

SPTF Social Investor Working Group
January 20, 2021

Finalizing investor input for client protection pathway

- **Overview of market consultation**
 - STPF and CERISE have gathered feedback by:
 - Leading the Client Protection Evaluation Working Group, which is composed of the former certifying bodies accredited by Smart Campaign
 - Holding monthly updates with the Social Investor Working Group, as well as weekly discussions with an investor sub-group focused on client protection.
 - Surveying financial service providers and MFIs to gather their input on the CP pathway
 - Results of market consultation
 - *Commitment to Implement* (replacing “endorsement”):
 - Should be accessible but still demonstrate that FSPs strive for a certain level of practice
 - Step 1 – Commitment, Step 2 – Disclosure, Step 3 – External verification
 - *Certification*:
 - Will have 3 levels, depending on the percentage of compliance with CP indicators. Maximum level will require compliance to cater to regional specificities or business models that do not allow an FSP to comply with 100% of indicators
 - All levels of certification will require compliance with a subset of minimum requirement indicators
 - Seal of approval: Rating agencies and investors want STPF/CERISE to validate certifiers.
 - Clear consensus for the Seal to validate the framework.
 - Debate on whether the Seal should also validate certifiers’ expertise. Elements of “expertise” considered most important are staff skills, experience in providing the service, quality controls, and independence
- **Updates from FSP survey**
 - Received 61 responses (67% of respondents have gone through certification and 43% have an active certification)
 - A large majority of respondents agree on the commitment to implement, the need for a certification, and product, working with accredited rating agencies.
 - However, there is disagreement for a few issues:
 - Moving to a tiered scoring system – 11 disagree
 - Validity to 3 years – most disagreements mention the cost
 - Certification helps attract investments
- **Finalizing investor input on minimum requirement indicators**
 - Received 5 sets of answers from investors on all indicators, as well as 3 additional answers from investors on the “prevention of over-indebtedness”
 - Investors were aligned with the Client Protection Evaluation Working Group (composed of SPTF, CERISE, and the rating agencies) on 31 out of 44 indicators, including 13 which are relatively hard to achieve.
 - Participants answered a series of live polls on which indicators should be minimum requirements:
 - *The Key Facts document indicator should be included as a minimum agreement*:
 - 48% of participants agreed; 10% were indifferent; 7% disagreed.
 - *The provider conducts satisfaction surveys or other systematic means of gathering feedback on client satisfaction with products, services, and delivery channels at least annually*.
 - 37% said this should be included as a minimum requirement; 17% were indifferent; 13% said it should not be included.
 - *The provider analyzes product usage by client characteristic and investigates the reasons for dormancy, dropout, and cancellation*.

- 17% said this should be included, 13% were indifferent; 23% said this should not be included.
 - *The provider defines “aggressive sales” and levels that trigger additional monitoring.*
 - 27% said this should be included; 7% were indifferent; 17% said this should not be included.
 - One participant noted that the concept of aggressive sales should be part of the minimum requirements, but with a more precise definition when the standard is revised. “Aggressive” is hard to define.
 - *The provider’s incentive/bonus structure does not promote aggressive sales.*
 - 20% said this should be included; 13% were indifferent; 17% said this should not be included.
 - *Loan contracts include all information included in the Key Facts Documents.*
 - 33% said this should be included; 7% were indifferent; 10% said this should not be included.
 - *Clients receive a certificate of coverage that includes the most salient information.*
 - 17% said this should be included; 13% were indifferent; 17% said this should not be included.
 - *The provider is covering its costs or rapidly approaching break-even. Its financial results allow it to maintain its capital base.*
 - 10% said this should be included; 23% were indifferent; 33% said this should not be included.
 - *The interest rate is set to be affordable, taking into account the costs required to deliver credit.*
 - 60% said this should be included; No participants were indifferent; 3% said this should not be included.
 - *The provider is not transferring unnecessary costs to clients.*
 - 43% said this should be included; 13% were indifferent; 7% said this should not be included.
 - *Collateral cannot be sold to the provider, the staff of the provider, to their relatives, or to third parties involved in the seizing process.*
 - 28% said this should be included; 7% were indifferent; 28% said this should not be included.
 - *Starting at the time of the application, clients give their consent before the provider shares personal information with any external audience.*
 - 24% said this should be included; 10% were indifferent; 21% said this should not be included.
 - *Should APR be included?*
 - 38% said this should be included; 3% were indifferent; 21% said this should not be included.
 - *Should portfolio yield be included?*
 - 41% said this should be included; 14% were indifferent; No participants said this should not be included.
- **Next steps and timeline for client protection pathway**
 - Finalizing market consultation
 - If any investors have additional feedback on indicators after today’s discussion, please email [Jurgen Hammer](#) by January 22.
 - FSP survey open until January 22.
 - Client Protection Evaluation Working Group will meet week of February 1 to finalize its input.
 - Launching CP pathway
 - Commitment to Implement will launch pending funding for SPTF and CERISE
 - Certifying bodies plan to launch revised certification products in Q2
 - Seal of approval will launch during this quarter.

Next steps for Client Interview Tool discussions

- SPTF is finalizing the publication from its FSP and investor roundtables on the Client Interview Tool and will share it in the coming weeks.
- We will present action points on next SIWG call (February 17); we will be asking for assistance on moving action points forward.