, Ukrainian Bureau of Credit Histories*
Antonina Palamarchuk, *Chairman of the Board of First Credit Bureau of Ukraine*

14:50 - 15:05 Cross-Border Data Availability

Arkadiusz Lewicki, *Director Public Programs and Economic Entities Department, Polish Banking Association*
Andrzej Zduńczyk, *Director of Product Development Department, BIK*

15:05 – 15:50 Scalability of Digital Personal and Credit Data Corridors

a. **Point-to-point approach**

Silviu Foca, *Managing Director, Biurol de Credit Moldova*
Janis Timermanis, *Chairman of the Board, Credit Information Bureau, Latvia*
Petr Kucera, *Managing Director at CRIF, Czech Credit Bureau*

b. **Multiple Point-to-point approach**

Wulf Kamlah, *General Counsel, SCHUFA*

c. **Centralized / Hub approach Data**

Misha Esipov, *Co-founder & CEO, Nova Credit*

15:50 – 16.10 Moderated Q&A session

Enrique Velázquez, *Director General, ACCIS*

16:10 – 16:20 Medium-term issues: Data feedback into Ukraine | SME Data | Remittances

Fabrizio Fraboni, *Global Credit Infrastructure Specialist, IFC*

16:20 - 16:30 Conclusions and closing remarks

Mariusz Cholewa, *CEO, BIK & ACCIS President*

Digital Data Corridors: Access to Financial Services for Ukrainian Refugees

Vittorio Di Bello & Liliana Pozzo

WHO WE ARE

IFC International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

- A member of the World Bank Group
- Provides investment, advice, resource mobilization
- Triple-A credit rating; owned by 185 countries
- Present in more than 100 countries
- More than $321 billion invested since our founding in 1956
- FY20 long term investment commitments: $21.9 billion

IFC is the largest global development institution focused on the private sector in emerging markets.

WHAT WE DO Integrated Solutions, Increased Impact

INVESTMENT

Financial products tailored to client needs

- Loans
- Equity
- Trade and Commodity Finance
- Derivatives and Structured Finance
- Blended Concessional Finance

$21.9 billion committed in FY20

$58.7 billion committed portfolio

ADVICE

Innovative solutions combining IFC's expertise and tools

- Help Create New Markets
- Unlock Investment Opportunities
- Strengthen Clients' Performance and Impact
- Improve Environmental, Social, and Corporate Governance Standards

$274.4 million program in FY20

MOBILIZATION

Mobilizing and managing capital for investment

- Syndications
- IFC Asset Management Company (AMC)

$28 billion syndicated in last 5 years

$10.1 billion under management at AMC

STRATEGIC PILLARS

ACCESS TO FINANCE

CLIMATE FINANCE

DIGITAL FINANCE

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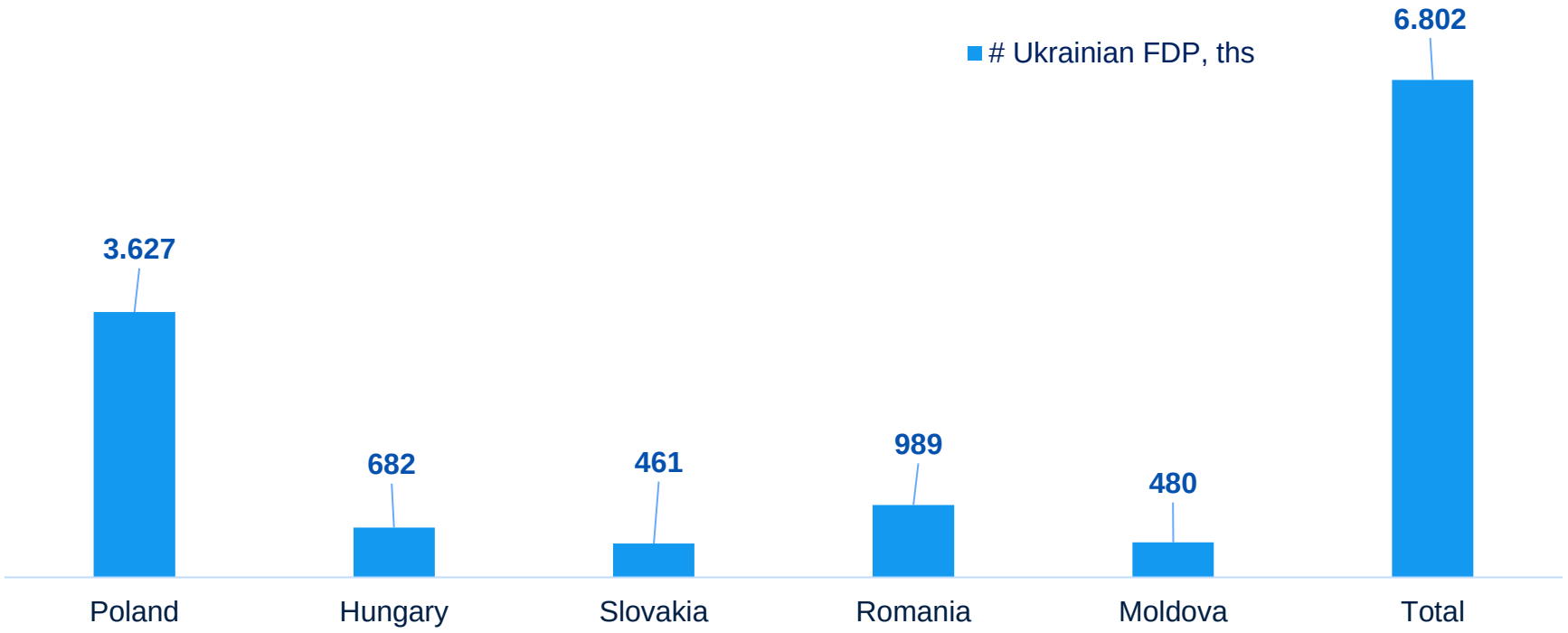
UKRAINIAN REFUGEE CONTEXT

Over 6.8 million Ukrainians have fled to neighboring countries due to Russian aggression



Ukrainian Diaspora:

as of June 2020, UNDESA

- **6.1 Million Globally**
- **5 Million in EU**

Source: UNHCR https://data2.unhcr.org/en/situations/ukraine , as of May 30, 2022. The data of arrivals in Schengen countries (Hungary, Poland, Slovakia) bordering Ukraine therefore only represents border crossings into that country, but we estimate that a large number of people have moved onwards to other countries..

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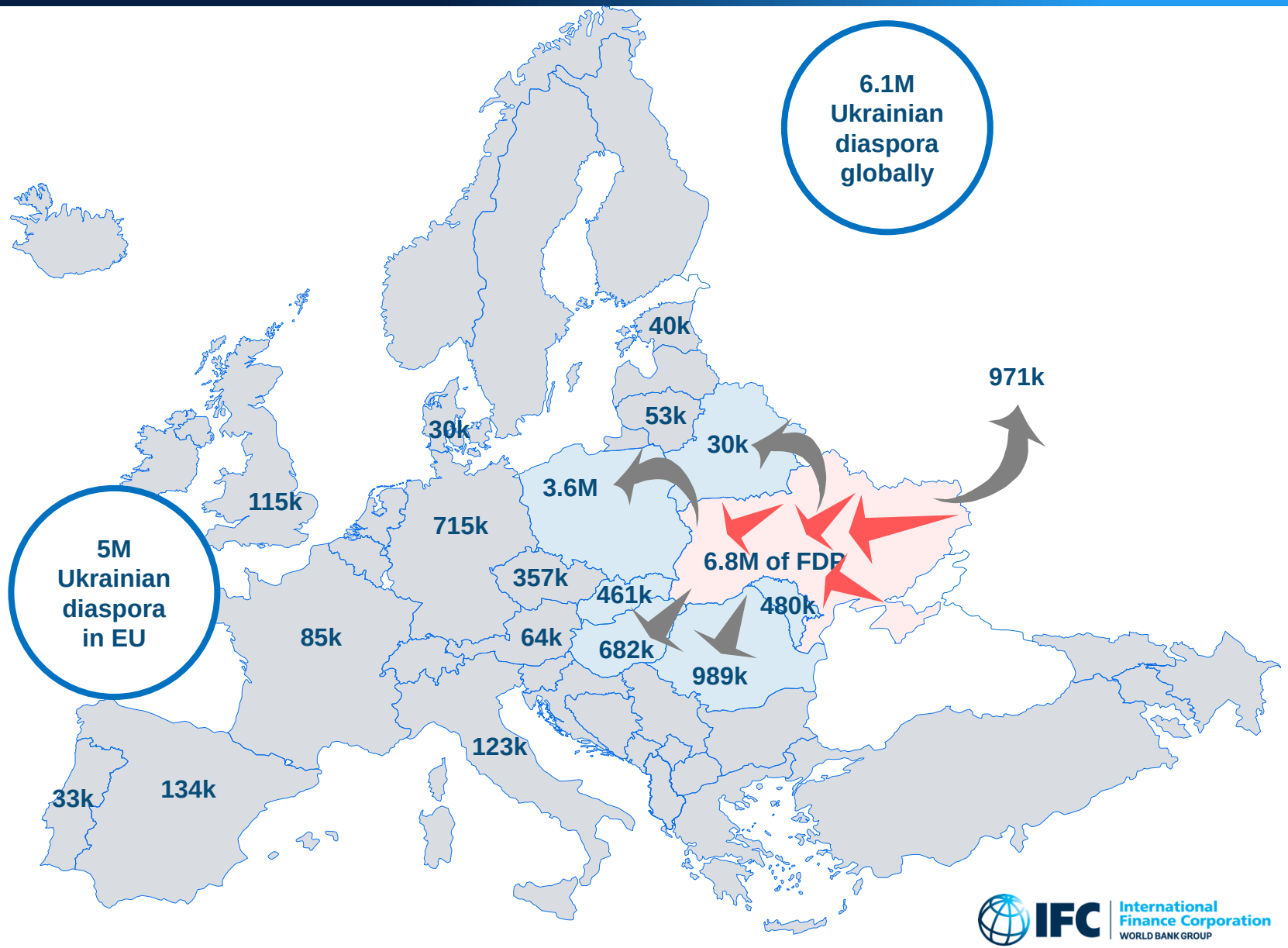
UKRAINIAN RESETTLEMENT IN EU COUNTRIES

Registered in EU

- **Poland[1]:** 1.6M remain in Poland out of 3.6 arrived
- **Germany[2]:** 715,000
- **Czech Republic[3]:** 357,000
- **Spain**: 134,000
- **Italy:** 123,000
- **UK:** 115,000
- **Moldova[5]:** 101,000
- **France:** 85,000
- **Romania[4]:** approx. 80,000
- **Austria[7]:** 64,000
- **Lithuania:** 53,000
- **Slovakia[6]:** 51,000
- **Netherlands**: 41,247
- **Estonia:** 40,000
- **Portugal:** 33,000
- **Switzerland:** 31,500
- **Denmark:** 30,000 applications
- **Hungary[8]:** 8,000



Source: https://www.unhcr.org/ukraine-emergency.html IFC Analysis, data as of May 30, 2022

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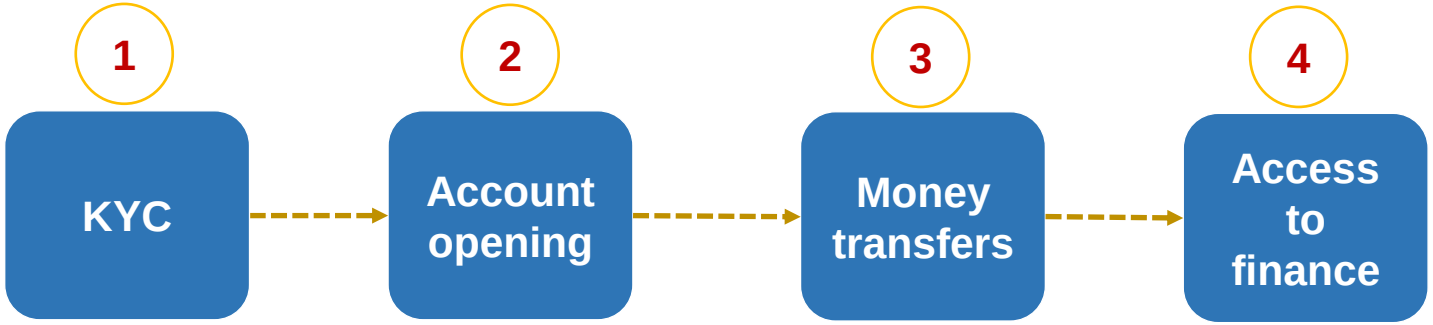
DIGITAL DATA CORRIDOR INITIATIVE

What

Stages of refugee engagement in access to finance



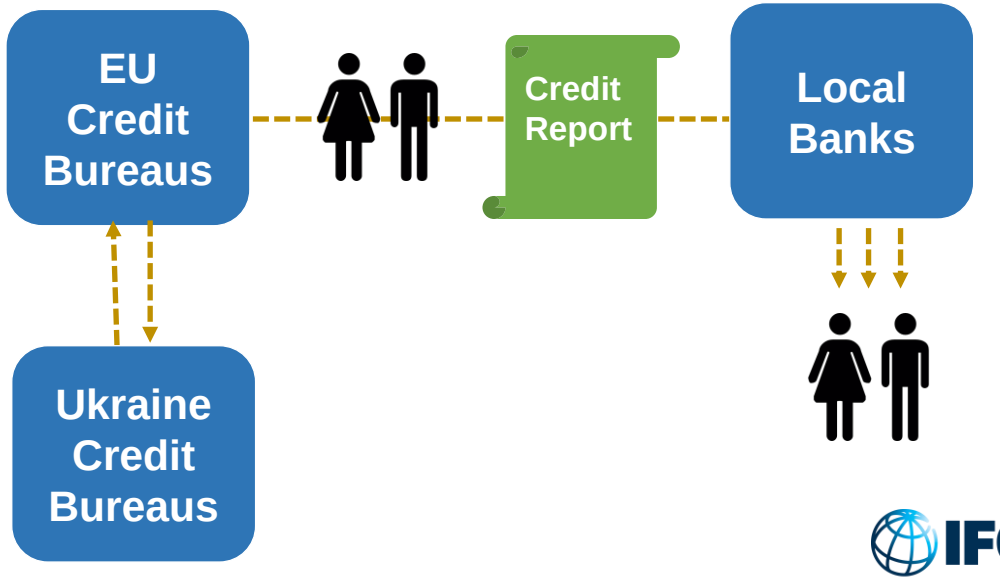
Why

- Background & creditworthiness verification: Inability to conduct these checks limits banks financial products offer
- KYC: Future ID verification compliance challenges for onboarding of refugees based on the basic documents

How

Ukrainian credit information infrastructure can be leveraged to assist the FIs in host countries to address:

- Identity verification (KYC),
- payment and credit history by sharing reliable data.



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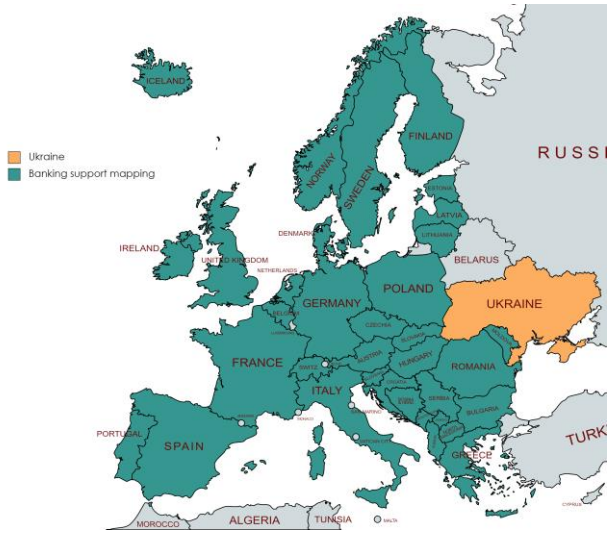
CURRENT BANKING SITUATION FOR UKRAINIAN REFUGEES

The EC activated the *Temporary Protection Directive (TPD)* within the EU to grant refugees residency rights, access to social welfare, employment, banking services and freedom of movement.



European banks are supporting Ukrainian refugees to maintain their financial inclusion during this crisis

Many banks across **Europe** are committed to provide the following services:

- Access to the European financial system through account opening
- FX services, incl. cash FX
- Payment cards
- Remittances/ cash transfers (inwards/outwards)
- Customer service, incl. interfaces and marketing materials in Ukrainian

Nevertheless, **challenges** remain:

- Lack of ID documentation to conduct full KYC & meet regulatory compliance requirements
- Lack of individual's credit history and behavior information and risk profile
- Limited risk appetite to offer credit products
- Limitations on FX services

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FINANCIAL NEEDS DURING MIGRATION STAGES

Humanitarian aid — **Financial Inclusion**

Stages of displacement and economic needs*

Arrival
Phase 1
Basic Needs
Food, shelter, medical services, communication means

Initial displacement/relocation
Phase 2
Employment, access to housing, education / diploma validation, learn host language

Longer establishment
Phase 3
Establishment of livelihoods and improvement of living conditions

Permanence
Phase 4
Cultural integration / assimilation in the host country.

Financial and non-financial needs by displacement stage

FX,
Cash transfers/basic accounts,
remittances

Financial Services
Transactional accounts,
savings,
remittances,
ST consumer credit,
health insurance
digital financial services (payments, e-wallet, etc.)

Financial Services
Transactional accounts,
savings,
remittances,
ST consumer credit,
health insurance,
digital financial services (payments, e-wallet, etc.)

MSME credit,
consumer credit,
home improvement credit,
Other insurance

Similar products required by local populations, including longer-term loans such as mortgages.

Non-Financial Services
training & networking, access to markets and value chains, business associations, etc.

* As defined by UNHCR

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WHAT WE HAVE LEARNED FROM MSME REFUGEES IN OTHER COUNTRIES

MAJOR NEEDS:

- Transfers
- Salary payments
- Savings
- Credit to grow their businesses

MAJOR OBSTACLES:

- Difficult access to financial products
- Uncertainty about the migration process
- Lack of credit history
- Unfamiliarity with the country

BUSINESS POTENTIAL FOR BANKS:

- Potential for cross-selling
- They are motivated to build a good credit history
- They are strategic and innovative in managing their businesses
- They are usually open and transparent in providing information
- They can be a loyal segment to their first financial institution

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Національний банк України

Credit reporting institutions in Ukraine

Tetiana Batalova

Senior manager, strategy and development department,
National Bank of Ukraine

31/05/2022

Credit information sharing system in Ukraine

Public credit registry PCR

- Support to supervisory role
- Financial stability oversight
- Support to monetary policy
- Support to risk-based regulation
- Risk concentration

Private credit bureaus PCB

- Supporting quicker, more accurate and responsible lending decisions
- Increasing access to finance
- Promoting financial literacy
- Supporting economic growth

The role of credit information sharing institutions

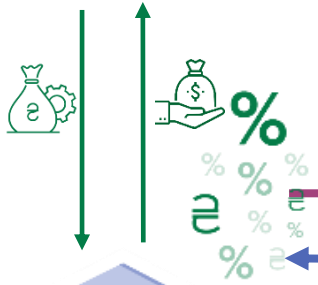
Public credit registry
PCR

Private credit bureaus
PCB

Borrowers

Request for data

Request for data



Financial institutions

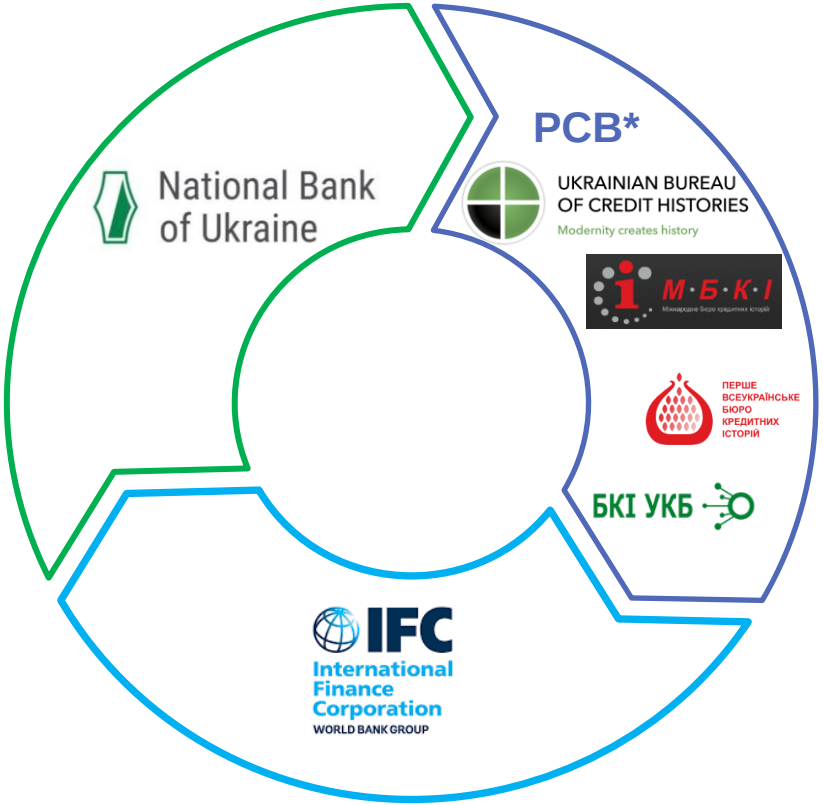
Conditions

threshold	≈ 21 000 €
credit history	N
tracking fraud attempts	N
value-added products	N
economic groups	Y
credit score	N

Conditions

without	threshold
Y	credit history
Y	tracking fraud attempts
Y	value-added products
N	economic groups
Y	credit score

Projects



1. Ukraine Financial Inclusion for Growth Program
2. Borrower Income Verification Platform
3. Improving Financial Literacy
4. Public credit registry 2.0
5. DIGITAL CORRIDOR

Національний банк України

* the biggest players in the market

Thanks!

Access to Creditinfo Ukraine (IBCH) Credit Reports

June 1st, 2022

Creditinfo Ukraine (IBCH) Coverage

IBCH – a member of Ukraine's largest Banking association, UAFIC, EBA - operates in Ukraine for 16 years and covers a material part of the credit active population:

- 15 million unique individuals with associated credit history
- 55 million unique credit contracts with positive and negative / default events
- wide customer base – banks (incl. Raiffeisen, BNP Paribas, OTP, Credit Agricole, Alfa, Ukrgasbank, Oschadbank etc.), MFIs, credit unions
- average Hit-Rate: 83%, depends on target customer segment
- Bureau scores and portfolio analytics

Credit Bureau in Time of War

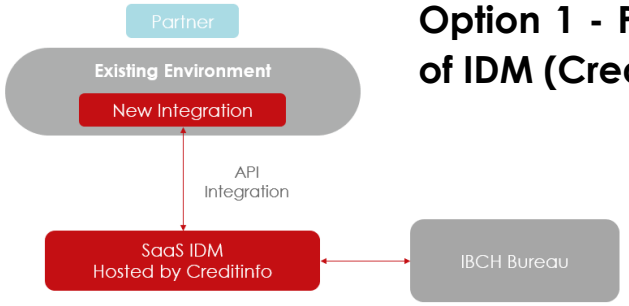
1. **Employee Safety**
2. Data security and Business continuity
3. Finance contingency plan implementation
4. Ongoing data submission
5. International data to support refugees for (!) KYC, employment, accommodations and later finance

5. New value-added products and initiatives, also to support **lending reopening**

Potential Partners list:

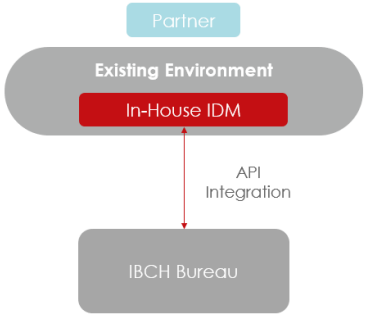
Solutions:

Minimum info to access the data: **Travel doc NAME + SURNAME + Date of Birth, or NAME + SURNAME + TIN from new ID card**



Option 1 - Partner Implementation: Partner signs the agreement and integrates with existing instance of IDM (Creditinfo decisioning engine) in Ukraine (or backup environment) to download reports

a. creates integration (simple process)
b. processes the response from IDM in IBCH Ukraine
c. no implementation/installation required, SaaS approach
d. Partner is responsible for the front-end – user's credentials, input forms, data visualization if needed (IDM API supports also PDF download)



Option 2 - In-House IDM for Partner: Additional IDM instance is rolled-out to Partner's internal environment with connection to IBCH Ukraine

a. IDM can be the front-end in this setup
b. separate URL and separate user credentials for IDM
c. using Financial Institutions access IDM directly as a separate system
d. HW and 3rd party SW are responsibility of the Partner

THANK YOU! СЛАВА УКРАЇНІ! ГЕРОЯМ СЛАВА!

Kateryna Danylchenko –
the CEO of Creditinfo Ukraine (IBCH)

kateryna.danylchenko@creditinfo.com

Ukrainian Bureau of Credit Histories LLC (UBCH)

Founders: JSC CB “PrivatBank” - **99,71%**, Bicoptima Limited (Cyprus) - **0,29%** .

Registered capital: UAH 5 mln

Established on June 6, 2005, (16 years on the market)

Regulator National Bank of Ukraine

Key Indicators

more than 26,3 mln subjects of credit histories (90 % HIT-RATE)

more than 111,3 mln credit agreements

more than 30 services for partners and **10 services** for consumers

more than 800 partners: banks, financial companies, leasing and insurance companies, credit unions and others

UBCH

Credit history providers

298 Credit history providers:

- **40 banks:** inc. PrivatBank, Ukrsibbank, FUIB, Raiffeisen Bank, Alfabank, A-Bank, Universal bank
- **179 finance companies:** leasing, factoring, insurance companies and credit unions
- **77 microfinance companies** and **2 non finance companies**

67 Open data sources:

- **60 government and 3 private** sources
- **3 mobile** operators (providers): Kyivstar, Vodafone, Lifecell
- Transaction Underwriting score from **Visa Inc**

UBCH

Direct to Consumers (Borrowers)

- **2,1 m consumers** have checked own credit history at least once
- **62,3k consumers** monitor credit history on regular basis
- **33,1 k consumers** use mobile app on regular basis
- **610 k subscribers** for Telegram and Viber bots
- Project with IFC (WorldBank) - **Financial Literacy**
- **14 mln citizens** receive free credit history notifications via the gov.l app **DIIA**

UBCH

UBCH Activities

The core business is in collection, processing and sale of credit reports and adjacent products

1

Core product:

Credit report

2

TOP services and products:

- Credit rating, credit scoring - **12 individual scoring models**
- Fraud prevention service AFS and Photo Verification **more than 20 mln queries in 2021**
- Credit history and Open data Monitoring

3

Adjacent services and products:

Verification and identification, skip-tracing, disciplinary letters, telco report, SIM check, Transaction Underwriting score, Liveness Detection, etc

UBCH

Goals for 2022 and the nearest future

- to ensure **a seamless service** for Ukrainians abroad so they could get all possible benefits of **their credit history asset**
- to let Ukrainian banks and other financial institutions **get access** to Ukrainians **credit profiles** created abroad
- **to establish strong B2B connections with credit bureaus and credit registries to achieve #1, #2 goals**

Thank you for your attention

Bohdan Pshenychnyi, UBCH LLC, director

UBCH

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DATA FOR CREDIT

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Digital Data Corridors: Access to Financial Services for Ukrainian Refugees

1 June 2022 - 14:00 to 16:30 CEST - Online

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1991-2021

Polish banks & Access to Financial Services for Ukrainian Refugees

Arkadiusz Lewicki
Director of Public Programmes and Economic Entities Department,
Head of Public Programmes Task Force on the Ukrainian Crisis
Polish Bank Association (PBA)
1st June, 2022

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Digital Data Corridors

Response from Polish banks

General Remarks

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tel. 022 48 68 180
www.zbp.pl

ZWIĄZEK BANKÓW POLSKICH

I. General remarks (1/3)
Polish banks and the Ukrainian conflict:

- Polish banks help refugees by developing **financial inclusion since the first days of the war;**
- Challenge: plenty of new regulations; **huge analytical work of legal and risk teams,** also in terms of business clients;
- the necessary **constructive dialogue with regulators** for quick and real implementation of the new regulations;
- Some Polish banks **exempted Ukrainian customers from bank fees**, facilitated communication, launched advice, e.g. in the field of cooperation or reallocation of business in cooperation with Polish partners. Some Polish banks have launched services **supporting the creation of Ukrainian start-ups** in Poland;
- On January 31: **Loan Portfolio of Ukrainians in PL**: PLN 5.4 bn/91 k borrowers with UKR citizenship; <22 k UKR companies & 1,4 k borrowers/>124 mln PLN;
- **Unstable situation**: Until May 31: 3,2 mln refugees arrived in PL & **1 mln has come back**;
- The problem of implementing an avalanche of **sanction regulations** – which also affect Polish entrepreneurs cooperating with partners from the Russian and Belarusian markets, many interpretation problems (e.g. how to approach the receivables of Polish SMEs from before the outbreak of war /24.02/);

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I. General remarks (1/3)
Polish banks and the Ukrainian conflict:

CONTEXT | Scale of migration
The biggest refugee crisis in Europe since the end of World War II

Poland currently hosts the second largest refugee population in the world – more refugees live only in Turkey

© 2022. Deloitte Poland

10 million Ukrainians have had to leave their homes,

4.2 million have had to leave their country [1]

Around **2.9 million** refugees from Ukraine have arrived in Poland since 24 February 2022[2]

Around **1.5 million** have remained in Poland, according to expert estimates [2]

According to the analysis based on information from social media, **34%** of refugees leaving Ukraine are going to choose Poland as their destination [3]

[1] One Country, Two Nations: The Refugee Crisis in Poland
[2] CMR Spotlight: War and migration: the recent influx from Ukraine into Poland and possible scenarios for the future | Ośrodek Badań nad Migracjami (uw.edu.pl)
[3] Refugee flows as a result of the Russian war of aggression on Ukraine: their distribution taking into account social contacts | Publication | ifo Institute

Source: *Deloitte, report:*
„Refugees from Ukraine in Poland. What challenges does this pose to the Polish labour market and the entire economy?", May 5, 2022

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I. General remarks (2/3)
Polish banks and the Ukrainian conflict:

- **Banks' recommendations** on the expected support instruments: loan guarantees, working capital/liquidity support, technical assistance (e.g. advisory support for Ukrainian start-ups), reorientation of some programmes for the needs of the Ukrainian crisis.
- Preparation of special or reorientation of existing **public programs** – in cooperation with public banks (BGK, EBRD, CEB, EIB, IFC) – following the best practice from the C-19 crisis
- Close **cooperation with BGK**
-
- **Possible challenges related to the war**:
  - runaway inflation
  - further outflow of employees vs KPO- National Recovery Plan&Cohesion Policy
  - looming food crisis

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I. General remarks (3/3)
Public programs facing Ukrainian cirisis with Polish banks

Polish Banks & governmental social transffers (300+,500+, etc.) to refugees

- Most of Polish banks (commercial and cooperative) participate in the system of financial & digital inclusion of refugees. The system started in March 2022.

Bank Gospodarstwa Krajowego: National Crisis Guarantee Fund (FGK)

- European Act on Assistance to Citizens of Ukraine in Connection with Armed Conflict on the Territory of this State and certain other acts
- guarantees recommended by PBA Public Programmes Task Force on the Ukrainian Crisis.
- the first Polish programme facing UKR Crisis with commercial banks/ start: July 2022

Council of Europe Development Bank (CEB)

- has established cooperation with selected financial institutions, to which it will provide financing to support entrepreneurship; start: July 2022

European Investment Bank/European Investment Fund

- the possibility of "pulling up" a client affected by the Ukrainian crisis for financing under the Pan-European Guarantee Fund (EGF) established to mitigate the effects of the pandemic. In Poland, several financial institutions – including banking groups – participate.
- NCP for EU Financial Instruments (PBA) supports Polish financial institutions.

United Nations – UNHCR

- Short-term cash humanitarian assistance to new arrivals/refugees from Ukraine to support their transition and integration into Polish systems. System in cooperation with Santander Bank Polska and 5 Polish Banks – Partners. The programme started in April 2022.

International Finance Corporation, World Bank Group (IFC)

- making the data of Ukrainian borrowers (including corporations) from Ukrainian credit bureaus available to Polish banks (in cooperation with BIK) interested in providing financial services to Ukrainians in Poland.

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II. Digital Data Corridors

Response from Polish banks

General remarks

- **Trust** is a fundamental base of cooperation and growth
- *Digital Data Corridors* could be a **step in the right direction** (not only because of the War): infrastructure of the safe economic turnover: *„the more, the better!”*
- *Digital Data Corridors* - **additionality** to other instruments/earlier POL-UKR tracks ? Important factor of the success. How IFC/World Bank could attract/strengthen it ?

'Trust is a fundamental feature of humanity.'

Adam Smith

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II. Digital Data Corridors

Response from Polish banks

Purpose of the study

Determining the demand among Polish financial institutions for the scope of data from Ukrainian credit information bureaus useful in offering banking products to Ukrainian refugees and Ukrainian companies

Basic information about the respondent group and the study process:

- the survey was conducted in collaboration **with the IFC** at the turn of April/May 2022
- the questions were sent to 106 banks (including 46 cooperative banks)
- the answers were obtained from 10 banks (commercial and cooperative)

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II. Digital Data Corridors

Response from Polish banks

The study included the following questions:

- Which information is currently being requested by banks from customers for products (e.g. account opening, loan)?
- Which information is being requested from Ukrainian refugees for existing products in the banks?
- Which new products banks would like to provide Ukrainian refugees with?
- Which of the information provided by Ukrainian Credit Bureaus can be utilized by the banks?

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II. Digital Data Corridors
Response from Polish banks

Main Conclusions:

- **„liders" and „neutrals":**
  - ✓ a few banks (e.g. PKO BP) implemented wide offer for refugees
  - ✓ some banks want to provide **new products for individual customers**, i.e. the banks consider introducing a full range of functionalities of personal accounts (i.e. going beyond the Basic Payment Account) for persons who do not meet the requirements regarding identity documents with alternative confirmation by Ukrainian Credit Bureaus
  - ✓ some banks, after the implementation of basic banking products (such as: free bank account for the indicated period, temporary payment card, transfers, deposits) **do not plan to launch a new product**
  - ✓ most of banks do **not perceive refugees as perspective and mass clients/too high costs** of developing special products for an "**accidental and temporary client**" *(„they will go away in few months…", „they will come back home soon - just after the war"…)*
- high recommendation to use **BIK as an integrator in PL**
- to **extend the scope of data** proposed by IFC (the list- v. attachement/; e.g.: information on past and current loans of legal entities and the history of their repayment).
- **scorings** (assessment of default probability based on the borrower's credit record) should be as fresh as possible and at least cover the period up to February 24
- important ability to **check whether the UKR ID** (e.g. passport) is registered as invalid

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Response from Polish banks

Details

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II. Digital Data Corridors

Response from Polish banks

Question 1:

Which information is currently being requested by banks from customers for products (e.g. account opening, loan)?

The conclusion from the analysis of the responses:

- All of the surveyed entities indicated the scope of required data necessary to open an account and take out a loan
- You can extract 3 datasets:
  - information from identity data of the applicant
  - contact details of the applicant
  - in the case of applying for a credit product - data for assessing creditworthiness

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ZWIĄZEK BANKÓW POLSKICH

II. Digital Data Corridors

Response from Polish banks

Question 2:

Which information is being requested from Ukrainian refugees for existing products in the banks?

The result of data analysis from the <u>commercial banking</u> segment:

- the list of documents collected from refugees does not differ from documents obtained as standard from other Bank Clients
- the process is adapted to the needs related to their possession of documents issued by the Ukrainian authorities (passport, residence card, permit for tolerated stay, school ID card, ID card in the form of a plastic card issued in Ukraine since 2016, temporary certificate of identity of the foreigner)
- in the case of credit products, it is required to have stable income from sources accepted by the Bank, for example: employment contract, pension, which are documented by certificates, statements, other financial documents
- in the case of one of the banks, it is additionally required to provide a Polish telephone number and a correspondence address in Poland
- in the case of corporate clients who have a registered activity in Ukraine, a current extract from the foreign register of commercial companies or other current official document containing basic data about the company and representation is required - the document should not be older than 6 months from issuance and must be translated into the language of Polish by a Polish or Ukrainian sworn translator

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ZWIĄZEK BANKÓW POLSKICH

II. Digital Data Corridors

Response from Polish banks

Question 2:

Which information is being requested from Ukrainian refugees for existing products in the banks?

The result of the analysis of data from the <u>local banks/cooperative banking segment:</u>

- 2 out of 4 cooperative banks indicated the required documents from Ukrainian refugees
- the other 2 cooperative banks do not provide special products for refugees

Required documents from Ukrainian refugees when opening an account:

- valid identity document (a Ukrainian biometric or non-biometric passport, a Ukrainian biometric or non-biometric ID card, a residence card, a temporary certificate of identity of the foreigner)
- statements under the AML Act

Required documents from Ukrainian refugees when they are applying for a loan:

- one cooperative bank requires that credit applicants stay and are employed under an employment contract in European Union countries
- the other cooperative bank takes into account only income in Polish currency and earned in Poland

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ZWIĄZEK BANKÓW POLSKICH

II. Digital Data Corridors

Response from Polish banks

Question 2:

Which information is being requested from Ukrainian refugees for existing products in the banks?

The result of the analysis of data from the cooperative banking segment:

For the loan, the necessary documents* are as follows:

- permanent residence card
- statements under the AML Act
- tax returns for the last tax year
- employment documents
- history of the personal account to which salary is paid for a period of 6 months (in the case of receiving remuneration in a different way
- documents confirming the amount of income obtained, e.g. payslips constituting the equivalent of Polish IMIR certificates)
- information on the applicant's creditworthiness status from the country of his employment (equivalent to BIK)

**these documents must be translated into the language of Polish by a sworn translator*

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ZWIĄZEK BANKÓW POLSKICH

II. Digital Data Corridors

Response from Polish banks

Question 3:

Which new products banks would like to provide to Ukrainian refugees?

Conclusion from the analysis of the responses:

- some banks want to provide **new products for individual customers**, i.e. the banks consider introducing a full range of functionalities of personal accounts (i.e. going beyond the Basic Payment Account) for persons who do not meet the requirements regarding identity documents with alternative confirmation by Ukrainian Credit Bureaus
- some banks, after the implementation of basic banking products such as: free bank account for the indicated period, temporary payment card, transfers, deposits, **do not plan to launch new products**

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ZWIĄZEK BANKÓW POLSKICH

II. Digital Data Corridors

Response from Polish banks

Question 4:

Which of the information provided by Ukrainian Credit Bureaus can be utilized by the banks?

The conclusion from the analysis of the responses:

- as part of this question, banks received a table with the scope of data that can be provided by Ukrainian credit bureaus (next slide),
- the entire range of data is relevant for banks, taking into account all bank responses
- the key issue is to ensure an efficient data exchange mechanism – fully automatic, using the current mechanisms used in the banking sector
- high recommendation to use BIK as an integrator of information from the Ukrainian banking sector
- in obtaining information on a probability of default assessment, the following will be critical:
  - mapping it on the BIK S.A. score when included in the project or
  - providing lenders in Poland with the model user manual, on the basis of which the value of the above-mentioned probability was calculated together with the monitoring and validation reports
- particularly important for the account opening process is the ability to check whether the passport or ID card is registered as invalid or endorsed in the relevant database

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ZWIĄZEK BANKÓW POLSKICH

II. Digital Data Corridors

Response from Polish banks

Question 4:

Which of the information provided by Ukrainian Credit Bureaus can be utilized by the banks?

The scope of data that banks received:

1) Identification part

- Last name
- First name
- Middle name
- Date of birth
- Sex
- Marital status
- Education
- Citizenship
- Presence of the business entity's registration
- Social status
- Number of children
- Address type
- Country
- Postal code
- Region
- District
- Locality
- Locality type
- Street
- House
- Block
- Flat
- Series of the required passport
- Number of required passport or ID-card number
- Document type

2) Phone and photo identification service

3) Information on past and current loans of individuals and the history of their repayment.

4) Assessment of default probability based on the borrower's credit history (Scoring)

5) Checking if a passport (identity card) is registered as invalid in the corresponding database.

6) Information on past and current loans of legal entities and the history of their repayment.

7) A service for obtaining information on the existence of property rights to real estate for the client, as well as detailed information on property rights and the object.

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ZWIĄZEK BANKÓW POLSKICH

II. Digital Data Corridors

Response from Polish banks

Question 4:

Which of the information provided by Ukrainian Credit Bureaus can be utilized by the banks?

Banks' proposal to extend the scope of data:

3) Information on past and current loans of individuals and the history of their repayment:*

- information on past and current loans of individuals and the history of their repayment.
- monthly statements of borrowing and repayment data - last 5 years preceding data extraction:
- balance date
- borrower id
- obligation id
- borrowers status to obligation (eg. Stand-alone, co-borrower, a1al..)
- borrowing purpose
- type of lender
- type of obligation (eg. Mortgage, credit card, cash loan…)
- currency of obligation
- loan amount or loan limit
- current outstanding balance
- date of disbursement
- date of repayment
- expected / agreed date of repayment
- loan term
- no. of instalments repaid
- instalment amount (principal + interest)
- no. of instalments outstanding
- repayment status of the account
- days overdue
- balance of amounts due
- estimated amount of PD (probability of default within 12 months) as of the balance date

** By analogy for point 6) Information on past and current loans of legal entities and the history of their repayment*

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ZWIĄZEK BANKÓW POLSKICH

II. Digital Data Corridors

Response from Polish banks

Question 4:

Which of the information provided by Ukrainian Credit Bureaus can be utilized by the banks?

Banks' proposal to extend the scope of data:

4) Assessment of default probability based on the borrower's credit record (Scoring)

- in particular: assessment of the above mentioned probability for the date 24.02.2022
- in particular: estimated value of PD (probability of default within 12 months), including also the date of 24.02.2022

In addition, banks reported the following range of data that would be useful:

- Information on the debt entered into the BIG InfoMonitor - Economic Information Bureau
- Debt in non-banking institutions
- PESEL (personal identification number)
- Mother's maiden name
- mobile phone
- e-mail address
- date of issuance and expiry of the identity document
- information about the amount and source of income (net income, duration of receiving income)
- address data of the employer / benefit payer
- optionally - information about an additional source of income
- monthly liabilities in other financial institutions
- total value to be repaid in other financial institutions
- court and maintenance obligations
- household maintenance costs
- community property

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ZWIĄZEK BANKÓW POLSKICH

1991-2021

Thank you for your attention!

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Contact: programy@zbp.pl

www.zbp.pl

Access to Financial Services for Ukrainian Refugees in Latvia
FINLAND
Helsinki
St. Petersburg
Stockholm
Tallinn
Riga
Vilnius
Minsk
Moscow
BELARUS
UKRAINE
Kiev
Kharkiv
Odesa
POLAND
Prague
Budapest
Vienna
Bratislava
Zagreb
ROMANIA
HUNGARY
SLOVAKIA
CZECH REP.
Frankfurt
Munich
Hamburg
Berlin
Cologne
Brussels
Paris
London
Rotterdam
Amsterdam
Manchester
Birmingham
Leeds
Liverpool
ENGLAND
WALES
Cardiff
Dublin
Belfast
Irish Sea
English Channel
FRANCE
Nürnberg
Stuttgart
Strasbourg
Zürich
Milan
Lyon
Geneva
Marseille
Nice
Bordeaux
Nantes
Rennes
Brest
Caen
Limoges
Toulouse
Gothenburg
Malmö
Copenhagen
Aarhus
Oslo
Trondheim
Stockholm
Uppsala
Gävle
Sundsvall
Östersund
Umeå
Linköping
Jönköping
Helsinki
Tampere
Turku
Vaasa
Joensuu
Lahti
Vyborg
Petrozavodsk
Onega
Severodvinsk
Plesetsk
Vytegra
Lake Ladoga
Cherepovets
Vologda
Velikiy Novgorod
Pskov
Rybinsk
Yaroslavl'
Kostroma
Tver'
Ivanovo
Vladimir
Daugavpils
Vitsyebsk
Smolensk
Kaluga
Tula
Ryazan'
Orel
Lipetsk
Kursk
Voronezh
Belgorod
Sumy
Kharkiv
Dnipropetrovsk
Donets'k
Mariupol'
Kerch
Simferopol'
Crimea
Sea of Azov
Zhytomyr
L'viv
Vinnytsya
Kryvyy Rih
Chişinău
MOLDOVA
Iaşi
Cluj-Napoca
Ploiesti
Kaliningrad
Poznań
Łódź
Brest
Gdańsk
Lübeck
Bremen
Dresden
Krakow
Carpathian Mts
Gulf of Bothnia
Gulf of Finland
BALTIC SEA
Gotland
LITHUANIA
LATVIA
ESTONIA
Lake Onega
Lake Ladoga
Faroe Is.
Shetland
Orkney
Channel Is.
Bay of Biscay
Mt. Blanc 15771
SWITZ.
LIECH.
AUSTRIA
SLOVENIA
CROATIA
LUX.

General framework

1. Legal: contracts and processing purposes

2. Technical: system-to-system connection

3. Data flows: EU cross-border plus 3rd countries

2 levels of legal framework:

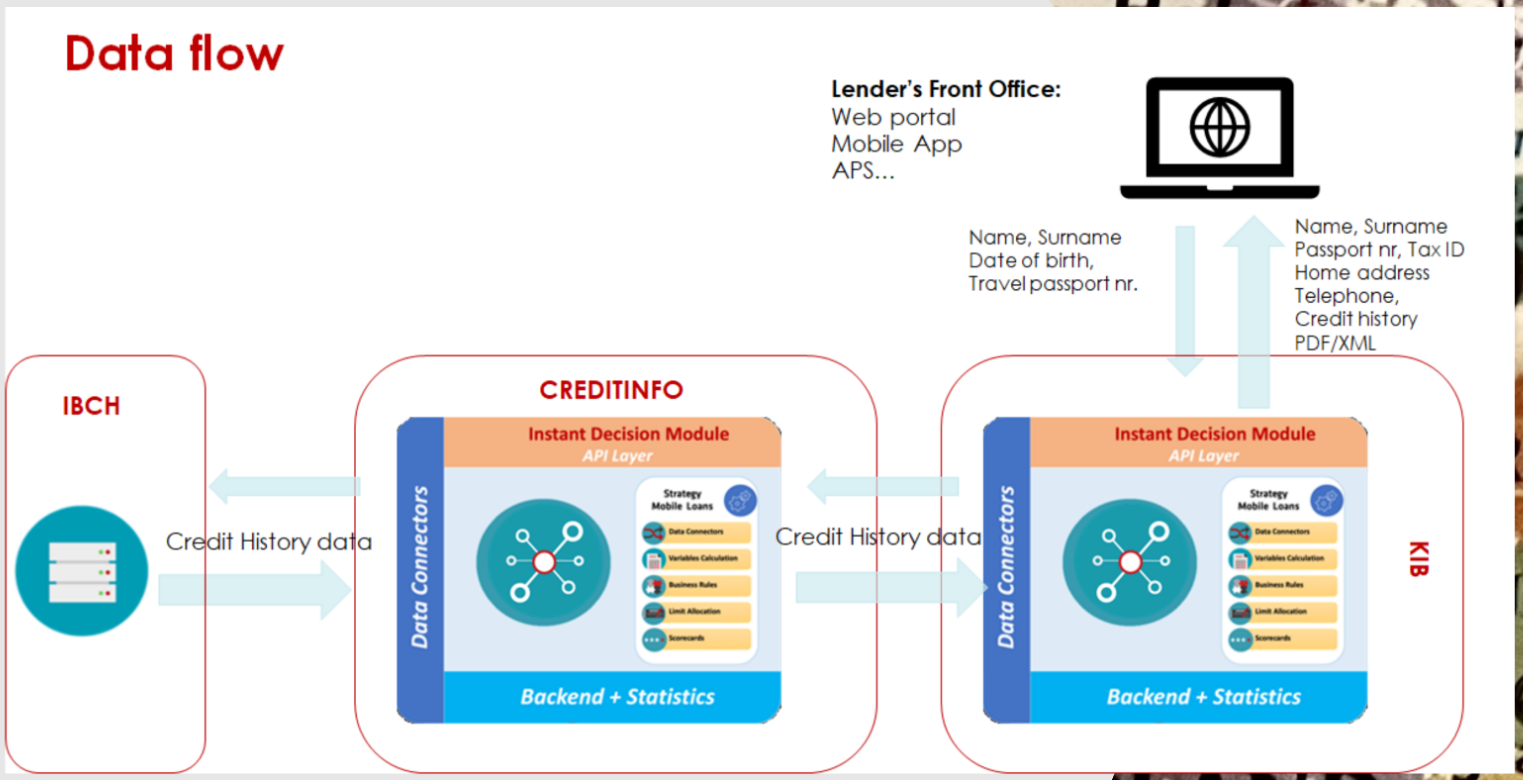
Level 1: contract between KIB (Latvia) and IBCH (Ukraine)

Level 2: contract between KIB and financial services providers/ telcos/ utilities

- banks
- consumer lending service providers
- telcos
- fuel retailers
- providers of utility services
- landlords

Purposes: background checks, ID verification, credit risk

Data flow


Lender's Front Office:
Web portal
Mobile App
APS...
Name, Surname
Date of birth,
Travel passport nr.
Name, Surname
Passport nr, Tax ID
Home address
Telephone,
Credit history
PDF/XML
IBCH
Credit History data
CREDITINFO
Instant Decision Module
API Layer
Data Connectors
Backend + Statistics
Credit History data
KIB
Instant Decision Module
API Layer
Data Connectors
Backend + Statistics

Cross-Border Data Exchange Model

Wulf Kamlah, General Counsel, SCHUFA

1 June 2022

Background

- Demand for cross-border credit in the EU has been historically very limited. The share of cross-border loans to households was around 1% in 2017 (ECB, 2017).

- Access to credit databases cross-border is a continued policy issue. European legislation mandates that, in the case of cross-border credit, *each Member State shall […] ensure access for creditors from other Member States to databases used in that Member State for assessing the creditworthiness of consumers. The conditions for access shall be non-discriminatory. (*Article 9 of Directive 2008/48/EC and similar Article 19 in the revised CCD2 – still under discussion).

- Global Standard-setters in credit reporting (ICCR report on Cross-Border Credit Reporting, 2021) have identified 4 main models to have access to credit data across borders. Some rely on the data enquiry being initiated by the creditor (direct and indirect access models) whilst others rely on the direct involvement of the borrower (report-portability and right-of-access models).

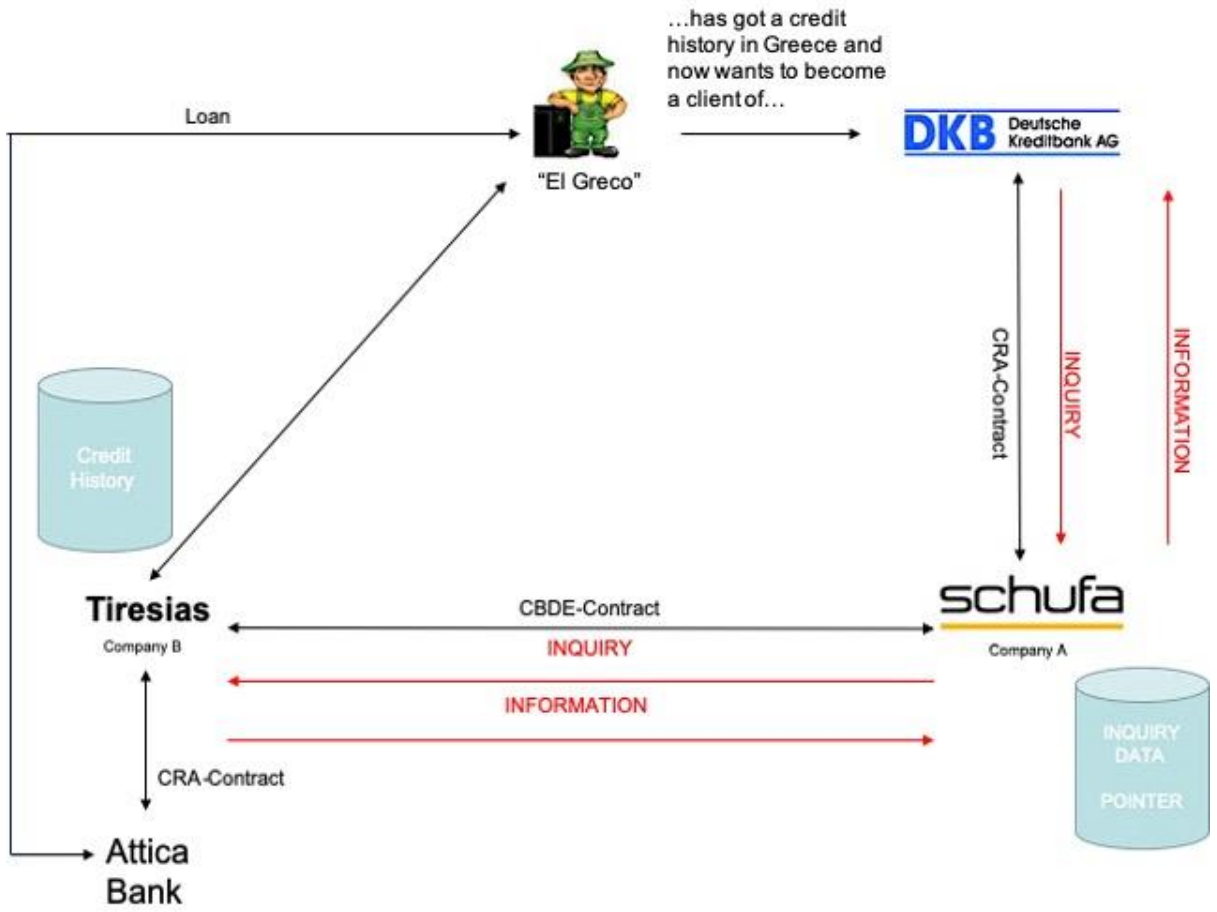
- In 1996 ACCIS established a Cross-Border Data Exchange model (CBDE), based on bilateral agreements. The objective was to facilitate the reciprocal exchange of credit information among members. In the CBDE model, in order to get the credit data of a borrower from another country, the creditor accesses a credit reference agency located in that country through the credit reference with whom it usually works in its own country (i.e., indirect access). The creditor will report the data on the credit granted and/or payment performance to that credit reference agency, according to the rules applicable to it. The link between the CRAs will enable the borrower's 'home' credit reference agency to know (by a flag/pointer system) that there is additional foreign data to be factored into their credit reports.

- The CBDE was legally reviewed and updated after the implementation of the General Data Protection Regulation (GDPR) in 2018.

- The number of credit reference agencies that have signed CBDE-based bilateral agreements is relatively limited. In 2019, the percentage of cross-border inquiries to total inquiries between any two given signatories in a bilateral agreement varied from zero to 16 percent. It is observable that cross-border exchange follows "natural economic zones"; it occurs more among the Scandinavian countries, Greece and Cyprus, or Germany and Austria.

CBDE in practice

The below image provides a schematic view of how the CBDE model operates:



EXPLANATION

A German bank - DKB - needs the credit report of a Greek credit applicant, El Greco. DKB could take direct contact with Tiresias, the Greek CRA, to obtain the information upon non-discriminatory conditions. This is allowed and applicable. However, taking contact with a foreign CRA and complying with all obligations in place in Greece for local lenders may be unpractical and burdensome for DKB.

Here is where a CBDE agreement would facilitate DKB's transaction. Assuming a CBDE agreement exists between Tiresias and, for example, SCHUFA, the largest German CRA. DKB would address the inquiry to SCHUFA, that would forward the inquiry to Tiresias. Tiresias would provide the information to SCHUFA, that would provide it to DKB.

Let us suppose that DKB then grants the loan to El Greco. DKB would need to comply with the reciprocity principle, thereby sharing information on the credit granted and El Greco's repayment payment performance. Sharing it with Tiresias as it would normally happen in a direct access model, would entail costs and effort for the bank, whereas, thanks to the CBDE, DKB is able to share the information with SCHUFA, thereby using an interface DKB is already familiar with. Tiresias would still be able to obtain that information from the SCHUFA at any point if so required, based on a reciprocal CBDE agreement (*).

(*) One CBDE agreement covers the supply of data from one credit bureau to the other. As the principle of the cross-border data exchange arrangement is based on 'reciprocity', the exchange of data between two bureaus requires two separate contracts.

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NOVA CREDIT

Nova Credit Inc.

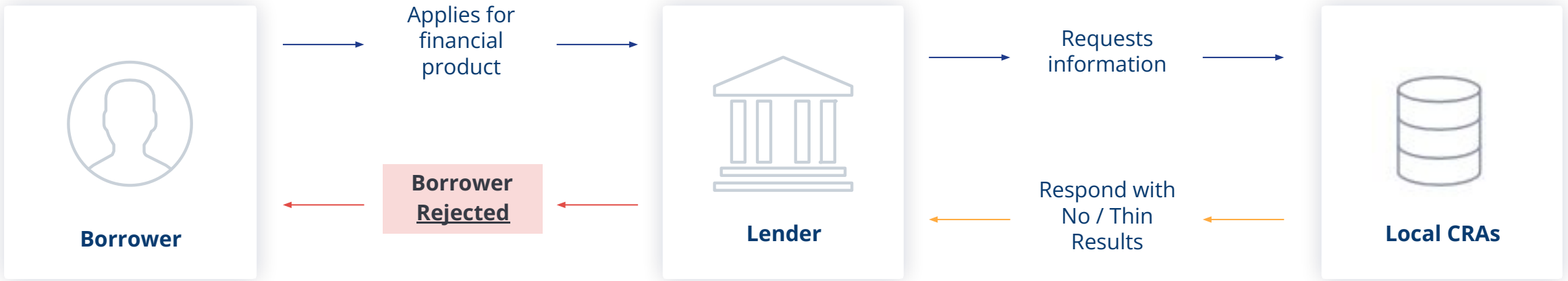
The world’s cross border credit bureau

Nova Credit Inc. – Proprietary and Confidential

About Nova Credit

Building a cross border bureau for Europe

The problem: Newcomers can't access credit



Around the world

- There are ~281m migrants around the world which represent ~3.6% of the world's ~7.8b population
  - ➢ Global migration population has nearly doubled since 2000
  - ➢ World Bank estimates growth to 405m by 2050

Within Europe

- ~4.4m people relocate within Europe annually[1]
  - ➢ ~2.3m (52%) represent intra-European migration
  - ➢ Ukrainian refugee crisis has contributed more than 6.8m refugees in a few months
- 24m people (5.3%) of the 447m people living in the EU were non-EU citizens (as of January 2021)
- Immigration drives 50%+ of net population growth in many[2]

[1] *Based on 2019 Eurostat report (source here)*

[2] *Based on 2016 demographic research by Population Europe (source here)*

World Bank: General Principles for Credit Reporting (2011)

Cross-Border Data Flows

GENERAL PRINCIPLE 5: Cross-border credit data transfers should be facilitated, where appropriate, provided that adequate requirements are in place.

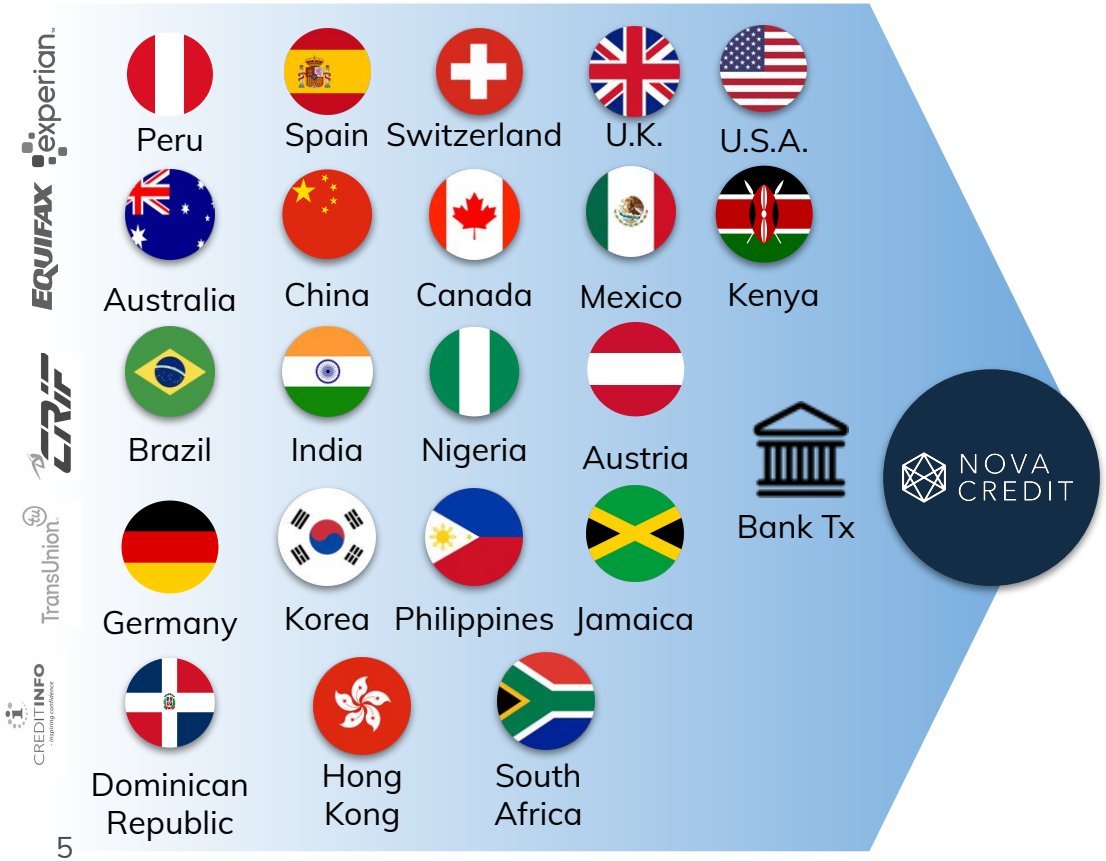
NOVA CREDIT

The solution: the world's cross border credit bureau

Nova Credit has emerges as the world's leading cross border credit bureau, stitching together access to over 1 billion consumer credit records around the globe, with the ability to seamlessly deliver this information through consumer consent.

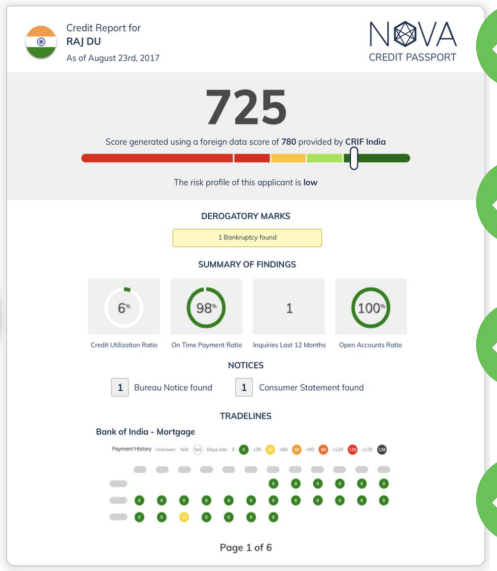
Our Model

We partner with leading credit bureaus and data partners around the world to deliver international credit, identity, and bank transaction data in real time.



The Nova Credit Passport

Standardized, global consumer credit data used by leading institutions (like American Express, Verizon & the United Nations FCU) to unlock access to housing, credit cards, loans and more.

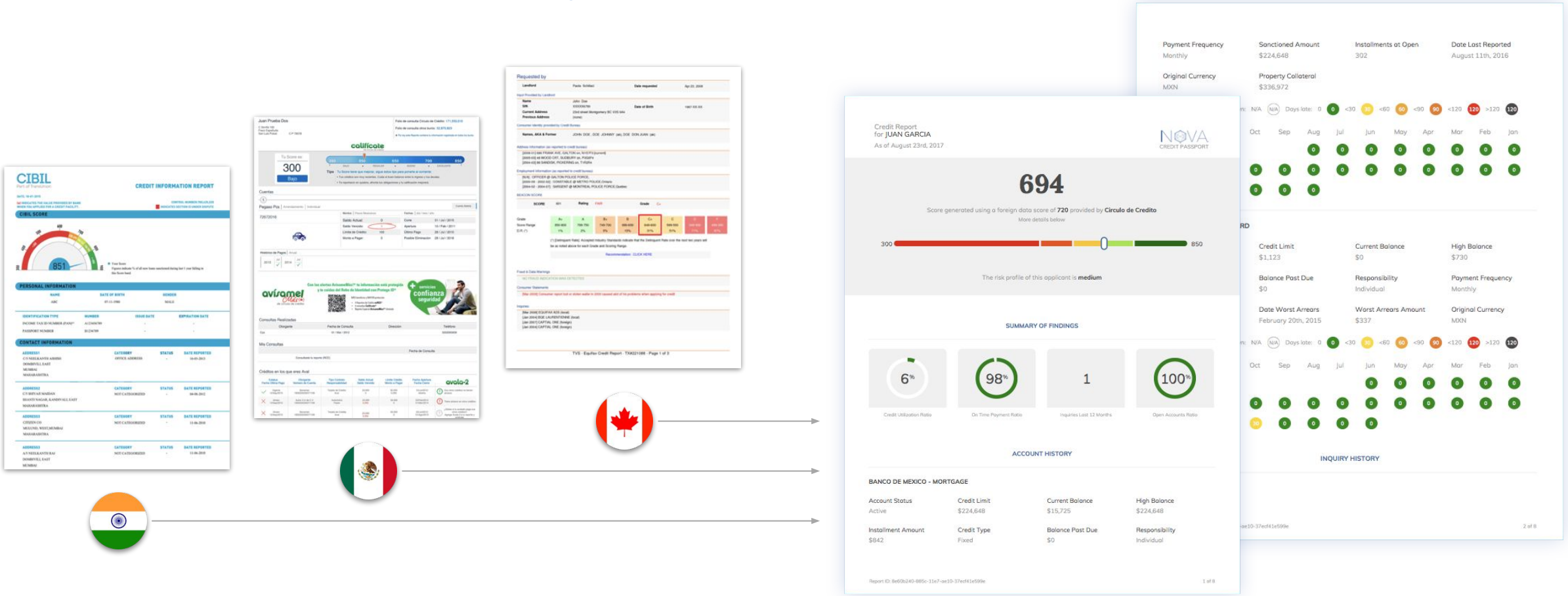


- **Globally-interpretable credit score**
- **Aggregate attributes**
- **Tradelines & repayment history**
- **Additional data such as bureau notices, inquiry & employment history**

5

The Nova Credit Passport

A standardized credit data dictionary for the world



Simple, Comprehensive, Compliant

NOVA CREDIT

US: Many-to-one

This map shows the estimated net immigration (inflows minus outflows) by origin and destination country between 2010 and 2015. Blue circles = positive net migration (more inflows). Red circles = negative net migration (more outflows). Each yellow dot represents 1,000 people. (Source data from U.N. Population Division, image Max Galka) (gif)

Int'l: Many-to-many

This map shows the estimated net immigration (inflows minus outflows) by origin and destination country between 2010 and 2015. Blue circles = positive net migration (more inflows). Red circles = negative net migration (more outflows). Each yellow dot represents 1,000 people. (Source data from U.N. Population Division, image Max Galka) (gif)

Nova Credit is the world's cross border credit bureau

Since its founding 2016, Nova Credit has emerged as the world's cross border credit bureau, stitching together **over 1 billion** consumer credit records around the world into a single solution to serve the world's growing migrant population.

Leadership Team

Misha Esipov
CEO
& Founder

Goldman Sachs
APOLLO

Sarah Davies
Chief Data &
Analytics Officer

VantageScore

Patrick Cadic
Chief Revenue
Officer

ZEST AI
EQUIFAX
WARE2GO

Tuvia Peretz
General Counsel

GIBSON DUNN

Collin Galster
VP International

BCG

Yacine Asmi
VP of Engineering

Meta

Priya Nakra
Head of Product

blend
Capgemini

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Revolut
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Ken Chenault
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Eileen Serra
CEO, Chase Cards

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President, Visa Inc.

Gene Ludwig
OCC Comptroller
CEO, Promontory Capital

Chaomei Chen
CRO, Washington Mutual

Ash Gupta
CRO, American Express

Anil Arora
CEO, Yodlee

Andy Jennings
Chief Data Scientist, FICO

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GENERAL CATALYST
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SOUND
Index Ventures

The real life impact of Nova Credit

Last week, we helped Prabhdeep get his first US credit card upon arrival

… But Prabhdeep is only one of millions we can now better serve

★★★★★

Nova Credit helped me to use my India credit report. This was a really helpful to get the new credit card in US without any credit in US.

★★★★★

Great experience with Nova credit and they quick grab my India credit details and it will help for me

★★★★★

Credit card approval at the best, when someone lands fresh with good credit score back home but treated as a person with no credit score at all Nova Credit shows them the way to get a credit card which is much needed

★★★★★

Nova Credit has done excellent job by creating a bridge to utilize existing Credit History across borders, Hence making it easier for newbies to be part of US financial system by narrowing waiting period instead of building Credit History from Scratch. It's kind of First Financial Inclusion Steroid of the world !!

NOVA CREDIT

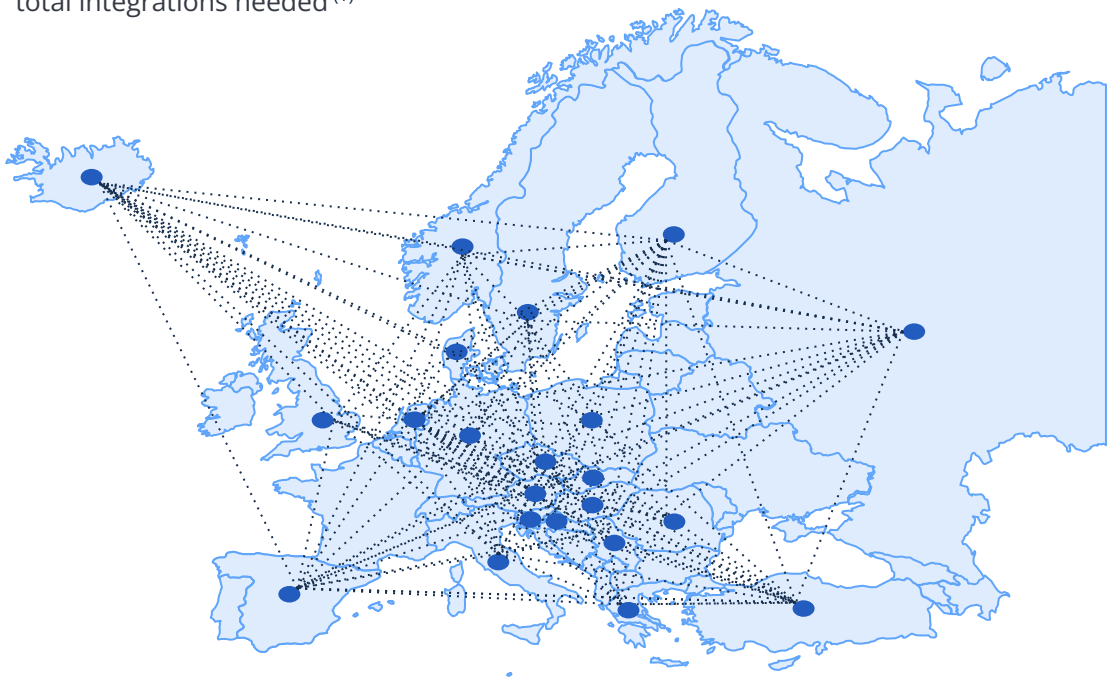
About Nova Credit

Building a cross border bureau for Europe

ACCIS member-countries can each spend multiple years building 27 bilateral data integrations or ~3 months integrating with Nova Credit

Point-to-point model without Nova Credit

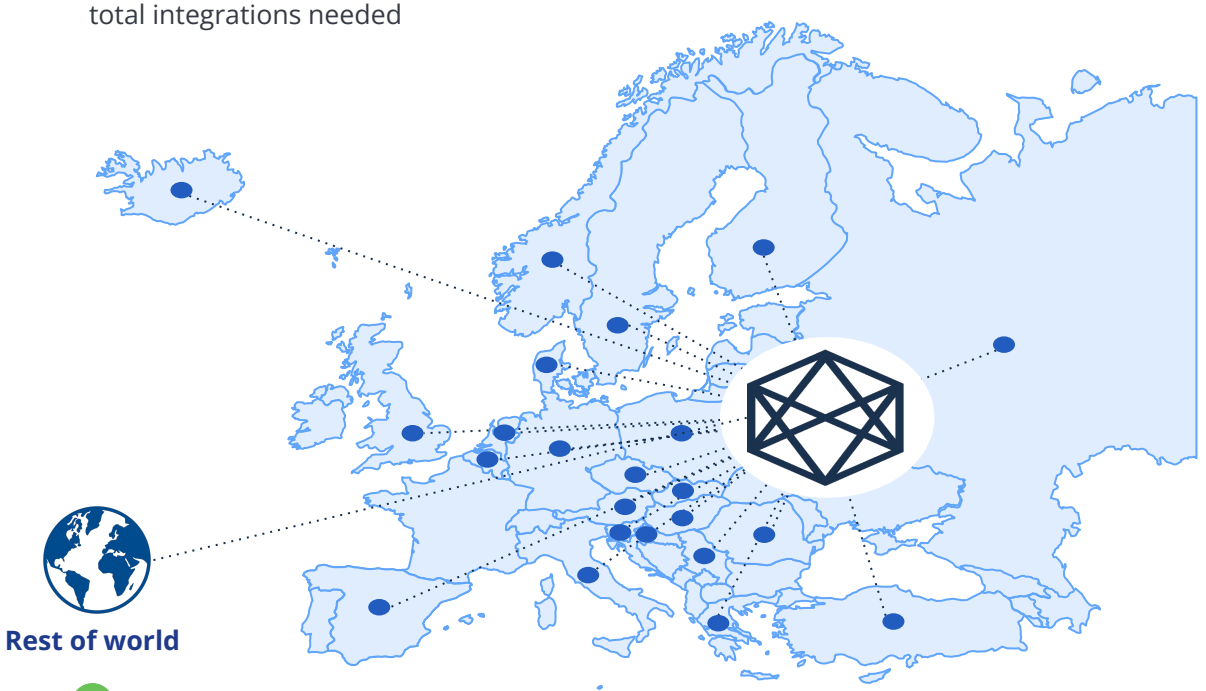
378
total integrations needed [1]



- A point-to-point model requires 378 total integrations for the 28 ACCIS countries to fully connect followed by significant maintenance efforts
- Currently, less than a third of European CRAs share data with bureaus in other countries and this is usually done based on reciprocity[2] – this reflects the challenges associated with a point-to-point model
- Such a solution would only serve the ~52% of migrants from within Europe

Hub-and-spoke model with Nova Credit

28
total integrations needed



- Each member-country builds one integration with Nova Credit – sharable by bureaus operating in one jurisdiction
- Integration with Nova Credit take 1 to 3 months, facilitated by Nova Credit's best-in-class API documentation
- Nova Credit provides standardized attributes and scores according to local destination-country customs and complies with all relevant local laws addressing privacy concerns
- Immediately compatible with over a dozen countries outside of Europe (e.g. India, Nigeria, US, Canada and more)

(1) *Based on the 28 current unique member-countries of ACCIS (not all of which are represented on this slide)*
(2) *ACCIS Membership survey 2020*

Next steps

Contribute data

- **Use case**: Support newcomers **from** your country moving to:
  - U.S. & Singapore - live today
  - U.K., Canada, UAE - anticipated Q4 ‘22
  - Additional countries in 2023 and 2024

- **Key requirement**: enable Nova Credit to connect your credit bureau data into the Credit Passport (through consumer consent)

Access data

- **Use case**: Support newcomers **moving to** your country :
  - Access cross-border consumer credit bureau data on over 1 billion consumers
  - Finalizing Ukrainian credit bureau data

- **Key requirement**: connect into the Credit Passport API and make available to your customers

Next step: reach out to misha@novacredit.com and/or cloris@novacredit.com

SLAVA

UKRAINI