

CPA

CREDIT PROVIDERS
ASSOCIATION



ANNUAL REVIEW 2014

CHAIRMAN'S REPORT



Mark Seymour
Chairman

The philosopher Heraclitus of Ephesus 500BC said "Change is the only constant we can be certain of." Even Heraclitus would have been wide-eyed if he had been part of the changes unfolding in many environments today, one being the credit and data sharing environment in South Africa.

Some of the major drivers of this change are the result of credit provider actions and consumer behaviour that have led to legislative changes. These changes directly impact on data sharing, and because of these changes (current and anticipated), one of the focus areas of the CPA during the past year was the development of our new constitution, and the Data Access and Masking Protocols and Standard Operating Procedures. The name-change from the Credit Providers Association (CPA) to Credit and Risk Reporting Association (SACRRA) has also become necessary in light of the changing landscape.

The National Credit Amendment Act (NCAA) also received due focus, and particularly the related Regulations. The CPA engaged with its Members, the National Credit Regulator (NCR), the Department of Trade and Industry (the dti), and other stakeholders on the legal requirements, which require further discussions to create a landscape that can work for all.

As the CPA engaged in these processes, it must be taken into consideration that there are many data submitting members that are not credit providers, and operate under different legislation, yet we all use the same data for credit and risk assessments of consumers.

Data quality, one of the founding principles of the CPA, remains core to the organisation and to a functional and effective data sharing environment. Various initiatives in maintaining and improving the quality of data are taking place, and include the development of the Data Master Application (DMA), the implementation of the Qlikview reporting tool and other initiatives, such as Project Evolution.

The market trends published by the NCR indicate that credit disbursed in 2014 (R440bn) was 2% lower than 2013 (R447bn), with Mortgages up from R124bn in 2013 to R137bn in 2014. Disbursement on Unsecured Loans was 14% down from R87bn in 2013 to R75bn in 2014. Sadly disbursements in Developmental Credit dropped by 26% from 2013 to 2014. Enquiries from credit bureaus grew marginally by 3% to 1 511 billion enquiries for the year.

The economy had a lower than expected growth rate, resulting in further job losses and additional pressures on households. This is further aggravated by the steep growth in the cost of living. The need for politics and business to work together to find solutions to relieve pressure on households is now greater than ever.

CPA PROJECTS

Good progress was made on the various projects for which the CPA was responsible. Project Evolution, aimed at combining the CPA and National Loans Register (NLR) data-sets, has now moved past the pilot phase and several of the larger data providing members are in an implementation phase. It is envisaged that most of data from CPA Members will come on board in the coming year.

The Southern African Development Community (SADC) data sharing initiative has also made positive progress. Associations similar to the CPA have been formed in most of the six countries that form part of this project, with Namibia planning to officially launch its Association in early 2015.

Momentum is also gaining in the business data sharing initiative, but a lack of adequate funding is limiting progress on this project. The National Treasury and the Department of Small Business Development (DSBD) project hopes to align various initiatives with the same intent, and create a unity of effort and hopefully mobilise further financial support for the project.

FINANCES

The financial position of the CPA remains positive, with sufficient reserves to cover the operating expenses and projects for the year ahead. Most member contributions for the full year have been made. The higher than expected reserves relate to certain project-related expenses



that are made later than budgeted for. Extensive spend on legal services arose from the discussions and processes related to the development of the Masking Rules and Data Access Protocols and Standard Operating Procedures (SOPs) with regard to the NCAA and related Regulations.

LEGISLATION

Various areas of legislation, such as the NCAA, Protection of Personal Information Act, Twin Peaks Bill, Magistrate Courts Act (Department of Justice process on Emolument Attachment Orders), and the Financial Services Board process on Credit Life Insurance, have had an impact on data sharing, all of which is in a process of revision or amendment. The CPA is participating in most of these processes, with the objective of ensuring the sharing of timeous and quality data for effective credit and risk assessment of consumers.

The implementation of the Removal of Adverse Information Project or Credit Information Amnesty saw a significant volume of consumer credit records being removed or amended with some impact on the CPA 36-month display rule. This initiative by the dti was intended to assist consumers who were experiencing difficulties in meeting their financial obligations. The true impact of the Amnesty is yet to be formally assessed. Certainly the industry needs to continue its efforts of sharing current quality credit and risk information to support effective risk and affordability assessments.

ACKNOWLEDGEMENTS

I would like to make use of this opportunity to thank the serving Manco of the past year for their robust engagement and commitment. I also want to express my gratitude to Darrell Beghin, CPA Executive Director, and the CPA staff and contractors for their commitment and hard work during the past year.

I also want to express my gratitude to Micro Finance South Africa (MFSa) for making me available to serve on the CPA, and for the CPA Management Committees over the past three years electing me to serve as Chair of the Association from 2011.

The environment we are operating in will not stop changing, but our conduct may influence unnecessary change. We have in our make-up the ability to adapt to these changes, and my hope is that we maintain a healthy and effective data-sharing capability serving the needs of all our Members, consumers and legislatures alike.

Quality water is to life, what quality data is to business success.

STATEMENT OF FINANCIAL POSITION

at 31 December 2014

	Notes	2014 R	2013 R
ASSETS			
Current assets		7 512 849	5 594 306
Trade and other receivables	3	1 223 032	280 677
Cash and cash equivalents	4	6 289 817	5 313 629
Total assets		7 512 849	5 594 306
EQUITY AND LIABILITIES			
Capital and reserves		5 258 667	5 055 136
Retained surplus		5 258 667	5 055 136
Current liabilities		2 254 182	539 171
Trade and other payables	5	1 628 983	32 295
Short-term bank borrowings	6	2 254	276
Provisions	7	622 945	506 600
Total liabilities		2 254 182	539 171
Total equity and liabilities		7 512 849	5 594 306

STATEMENT OF COMPREHENSIVE INCOME

at 31 December 2014

	Notes	2014 R	2013 R
Comprehensive income	8	10 678 296	6 633 201
Other income	9	419 918	1 091 558
Gross surplus before depreciation and employment cost		11 098 214	7 724 759
Audit fees		(28 020)	(22 400)
Employment costs		(4 471 768)	(4 149 298)
Administration expenses		(6 884 554)	(3 397 817)
Deficit from operations		(286 128)	155 244
Investment income	10	489 660	319 557
Surplus before taxation		203 531	474 801
Taxation	11	0	0
Surplus for the year		203 531	474 801
Other comprehensive income			
Fair value adjustments		0	0
Total comprehensive income for the year		203 531	474 801

STATEMENT OF MANAGEMENT COMMITTEE

for the year ended 31 December 2014

RESPONSIBILITY AND APPROVAL

The Management Committee are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Association as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standard applicable to Small and Medium-Sized Entities. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standard applicable to Small and Medium-Sized Entities and are based upon appropriate policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Management Committee acknowledge that they are ultimately responsible for the system of internal financial control established by the Association and place considerable importance on maintaining a strong control environment. To enable the Management Committee to meet these responsibilities, the Management Committee sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Association and all employees are required to maintain the highest ethical standards in ensuring the Association's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Association is on identifying, assessing, managing and monitoring all known forms of risk across the Association. While operating risk cannot be fully eliminated, the Association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

MANAGEMENT COMMITTEE REPORT

The Management Committee present their Annual Report which forms part of the Annual Financial Statements of the Association for the year ended 31 December 2014.

MAIN BUSINESS AND OPERATIONS

The Association commenced trading in the Credit and Risk Information management industry from April 1989.

No matter which is material to the financial affairs of the Association and requires disclosure in the Annual Financial Statements has occurred between 31 December 2014 and the date of the approval of the Annual Financial Statements.

AUDITORS

Carlisle Financial Services will continue in office in accordance with section 90 (2) of the Companies Act.

MANAGEMENT COMMITTEE

The Management Committee of the Association during the year and to the date of this report are as follows:

Industry represented	Representative	Organisation
	Darrell Beghin	CPA
Retail Apparel	Amanda Oosthuysen	Edcon ¹
Retail Apparel	Sarah-Jane Wilson	Foschini
Retail Apparel	Hugh Wroe-Street	Truworths ²
Retail Furniture	Rika Maharaj	JDG Trading ³
Retail Furniture	Cobus Bekker	Lewis Stores
Secured Finance	Paul Middleton	Absa
Secured Finance	Louise Le Kay	First National Bank SA ⁴
Secured Finance	Dietmar Bohmer	Standard Bank ⁵
Other	Maheshini Naidoo	MDB Attorneys
Insurance	Hendrik Heyns	Brolink ⁶
Telecoms	Adrian Robson	Vodacom
Telecoms	Killan Govender	Telkom
Unsecured Finance	Tracey Wheatley	African Bank
Unsecured Finance	Ian Wood	Bayport
Unsecured Finance	Rassie Wentzel	Capitec Bank
Group	Mark Seymour	MFSA ⁷
Notes	1 Resigned December 2014 2 Appointed as Vice Chairman in October 2014 3 Replacing Charl van Rhyn 4 Replacing Hannalie Crous 5 Treasurer 6 Resigned September 2014 7 Chairman	

The operating results and state of affairs of the Association are fully set out in the Annual Financial Statements and do not, in our opinion require any other comment, save for those mentioned in the report.

FINANCIAL RESULTS

The financial results show that the Association has made a surplus during the current financial year. The Management Committee expect that the Association will perform adequately in the new financial year. The Association is expected to have sufficient cash resources to meet its obligations.

OPERATIONS OVERVIEW



Herewith an insight into some of the focus areas that have occupied the CPA during the year in review:

PROJECT EVOLUTION

Project Evolution aims to have one unified consumer data set, enabling improved credit decisions, based on quality data, standardised data input layouts and 48-hour credit bureau reporting for new and paid-up credit agreements.

The project is in full operation with the Data Analysts of the opinion that the project lives up to its name as they constantly face challenges and the process continues to evolve. The need to comply with NCAA requirements has added additional complexities for both our Members' developments and the Data Analysts who are tasked with collating the test results and addressing data quality and technical issues with Members to successfully achieve sign-off and loading to the Credit Bureaus' live databases. The sheer enormity of the project cannot be underestimated, yet this, they believe, is the one thing that makes the project interesting and exciting. Despite the challenges and complexities, the CPA team, together with the Credit Bureaus and Members, have successfully achieved sign-off on 10 Members' files.

As with any project of this size, the project management is dealing with a number of issues. The main concern is that development is still not been seen as a priority within some Members' operations and turnaround times and quality focus on error fixes remains problematic. It requires four to five test iterations before a file meets the expected sign-off criteria, resulting in slow progress. Inconsistencies and errors with some of the bureau validations continue to cause data discrepancies and errors. The planning around roll-out is also being complicated by the uncertainty of some of the NCAA compliance requirements.

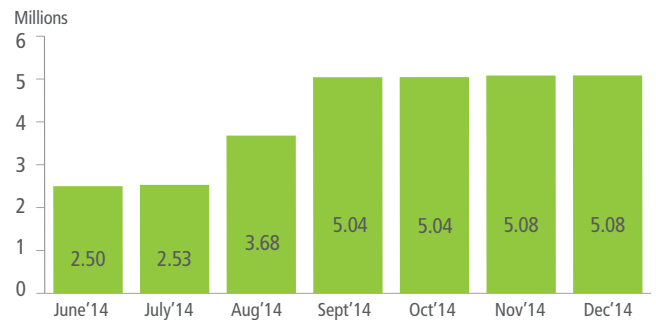
On the administrative aspects of the project, the amendment specifications for the inclusion of overdrafts and the removal of adverse statuses within seven days of payment have successfully been signed off. The specifications for mortgages, debt recovery, prescription of debt and revolving credit limit increases (the inclusion in the daily submissions) are under discussion and being addressed with stakeholders in workshops.

Debt Review has no direct impact on the layout and will be discussed directly with Members. This together with the remaining amendments will be handled in one cycle to minimise and simplify the development.

The muscles of the Project Team, Management, Project Steering Committee and all involved are flexing, as in the words of Stephen R Covey:

"We develop our character muscles by overcoming challenges and adversity."

Project Evolution – record count



The above statistics show the number of records that have been loaded at the bureaus in the new Evolution layout. This count is cumulative and shows the total number of records that have been created through both daily and monthly file submissions. The data on the Evolution date set represents 9% of the total number of combined records held within the NLR and CPA data sets.

DATA MASTER APPLICATION (DMA)

This software application forms part of the CPA Automation Project and is intended to empower Members by supplying a tool that will allow the Member to understand the data quality of its CPA format files ahead of the submission to the Credit Bureaus. This application is undoubtedly also going to assist Members to be compliant with the NCA and NCAA requirements in terms of reporting good quality data.

Currently Members have to wait after submitting files to bureaus for the bureaus to process the submissions and to issue Validation Reports on these files. Members receive four reports per file (one report from each bureau) and thereafter have to wait for the CPA Office to consolidate these reports into one and advise what corrective action is required. The DMA will alleviate some of this process and its related timelines, by ensuring that Members receive

first insight into their data quality and format compliance. This will enable pro-active remedial management and first-line responsibility for the content and quality of any file submissions. Members will be empowered to simultaneously enhance and measure their own data quality and format compliance.

The CPA has appointed Octagon to develop the software and it is being run using the "Agile" approach. This is a project management methodology, which sees development done in parallel with workshops. To date the business and technical design, conversions of software, field definitions and reporting requirements have been delivered.

Final delivery of the application is expected in the second quarter of 2015 when user acceptance testing and a pilot phase will be implemented with selected Members before final roll-out. From what has been delivered so far, we are confident that the final product will live up to expectations and deliver a tool that fully supports the CPA's focus on complete, accurate and quality credit and risk data submitted to the Credit Bureaus. Members as well as consumers will continue to benefit through the submission and application of high-quality data.

"The secret of success is to do the common things uncommonly well."

~ John D. Rockefeller

DATA SPECIFICATION MASTER (DSM)

The current Layout 700 version 2 data specification contains an excess of 800 rules and is often the subject of much heated debate as the descriptions, rules and narrative are not sufficiently clear and consistent. The specification has up until now been maintained manually. This project is intended to upgrade both the clarity of the data specification and ease the maintenance and use of information contained in the specification by implementing a software application for this purpose.

The DSM Project is planned to support standardised interpretation of CPA data format and layout requirements, currently specifically the Layout 700 version 2 specification. The inconsistencies in the original specifications produced for Members, in terms of the descriptions and definitions of each individual data field and the related validation rules, will be upgraded and the software tool will assist in eliminating misaligned interpretations and adhoc adaptations.

In addition, the NCAA has further necessitated that the specifications be reviewed to ensure legal compliance, and the intention to include even smaller lenders compounds the need to have an easy-to-use, consistent and definitive description- and data-format management tool.

The project will develop a tool to dynamically construct the file layout specifications, identify different dimensions of data and how they apply to each other, as well as the content thereof. This will

allow updating by a non-technical resource when changes are needed. Each dimension or object should be reflected once (e.g. if a rule changes, it is only to be changed in one place but reflect wherever it would be relevant to show) to allow for the ease of maintenance of the rules. This assists in eliminating duplication and human error.

Without common understanding and standard interpretations of the specification and rules, final sign-off on data developments is negatively impacted, and the misaligned interpretations and adaptations will continue, resulting in data discrepancies and poor data quality.

The project is planned to be initiated in mid-2015, pending budget recruitments and availability.

The DSM will facilitate the mission of good quality credit and risk data for smart business decisions.

"Furious activity is no substitute for understanding."

~ HH Williams

QLIKVIEW REPORTING TOOL

The Qlikview Reporting Tool project commenced with an official Planning and Report Mapping workshop. The initial sessions that followed focussed on reviewing the current Qlikview model to determine how this model could be expanded to include new reports introduced into the CPA environment as a result of Project Evolution and consideration of future needs that would arise from the NCAA and related Regulations.

One of our challenges is the increasing record volumes and increased frequency of the reports from the hosting bureaus. Prior to Project Evolution, the CPA Office only received monthly reports of files loaded in the previous month. With Project Evolution, monthly as well as weekly reports are generated on data quality and load activity. This means the CPA Office is now informed within seven days after a file has been loaded of any data quality concerns, compared to the previous norm of a six-week delay.

The implementation of the Qlikview Reporting Tool is anticipated in quarter two of 2015 and will dramatically improve the Association's ability to monitor the data quality of files loaded on the Credit Bureaus' databases. The roll-out of the full scope of the Materiality Decision Matrix (MDM) is dependent on the successful implementation of the Qlikview tool.

The CPA Office is excited by the prospect of faster turnaround times for reports to Members and the benefit which that ensures of more prompt engagement between the Association and our Members on problematic data and data loads.

"Always deliver more than expected."

~ Larry Page



MATERIALITY DECISION MATRIX (MDM)

The Materiality Decision Matrix is a process to enable assessment of acceptable norms and dictate the nature of remedial action to balance and protect the need for loading maximum data with the need for good quality data. The MDM process will facilitate communication to all Members when there are unacceptable deviations and allow Members to alter risk assessment and management practices as needed.

Input was obtained from Full Members across all industry sectors as well as the Credit Bureaus in various workshops during 2014. A certain degree of automation is required as well as a dependency on the Qlikview reporting tool and website functionality for the generation of alerts. These mechanisms also need to be aligned to allow the implementation of the MDM process. The launch of the new website and implementation of this process is scheduled for May 2015.

Implementation will be in the form of alerts to Members when a file has rejections above the agreed threshold or a file has not been submitted. The remaining elements will be phased in once Qlikview reporting is fully operational. Phase 1 does not require any development or reporting from the Credit Bureaus.

The three fields that have been agreed to as “high-severity” will be monitored through existing Quality Exception monitoring and when thresholds are not met, alerts will be generated to all Members detailing the extent of the problem as well as what resolution is in place and any related timelines for rectification of issues. The non-submission of Members’ files within agreed dates will be closely monitored and alerts generated accordingly. When either the Credit Bureaus discover issues with a file in their pre-loading routines or a Member becomes aware that a file needs to be replaced, this will also generate alerts with relevant details.

“Knowledge is power”.

~ Francis Bacon

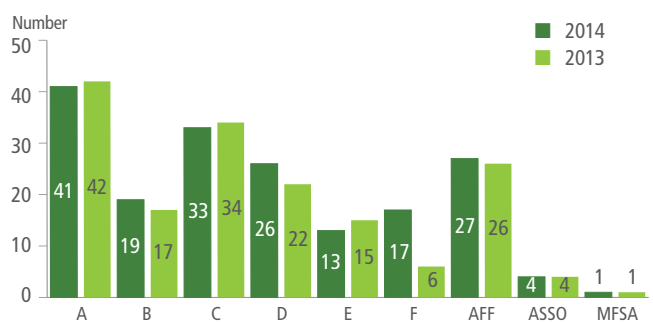
STAKEHOLDER MANAGEMENT

The CPA Office is evolving the methods used for engaging our Members and other relevant Stakeholders on matters pertaining to data format, content and submissions, and will continue to do so until the engagements are optimised to deliver maximum benefit and impact to all concerned.

From our various engagements it is apparent that challenges continue to abound and hence our commitment to continued engagement remains. As an example, where Members provide subscription services to consumers, the classification and reporting of these accounts within the existing CPA data layouts are not optimal as the current classifications do not necessarily work well either in terms of describing the nature of the account or even the related billing and reporting cycles. Despite these challenges, and because of the nature of our engagement, results are still acceptable, as we are seeing rejection percentages of only 0.00033% on volumes in excess of 6 million records.

Specific sectors require specific attention and data considerations and the mission for 2015 and the future will see the CPA Office more focussed on ensuring that the needs of particular Member sectors and categories are understood and met. The insurance sector needs are driven by different legislation to that of the typical credit provider and our formats and reporting requirements need to cater for these factors. We are hopeful of more robust and continuous engagement with the insurance sector in future.

Member categories based on Members' turnover

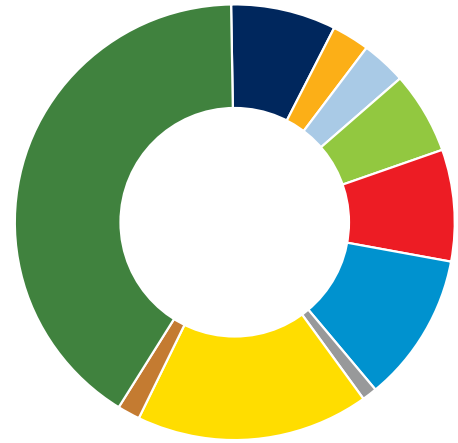


Category A: Over 1 billion
 Category B: R500 million to R 1 billion
 Category C: R50 million to R500 million
 Category D: R10 million to R50 million
 Category E: R3 million to R10 million

Category F: Less than R3 million
 AFF: Affiliate Members
 ASSO: Associate Members
 Group – Micro Finance South Africa

Of the 181 Members as at December 2014, 42 (22.65%) fall within the CPA Membership Category A. One Member cancelled their membership in this category for the period ended December 2014.

Member sectors	% of Membership base	Quantity of Members per sector
Banks	7.73	14
Retail furniture	2.76	5
Retail other	3.31	6
Retail apparel	6.08	11
Telecommunications	8.29	15
Insurance	11.05	20
Education	1.10	2
Non-bank	17.13	31
Subscriptions	1.66	3
Other	40.88	74



The CPA membership base has increased from 167 Members for 2013 to 181 as at December 2014. This is a 7.73% increase in CPA membership when comparing December 2014 to 2013. The Non-bank Lenders comprise 17.13% of the membership base, followed by the Insurance sector at 11.05%. The "Other" category stood at 40.88% which consists of a ranging nature of data providers, including debt collection service providers.

In 2014, the CPA received 50 applications for Full Membership. Of those only 12 (24%) have progressed with development for data submissions and have paid their membership fees. Of the remaining applications, eight were in the process of testing their layout and 10 indicated that their development would begin by the end of the year. It was necessary to set aside 20 applications.

Eight applications were received for Affiliate membership during the year. Of these only three applicants have provided the necessary supporting Access Authorisation Forms from Full CPA Members and have paid their membership fees.

It is apparent that more focus and substantiation of the data deployment benefits is required to inform and quantify the business benefits of submitting and using credit and risk data. This is likely to be the only method, beyond the need for legal compliance, to garner sufficient executive support within organisations to get the extract development and data deployment mechanisms and processes implemented.

At present, Secondary Service Providers and Loan Management Systems vendors that are not CPA L700 version 2 compliant can only submit data to the NLR database. This has caused some parties to choose to not become Members, but this is an area the CPA Office will be focusing on in 2015.

"The secret of getting ahead is getting started"

~ Mark Twain

These words aptly describe the implementation of the CPA sales strategy in 2014 – a year of much speculation and uncertainty in light of the uncertainty of the impacts of the NCAA and related Regulations, including the Removal of Adverse Information (Amnesty) Project. Attempts to target and acquire new Members, which are NCR registered credit providers, and are neither members

of MFSA nor the CPA, received poor response. This is attributed to the fact that the value proposition and benefits of being associated with the CPA, although easily recognised and accepted by larger credit and service providers, is difficult for smaller providers to appreciate. Big and large providers' application and use of CPA data is by far more extensive, complex and sophisticated compared to small providers, and further analyses and insight into these smaller books, the development of propensity models and other data initiatives cannot easily be economically justified by smaller lenders, due to the costs involved in both acquiring data and developing models and expertise.

Our sales strategy in 2015 will adapt to cater for the environmental changes and also be tailored to remove obstacles for small credit providers to share data and benefit from such sharing. With the promulgation of the NCAA expected in 2015, we will have the necessary certainty and platform to continue actively engaging and acquiring new Members and, as a result, forge ahead. Despite the legal requirement for NCR registrants to both submit and use credit and risk data, the cause of the CPA will continue undiminished as the drive for standardised comprehensive quality data will only increase with the inclusion of more hosting bureaus and data providing parties, as envisaged by the National Credit Regulator.

"The secret of success is consistency of purpose"

~ Benjamin Disraeli



BUSINESS CREDIT INFORMATION SHARING INITIATIVE (BCISI)

This project was constituted in 2011 with initial impetus from National Treasury and the dti, however over time the lack of financial resources halted its progression. Fortunately FinMark Trust (FMT) agreed to allocate resources on a part-time basis to pursue the idea of business credit and risk information sharing in partnership with the CPA. This project will also serve as a blueprint for the other SADC countries which form part of the SADC-CRA Project. These initiatives, BCISI and SADC-CRA, support FinMark Trust's Making Access Possible and Regional Integration programmes.

Finally with the assistance of the FinMark Trust Project Manager, the project is moving forward.

The founding agreement for this project was signed by 13 of the 15 Founding Members on 17 November 2014. At this meeting, the interim Steering Committee was established, comprised of the following members:

Neville Kuhn (ABSA)	– Interim Chairperson until the end of March 2015
Jacques Jardine (Neotel)	– Deputy Chairperson
Dietmar Bohmer (Standard Bank)	– Treasurer
Darrell Beghin (CPA)	– Project Owner
Rajeen Devpruth (FMT/CPA)	– Project Manager

Also agreed and constituted in November are the five workstreams required to address the project at this stage:

These workstreams are:

- Risk and Compliance
- Data
- Finance
- Marketing
- IT

The workstreams have moved forward at differing paces, dependent on resource availability. A draft data layout and specification has been circulated for review and comment.

The Steering Committee will meet monthly with a National Treasury representative sitting as a non-voting member on the Project Committee.

A three-year period will be needed to achieve the project's objectives, should sufficient resources and financing be secured from interested parties. A funding model is required to support the

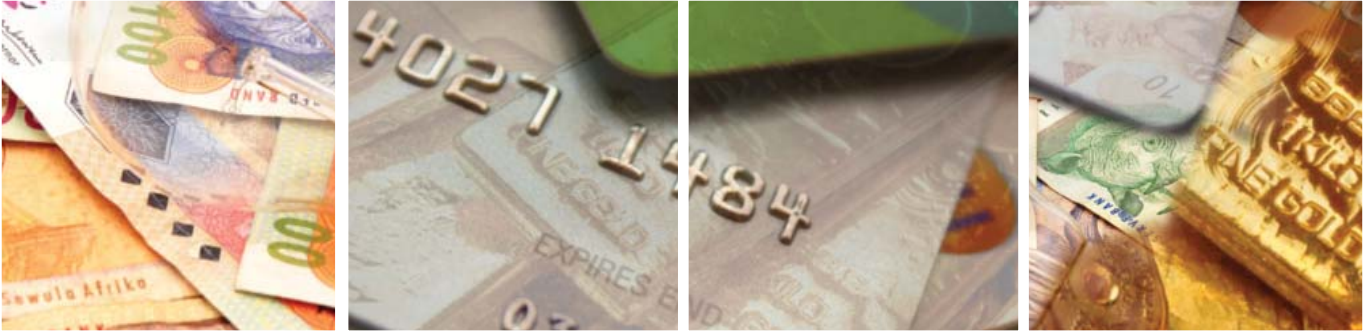
operational aspects of this initiative on an ongoing basis. CPA Members, potential members, the dti and National Treasury will all be lobbied for funding and participation.

The project's agreed operating principles are:

- The project will cover credit and risk data of all commercial entities, but focus on small, medium and micro enterprises (SMMEs).
- The project falls within the CPA Member mandate and operations for the CPA Office.
- The project will be run as a separate cost centre within the CPA financials and the CPA Manco will determine the governance structure based on the proposals from the Project Steering Committee.
- Any registered credit bureau that can meet the required funding, data format, quality requirements, operating standards and provide the required reporting to and support of the CPA Office and its members may participate in the project.
- Interested credit/data providers and other stakeholders, e.g. loan management system providers, may be included should they make their abilities and willingness to contribute and participate apparent.
- It is anticipated that credit and risk information reported on commercial entities would need to be capped for purposes of the project. This may need to be reconsidered as the project progresses.
- All Founding Members have agreed to the principle of reciprocity within the data formats and standards to be determined for the various sectors.
- Agreement so far is that a data format suitable for banking data would be developed first with other data formats that may be required being developed simultaneously in order not to prejudice any sector willing to participate.
- Any credit bureaus that participate and already hold historical business credit and risk data are not compelled to supply that data to other credit bureaus. Any negotiations in this regard will be confined to those parties directly involved and will not form part of the BCISI project.

*"Ideas are easy.
Implementation is hard."*

~ Guy Kawasaki



THE HUB

During 2014 the quantity of files being transferred from Members to the Associate Member Bureaus via the Hub showed a significant increase. This was expected as Project Evolution introduced daily file submissions under the L700 Version 2 specification.

The benefits of the Hub have become very apparent during the testing process as this allows both Members and the CPA Office to monitor and track individual files sent to the bureaus.

It has further become clear that Members using the Hub have a considerably shorter testing period when compared to those Members not using this secure submission mechanism. When Members fail to use the Hub, an enormous amount of time is spent confirming delivery and receipt of files to ensure that all bureaus are in fact testing the same file submission. This results in a lengthy and often frustrating testing process for the non-users of the Hub.

The increase in the files submitted via the Hub are set to continue increasing as the volume of Members migrating to, and complying with, L700 Version 2 reporting requirements, increases. Adding to this is the number of adhoc files expected for those Members not in L702 that need to comply with the requirements for the removal of adverse information within seven days of settlement, as required in the NCAA.

Consequently the CPA will be investigating ways in which the Hub capacity can be increased and the related notification processes refined. Although well intended, some processes designed when the HUB was conceptualised are cumbersome and labour-intensive. For example, in December 2014, 2 689 files were submitted via the Hub and the CPA Office received 16 134 emails in respect of these files, for confirmation of receipt of the files by the bureaus.

All current Hub processes from reporting to email notifications will be reviewed during 2015 to ensure optimal Hub functionality for the benefit of our Members and the efficient utilisation of CPA resources.

Success consists of going from failure to failure without loss of enthusiasm."

~ Winston Churchill

REMOVAL OF ADVERSE INFORMATION AND PAID-UP JUDGMENTS – CREDIT INFORMATION AMNESTY

On the 26 February 2014, the dti published Regulations requiring the removal from Credit Bureaus of Adverse listings and Paid-Up Judgments, commonly referred to as the "Amnesty".

Uncertainty was experienced in the industry as consumers' credit records and the risks related thereto changed overnight. Members were advised to closely monitor their credit and risk assessment strategies along with their scoring models and report any data inconsistencies to the CPA.

Directly after the implementation of the Amnesty it became clear that the hosting bureaus were impacted differently because the volume of records affected by the Amnesty varied considerably across the hosting bureaus.

These differences came about as a result of the bureaus' individual data management methodologies. The differences affected display periods, since these are based on differing retention calculation methods, also because of the manner in which adverse consumer information is displayed at the bureaus.

As a result, Members were advised to update records previously not included in their monthly submissions, in an attempt to continue the payment profile record and to fill the "gap" resulting from the removal of the adverse status codes. However, Members also needed to avoid reloading any adverse listings that had previously been submitted prior to the Amnesty, as this would contravene the Regulations.

It further became clear that the Amnesty had unintended consequences that could not be predicted prior to implementation. One of these was the impact on the CPA 36-month rule where records with a date of last payment older than 36 months and no status code are required to be rejected.

While this rule remains a valid data quality concern, records previously displayed with a status code are now being rejected by bureaus as the adverse status code was removed by the Amnesty and this relates directly to the CPA 36-month rule.

The CPA has been working closely with bureaus and those Members who were impacted by the unintended consequences. Some short-term as well as longer-term corrective actions have been proposed and agreed and implementation of these actions will be phased in. This will therefore be an ongoing project in 2015 to ensure stability and quality within the CPA database.



SADC CREDIT REPORTING ALLIANCE PROJECT (SADC-CRA)

The SADC-CRA Project is a CPA and FinMark Trust initiative which has been approached in a two-pronged manner focusing on a country and a regional level. Botswana, Lesotho, Swaziland, Namibia, Zambia and Zimbabwe are currently included in the project with the intention of more countries being added over time.

At a country level, the project objective is to improve credit and risk information sharing practices to enable more financial inclusion of local populations and to foster sustainable economic growth in each country.

At a regional level, the project seeks to develop harmonised principles for credit and risk information sharing based on internationally accepted best practices and norms. This is to support cross border data sharing to facilitate effective risk management amidst the mobility of both businesses and individuals across the region. To date, the agreed harmonised principles of credit reporting within the SADC region have been drafted and forwarded to the Committee of Central Bank Governors. The principles have been presented by the Banking Supervisors Subcommittee.

The interventions within each country are based on the needs identified in the original fact-finding missions conducted for each of the six countries included in the project. Local coordinators have been appointed in each of the currently participating countries.

Three countries, Zambia, Swaziland and Lesotho, have chosen to register associations with their regulatory authorities while Zimbabwe and Namibia have chosen to remain voluntary associations. Botswana is in the process of registering its entity.

Progress within the project and the support of all stakeholders thus far has been extremely positive. The Namibia Data Sharing Alliance will be officially launched in Windhoek on 2 March 2015. It is anticipated that the launch of the associations in the other five SADC countries will have occurred by the end of 2015.

The hopeful intention for this project is that the participating countries and their respective Associations' Members will see the same benefits that CPA Members have reaped in South Africa over the past 25 years.

“What new technology does is create new opportunities to do a job that customers want done.”

~ Tim O'Reilly



DATA OVERVIEW

NATIONAL LOANS REGISTER (NLR)

As planned within Project Evolution, with NLR data providers migrating to the Evolution database, the number of records being reported to the existing NLR environment has decreased. Prior to migration, Members undergo a data clean-up process which will result in the number of records not being updated, or Quality Exception 1 (QE1) records significantly decreasing.

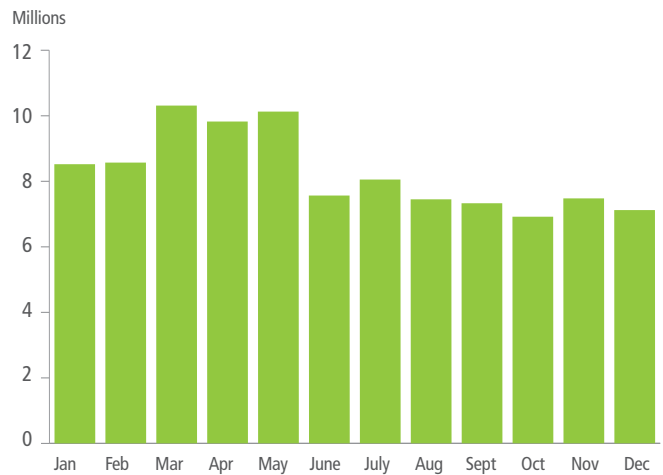
This combined with the higher data quality standards within L700 Version 2, stricter bureau validation rules as well as increased data quality monitoring processes is resulting in consistently improving data quality. This is a significant achievement as the NLR database is still riddled with historic issues and challenges ranging from high rejection volumes to suppliers trading on incorrect Supplier Reference Numbers.

It is, however, imperative for our Members to be cognisant that the improvement lies within the Evolution database and not the NLR. During the inception of Project Evolution it was agreed that data in L700 Version 2 will be mapped back to the NLR data set by bureaus to ensure stability within scoring models. Once this mapping period ends, the actual volume of data left within this environment will be extremely small, if not non-existent, as the data for all providers that have migrated to L700 Version 2 will be housed within the Evolution data set.

“The time is always right to do what is right.”

~ Martin Luther King

2014 Total monthly submissions overview

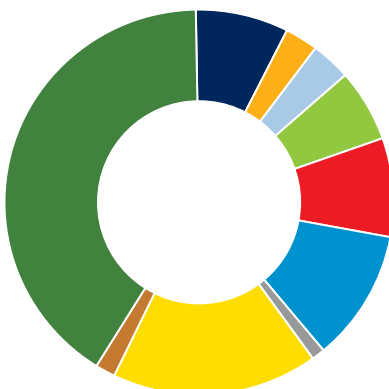


Date	Total NLR
January	8 521 421
February	8 570 821
March	10 309 837
April	9 822 705
May	10 125 729
June	7 564 349
July	8 052 286
August	7 447 683
September	7 327 515
October	6 917 265
November	7 476 271
December	7 119 384

CPA DATA

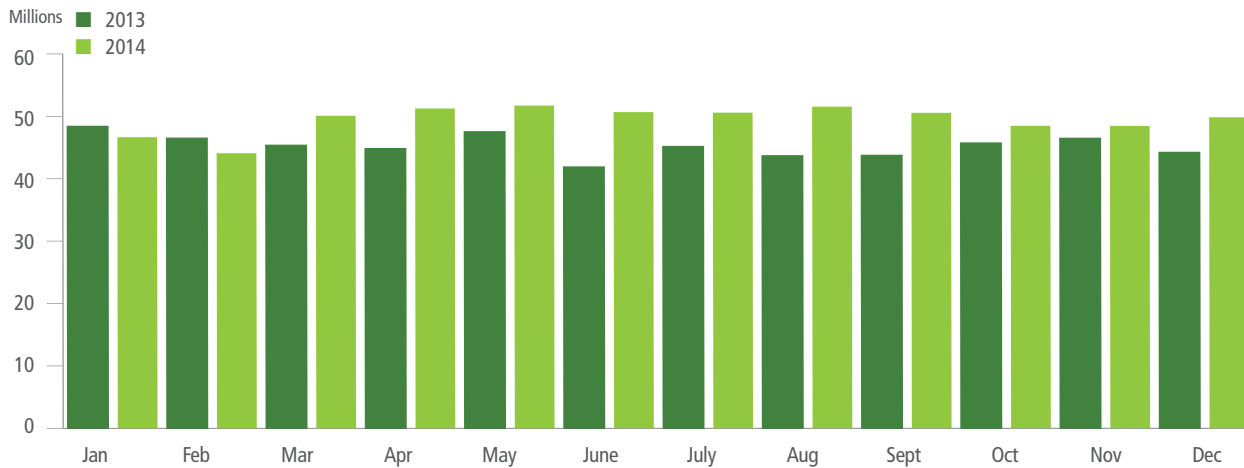
The number of records submitted to Credit Bureaus by Members was recorded at 59.79 million and this includes records from Project Evolution, NLR and the CPA databases.

The Retail Apparel sector provides 28.68% or 17.14 million records to the Credit Bureaus, followed by the Secured Lending sector at 20.47% or 12.24 million records. The next largest category of “Other” consists of a range of data providers, including debt collection service providers, coming in a 15.9% of the total records.



Member sectors	Records	%
Secured finance	12 242 703	20.47
Retail furniture	2 789 488	4.66
Retail apparel	17 148 107	28.68
Telecommunications	8 300 051	13.88
Insurance	1 747 514	2.92
Unsecured finance	7 497 450	12.54
Group	566 814	0.95
Other	9 506 581	15.90
Total	59 798 708	100.00

The average number of records submitted by CPA Members increased from 45.1 million in 2013 to 49.8 million in 2014, this excludes the NLR and Project Evolution data counts.



Quality Exceptions

The purpose of the Quality Exceptions (QEs) reports is to ensure that the credit information submitted to the Credit Bureaus by CPA Members is valid, accurate and up to date.

After the Removal of Adverse Credit Information (Amnesty) in April 2014, a period of uncertainty was experienced within the industry. During this time data providers were advised to reintroduce updates within their monthly submissions for records that were previously reported with an adverse status code. Due to the date of last payment for many of these records being older than 36 months, and data providers not being allowed to repeat an adverse status code, most of these records were rejected from the submissions.

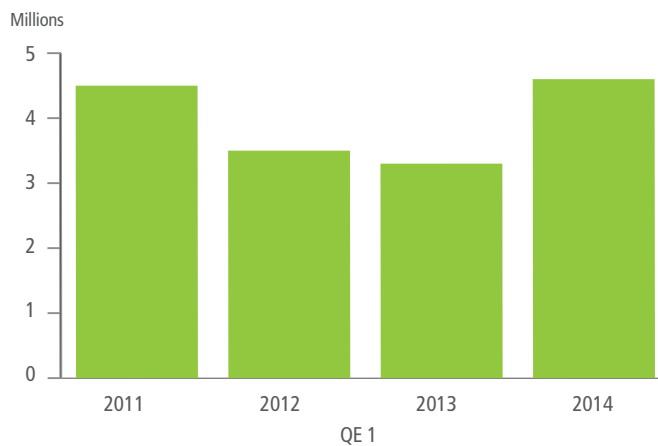
The increased rejection percentages within the CPA environment is a direct result, which in turn also accounts for the increase in the number of records not updated for 60 days or more (QE1).

The CPA is continually working with Members to investigate the submissions and provide assistance on how best to resolve this in order to ensure the highest data quality standards while ensuring compliance with all legal requirements.

**Quality exception 1 (QE1)
Annual average compared to previous years**

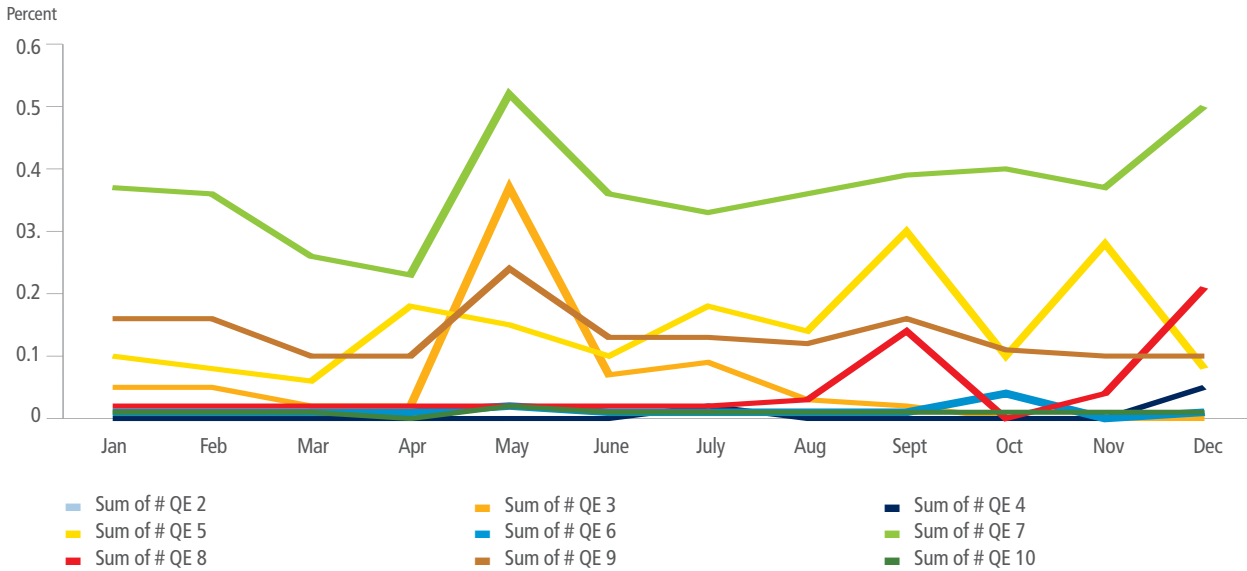
QE1 tracks current accounts that have been loaded over the preceding 24 months, which have not been updated for 60 days from the last load.

The average for 2013 was 8.28% and this has increased to 9.32% for the year ended 2014. There has been an increase of 39.32% in the quantity of accounts from 3.32 million in 2013 to 4.63 million in 2014.



Quality exceptions (QE2 to QE10)

The quality of information, as depicted for the various Quality Exception indicators, shows a slight improvement for all Quality Exception Indicators with the exception of QE8 which increased from 0.02% to 0.05% over the period 2013 to 2014. The improvements are due to ongoing assistance given to CPA Members to improve the data being submitted.



Quality exception descriptions:

- QE2 Current balance = 0 (Debit indicator) and monthly instalment = 0
- QE3 Current balance = 0 (Debit indicator) and monthly instalment >0
- QE4 Months in arrears >0 and overdue balance = 0, or months on arrears >0 and the current indicator is "C" for in credit
- QE5 Months in arrears have increased by more than 2 months from the previous submissions
- QE6 Status code supplied and status date is blank
- QE7 Status code repeated from previous month to current month (exactly the same code)
- QE8 Current balance – overdue balance, instalment, months in arrears >0 for accounts with closure status codes
- QE9 Instalment is greater than current balance
- QE10 Negative status code repeated month on month and status date is changed to a more recent date

OFFICE INFRASTRUCTURE

To enable the CPA Office to better serve Members, significant improvements were made to the IT infrastructure during 2014.

A new server was acquired in anticipation of the Qlikview system. Fibre (FTTH) was finally introduced at Central Park, which allowed us to move off a 3G connection. As a result we have been able to introduce Microsoft 365, which has significantly increased productivity and has met all our computing requirements including the ability to use One Drive, our intended central repository for all CPA documentation.

A new IT Service Provider which offers increased support availability compared to the previous provider was appointed in 2014 at a reduced cost.

CPA
CREDIT PROVIDERS
ASSOCIATION

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