



SACRRA | CREDIT & RISK
REPORTING ASSOCIATION

**ANNUAL
REVIEW
2016**

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Chairperson's Report



"The only thing that is constant is change"

Heraclitus

The SACRRA Office certainly saw significant change in 2016 which requires that we adapt to fulfil our mission of quality data.

Thus, many long debates have been undertaken on several initiatives, inter alia:

- Memorandum of Agreement (MOA) with the National Credit Regulator (NCR);
- Project Evolution and the decommissioning of the National Loans Register (NLR);
- Retention of data voluntarily contributed;
- Additional resource requirements and changes within the SACRRA Office staff and Office management structures;
- A review of potential changes in the current operating model;
- SACRRA membership category changes; and
- Continued funding of the Business Credit and Risk Information Sharing Project (BusCRI)

The SACRRA Office and Manco Office Bearers have engaged with the NCR with a view to signing an MOA for the purposes of enabling the implementation of Regulation 19(13). Regulation 19(13) facilitates the submission and updating of consumer credit information through the Data Transmission Hub (DTH) using the SACRRA format. The intent is that reporting requirements will apply to all data providers with the aim of providing comprehensive data reporting to the Credit Bureaux. A detailed review of the content of the MOA has been done and the full extent of the practical implementation is under review.

Under the auspices of the Steering Committee to be established under the MOA, all matters related to data reporting, standardisation and quality thereof, will be addressed by the three signatories to the agreement, namely the NCR, the Credit Bureau Association (CBA) and SACRRA. The advent of the MOA is of strategic importance to the Credit and Risk Industry, specifically all data users, data contributors and data hosts.

The reports that the SACRRA will supply to the NCR under the MOA, should provide the NCR with additional insight into the data environment and the quality of data being shared by stakeholders.

SACRRA is fully committed to the MOA as it complements our focus and mission of the sharing of quality data. The MOA provides another opportunity for the SACRRA to embrace the required changes and challenges and emerge with a more comprehensive data reporting environment. We are honoured to take on this role and look forward to the successful finalisation of the MOA with the NCR and the CBA.

Following on from the theme of significant change, 2016 saw the development and introduction of a new membership category within SACRRA, titled "Affiliate-Led Groups" (ALGs). This category will provide Secondary Service Providers (SSPs) and Loan Management System Vendors (LMSVs) the opportunity to add value to their clients by having access to the SACRRA environment and tools. This should enable the Group Leaders to facilitate the submission and data quality assessments for their individual Group Members, provided that those members belong to SACRRA.

The MFSA has been a Group Member of SACRRA since 2010 and their representatives on our Manco have played a valuable role in shaping the Association and in dealing with issues related to data emanating from micro lenders. The new ALG membership category will replace the



previous Group category from 2017 onwards. Our sincere thanks to the MFSA for their past support and for the future as we propose that the MFSA retains their seat at the Manco for purposes of representing the data reported by their constituents.

SACRRA structures

The structures of the Association adapted to a number of changes. Mr Ian Wood our Chairman from April 2015 to November 2016, resigned to give his full attention to the new companies he has established. The SACRRA Office and Manco sincerely thank him for his service and guidance. Ian gave unreservedly to the SACRRA during his two terms in office.

As a result of this change, I took up the role of Chairperson and Leila Cassim was elected as Vice-Chairperson at the November 2016 Manco meeting. Hugh Wroe-Street remained in his role of Treasurer. We serve until the next Annual General Meeting in March 2017 when members will elect the new Manco for the 2017/8 period. The new Manco members will in turn elect the Office Bearers for the 2017/2018 period. In November 2016 Mr Hendrik Heyns of Brolink was co-opted onto the Manco. I wish to welcome Hendrik and thank you for making yourself available to serve on the Manco.

On behalf of the SACRRA and our members, we extend a warm welcome to Simon Russell (Experian Market President for South Africa) and to Lee Naik (TransUnion Regional President for Africa). Congratulations on your appointment and we look forward to cooperative and mutually beneficial engagements.

SACRRA's staff grew to a complement of 11; we welcomed 5 new staff members. Andrea van der Westhuizen our new Project Manager replaced our contracted project manager, Caroline Smith, who decided to pursue other private consulting opportunities. We gained two permanent Stakeholder Managers in the form of Sanli McSeveney (previously our contracted project administrator) and Sweetness Mbona. Sam Heuer joined as our User Support and Systems Administrator and Sewela Ramaotswa replaced Sanli as our Project and General Support Administrator.

We were extremely saddened by the sudden passing of Rajeen Devpruth, in July 2016. He is sorely missed by his colleagues at the SACRRA Office and his family. Rajeen was the Project Coordinator for both the BusCRI and SADC-CRA projects, and he also looked after the Association's financial reporting with our accountant and auditors. As a statistician and accountant, he contributed immensely with analyses and the interpretation of statistics for our internal reporting, meetings and presentations to members and other stakeholders.

Project Evolution and NLR Decommissioning

Progress on Project Evolution has been encouraging during this year. As at the end of December 2016, 79.89% (52.6 million) active records were live and signed-off in Project Evolution. The total volumes were measured against 66.3 million records on bureau databases.

The deadline for the decommissioning of the NLR was set by the NLR Manco for 15 September 2016 and has not been extended. All data providers who were unable to meet this deadline were to have applied for leniency and request an extension through the SACRRA Office. As at the end of December 2016, the SACRRA Office had received 28 applications of which 21 applications were approved. An average of 1.8 million records were still being updated to the NLR as at the end of December 2016 and still need to be cleaned and migrated to the Project Evolution database.

Challenge of diminishing data pool

An initiative is set to start early in 2017 to identify challenges and concerns raised by the Life Insurance Sector with the aim of implementing solutions that would encourage life insurers to join SACRRA and to share their data for the benefit of themselves and the industry at large. Ensuring a sustainable, quality pool of data where all members contribute remains top-of-mind to the SACRRA Office. This was brought to the fore during 2016 when the previous voluntary submission of over 5 million records was withdrawn.

Finance and funding of SACRRA

The Association's fiscal management has been kept to a 6 – 8-month operating reserve partly in thanks to the innovation of investments suggested by Mr Ian Wood, the previous Chairman.

The future of the BusCRI project is subject to the availability of sufficient funds and active member participation and support. March 2017 will mark a critical juncture to determine the sustainability of the project. We believe that the projects end result will impact the South African economy and contribute to the alleviation of unemployment.

SACRRA's critical mission

The focus of the SACRRA Manco and Office team is to continue driving the sharing of quality credit and risk data. The importance of this is evidenced in the volume of enquiries processed in 2016 – over some 1,2 billion, as reported in the NCR Credit Bureau Monitor.

Closure

Lastly, I would like to thank all Members of Manco who have served with me during the year. Your commitment to SACRRA including your time and effort in dealing with matters is greatly appreciated. We are aware that to serve on Manco is an additional task over and above your individual responsibilities at your organisation and often goes unrewarded, which makes for our being even more thankful of your commitment. A big "Thank You" is also extended to all our members for the effort you have put in this past year and we look forward to continuing working together to achieve the mission of SACRRA, of a complete database of accurate data for the benefit of all who use the data and who are subject to the decisions made from the data.

I wish to express gratitude to the SACRRA Office team for your passion, hard work and commitment to SACRRA.

Louise le Kay
SACRRA Chairperson
November to December 2016

Statement of Management Committee

For the year ended 31 December 2016

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 for 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 acknowledges 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

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

Industry	Representative	Organisation
	Darrell Beghin	SACRRA
Group	Mark Seymour	MicroFinance South Africa
Insurance	Martin Kgoale	Hollard Insurance Company
Insurance	Hendrik Heyns ¹	Brolink
Other	Christopher Guy Harradine	MBD Credit Solutions
Retail Apparel	Hugh Wroe-Street ²	Truworhs Ltd
Retail Apparel	Rene Moonsamy	Edcon (Pty) Ltd
Retail Apparel	Brendan Bayham	The Foschini Group Ltd
Retail Furniture	Eugene Ehlers	JDG Trading Ltd
Retail Furniture	Lambert Fick	The Lewis Group
Secured Finance	Leila Cassim ³	Nedbank Ltd
Secured Finance	Louise le Kay ⁴	First National Bank Ltd
Secured Finance	Paul Middleton	Absa Ltd
Telecommunications	Riaan Smit ⁵	Vodacom Ltd
Telecommunications	Jacques Jardine	Neotel (Pty) Ltd
Unsecured Finance	Ian Wood	Thuthukani Financial Services
Unsecured Finance	Jean Rossouw	Capitec Bank Ltd
Unsecured Finance	Tracey Wheatley	African Bank Ltd
Notes	<ol style="list-style-type: none"> 1 Co-opted as per clause 9 of the Constitution 2 Treasurer 3 Vice Chairperson – replaced Louise le Kay 4 Chairperson – replaced Ian Wood 5 Replacing Adrian Robson 	

Management Committee report

The Management Committee presents their Annual Report which forms part of the Annual Financial Statements of the Association for the year ended 31 December 2016.

Main business and operations

The Association commenced with the facilitation of credit and risk information reporting from April 1989.

No matter which is material to the financial affairs of the Association and requires disclosure in the financial statements has occurred between 31 December 2016 and the date of the approval of the Annual Financial Statements.

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 below.

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.

Auditors

Carlisle Financial Services will continue in office.

Statement of financial position

At 31 December 2016

	2016 R	2015 R
ASSETS		
Current assets		
Trade and other receivables	348 215	300 232
Cash and cash equivalents	9 796 471	7 756 774
Total assets	10 144 686	8 057 006
EQUITY AND LIABILITIES		
Capital and reserves	8 261 283	6 004 290
Retained surplus	8 261 283	6 004 290
Current liabilities	1 883 403	2 052 716
Trade and other payables	956 675	1 438 818
Short-term bank borrowings	3 973	724
Provisions	922 755	613 174
Total liabilities	1 883 403	2 052 716
Total equity and liabilities	10 144 686	8 057 006

Statement of comprehensive income

	2016 R	2015 R
Comprehensive income	12 732 403	11 845 753
Other income	379 500	380 360
Gross surplus before depreciation and employment cost	13 111 903	12 226 113
Audit fees	(28 740)	(24 295)
Employment costs	(7 194 946)	(5 633 651)
Administration expenses	(4 453 483)	(6 359 591)
Surplus from operations	1 434 734	208 576
Investment income	822 259	537 046
Surplus before taxation	2 256 993	745 622
Taxation	0	0
Surplus for the year	2 256 993	745 622
Other comprehensive income	0	0
Total comprehensive income for the year	2 256 993	745 622

Member Overview



This table illustrates the Full Member count and volume of records submitted per member category for 2015 and 2016. The number of members increased, whilst the record count decreased.

Challenges were experienced with retaining data contributed by voluntary data providers. Until regulatory changes are affected on data submission and data access, these challenges will remain and the tendency to withdraw data will continue to compromise the collective data pool and impact all decisions made off this data. The SACRRA Office focus on obtaining more and alternate data sources to the benefit of our members was retained and will continue in 2017.

The number of Full Members increased from 161 in 2015 to 174 in 2016. Changes are reflected in the "Secured" and "Other" categories of membership. "Other" includes debt recovery agents, sole proprietors, subscription services as well as other smaller lenders.

Member category	2015			2016		
	Member category	Records per category	% Records per category	Member category	Records per category	% Records per category
Retail Apparel	17	17 823 900	29,38	17	17 617 259	31,09
Secured	26	13 091 936	21,58	28	13 857 320	24,46
Unsecured	32	9 048 011	14,91	32	9 387 207	16,57
Other	34	7 314 251	12,06	45	2 007 776	3,54
Telecommunications	19	7 288 240	12,01	19	6 631 916	11,71
Insurance	27	3 354 795	5,53	27	3 540 239	6,25
Retail Furniture	5	2 211 369	3,64	5	1 781 627	3,14
Group	1	538 433	0,89	1	1 833 105	3,24
Affiliate	27			30		
Credit Bureau	5			5		
Grand Total	193	60 670 935	100,00	209	56 656 449	100,00
Total Full Members	161			174		

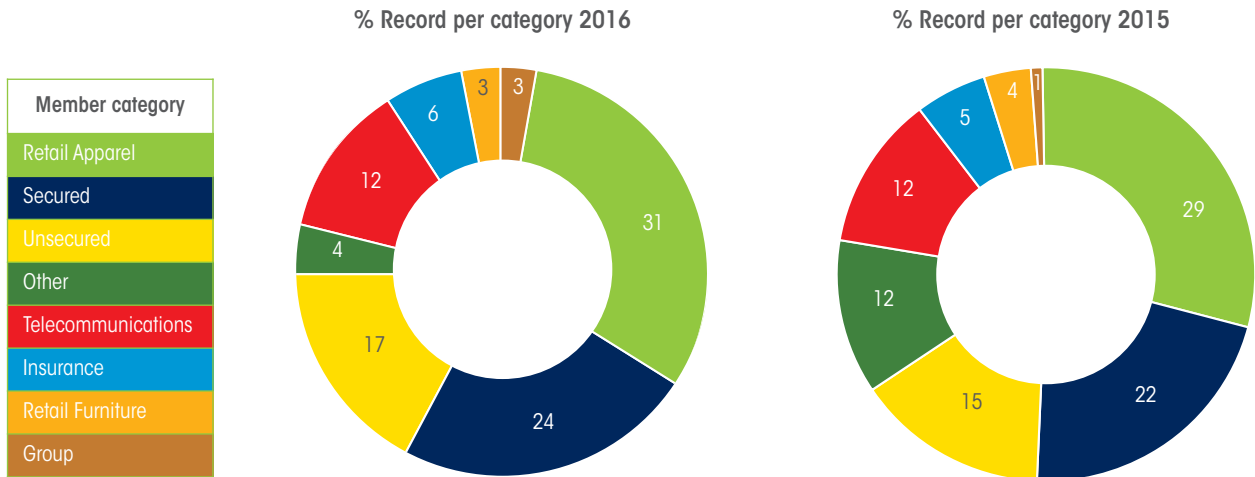
The total SACRRA membership base, across the range of membership categories, has grown from 193 in 2015 to 209 in 2016. The establishment of the Affiliate-Led Group membership category (ALG) will replace the current 'Group' membership previously provided for the MFSA members. The ALG membership category was officially voted in at the October 2016 SACRRA General Meeting held in Cape Town.

The ALG membership category was created to cater for the smaller credit or service providers who fall within specified record volume thresholds and who use the services of Loan Management System Vendors (LMSV) or Secondary Service Providers (SSP) and who are not able to submit their own payment profile updates to the bureaus because of a lack of infrastructure and or skill sets to do so. With changes to the NCA necessitating that all suppliers of credit register with the NCR, it was incumbent on SACRRA to find an affordable option to facilitate the transmission of data for these smaller entities.

The SACRRA Office has received commitment from six SSPs or LMSVs to join SACRRA as ALG leaders. With the highly anticipated MOA with the NCR set to be concluded early in 2017, the likelihood is that the SACRRA Office may receive a high number of applications in the first half of 2017 from credit providers who previously benefitted from the MFSA Group membership and who do not fall within the record thresholds to join an ALG.

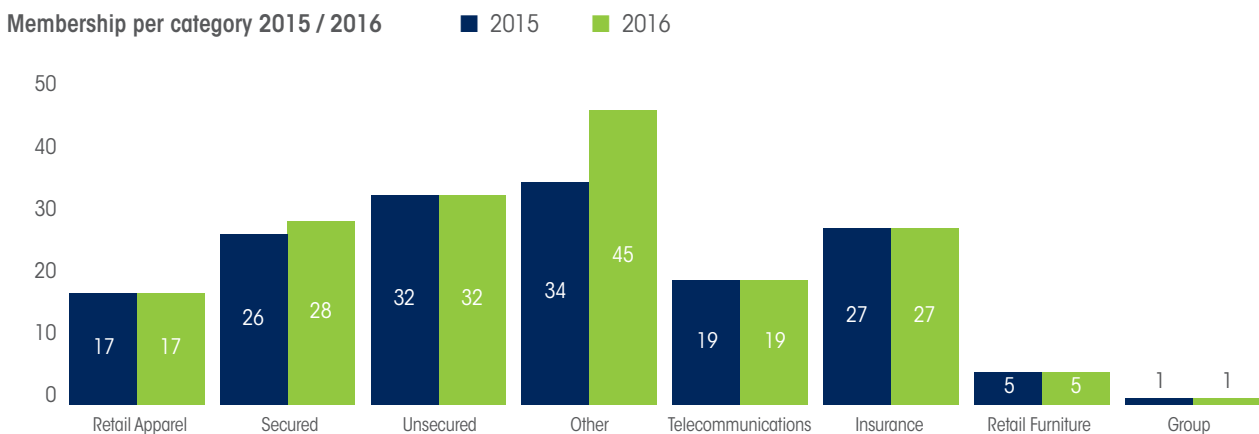
Member overview (continued)

The SACRRA will thus offer only two options for credit providers and voluntary data providers to have membership of the Association. These are either as Full Members, where the membership fees are based on the annual company turnover or through the Affiliate-Led Group membership, where the fees are based on thresholds of record volumes submitted. The Group leaders will work with the SACRRA Office to ensure that their clients' data submissions are of the correct standard and in compliance with the regulatory reporting requirements.



The pie charts show the percentage of records submitted by members within the various membership categories for 2015 and 2016. This illustrates how the data volumes changed over time within each category.

The graph below provides a graphical illustration of the change in membership numbers across the various membership categories.



In the Secured category, membership has grown by two, due to new member acquisitions that have come about because of changes to legislation requiring the compulsory reporting of credit data. The 'Other' category of membership has grown by 11 members.

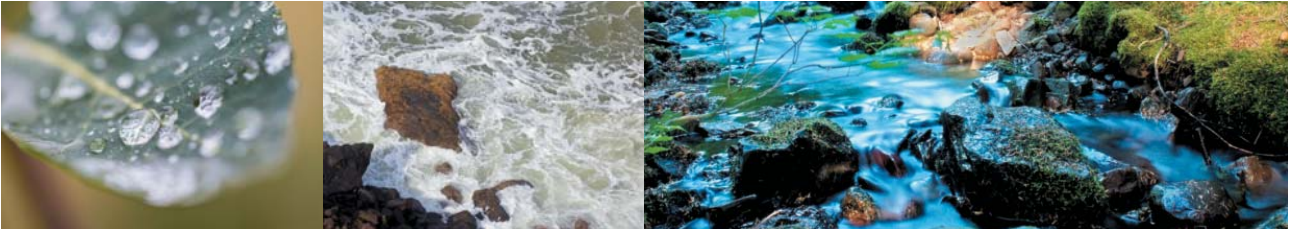
Associate and Affiliate Members

Consumer Profile Bureau (CPB) development was approved in December for SACRRA data hosting with the proviso of a review being conducted after three months to ensure alignment with SACRRA requirements. This is scheduled for March 2017.

At the 2015 Annual General Meeting (AGM), members were advised that VeriCred had applied to become an Associate Member. VeriCred have been busy with the necessary systems development and conducting a security audit. On completion, we anticipate being able to comprehensively test the development for data loading and quality reporting. VeriCred is also engaged with the NCR to be approved as a hosting bureau. Members will be advised on progress.

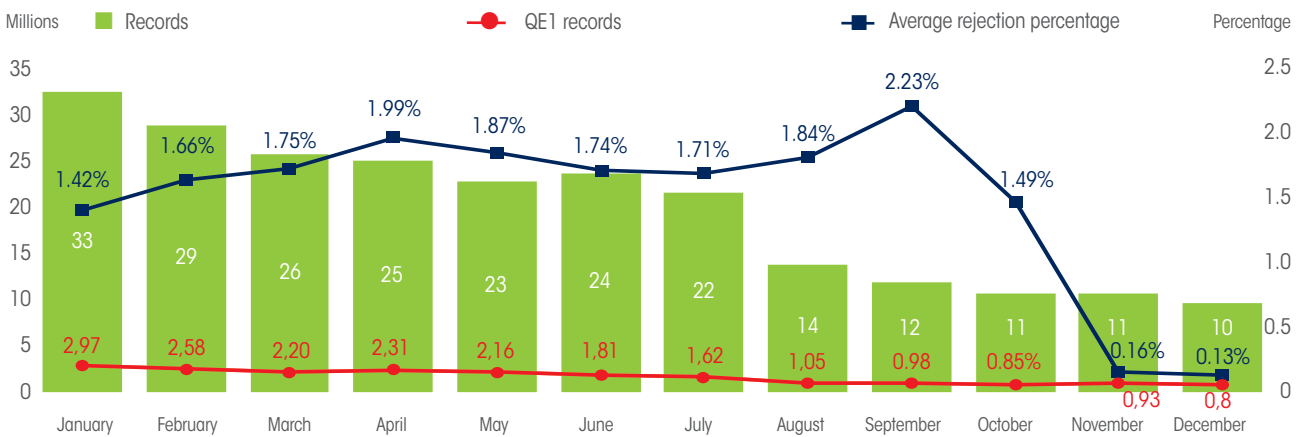
The Affiliate Member category has grown from 27 to 30 members. We anticipate an ongoing increase in this category relative to that of the Full Member base.

Operations Overview



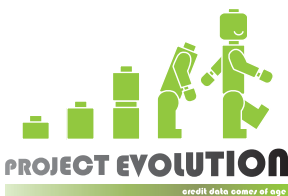
SACRRA Data Quality

L700 records, rejection percentages and QE1s



The L700 dataset declined significantly, as intended, during 2016 through the migration of data to the Project Evolution dataset. From almost 33 million records in January 2016, volumes have been reduced to approximately 10 million records. Over the year, the SACRRA Office, together with the credit bureaus, reduced the volume of dormant accounts on bureau databases from 2.97 million to just over 800 000. The QE1 clean-ups are done prior to migration of data to the Project Evolution dataset. QE1s are records on bureau databases that have not been updated by Full Members for more than 60 days from the last load. These are typically dormant records which Full Members fail to update because of changes to data extract processes or because of other technical issues that are encountered by Full Members.

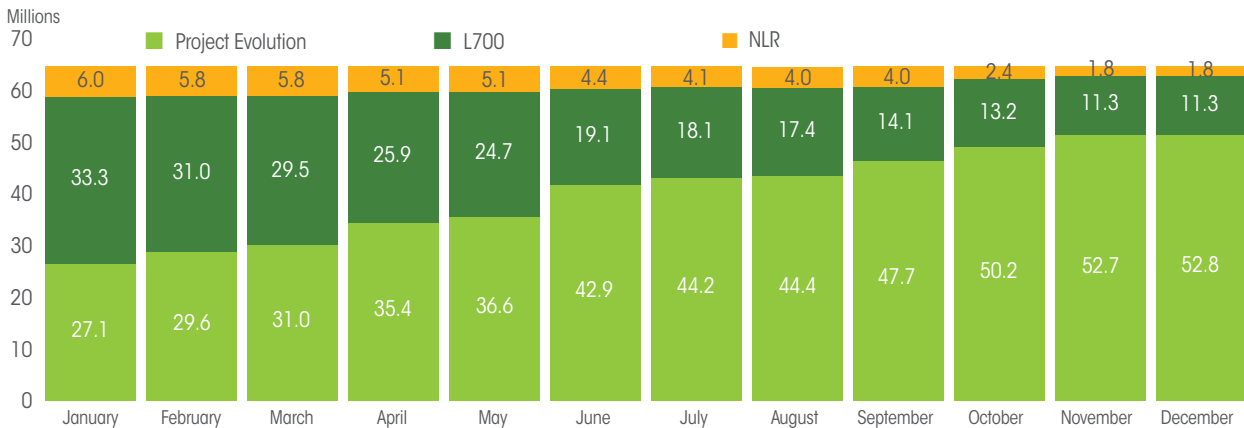
The average rejection percentages peaked between 1.5% and 2% during the year and with more Full Members becoming compliant in terms of Project Evolution requirements, the average rejection percentages have been reduced significantly on the remaining data. The SACRRA Office anticipates moving the bulk of the remaining data to the Project Evolution dataset, by the second quarter of 2017.



Project Evolution Phase 1

Through Project Evolution, the SACRRA Office, together with the credit bureaus, is combining the two datasets (NLR and L700) to ensure complete consumer data for risk decisions and affordability assessments. The objective is to provide a unified payment performance dataset which includes daily updates of new, closed and paid-up records for all credit and risk transactions.

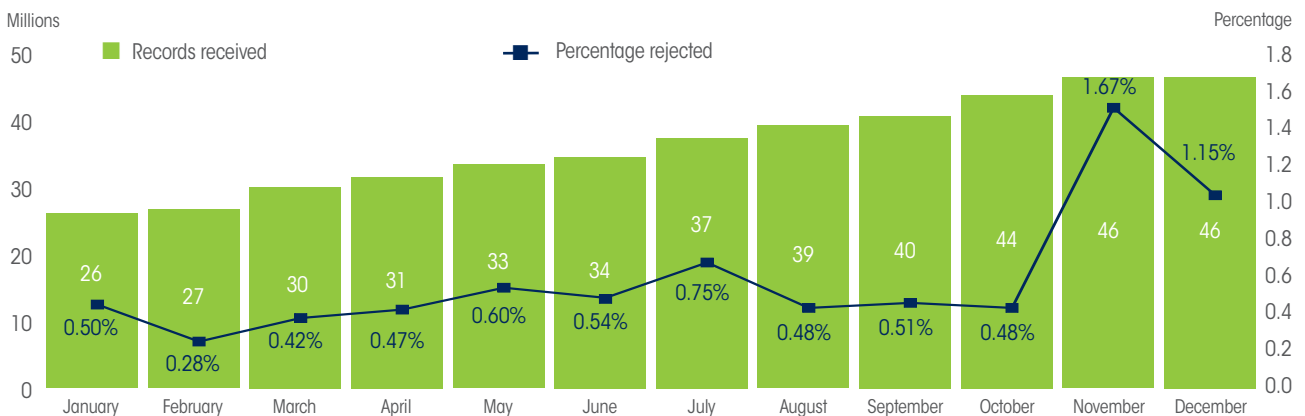
Data volumes and rejections



The light green depicts the increase in data volumes in Project Evolution for January to December 2016 whilst the dark green (L700) and the orange (NLR) depict the decline in these datasets as is planned. The result of the unification of these datasets has seen the Project Evolution dataset increase from 27.1 million in January to 52.8 million in December 2016. This is based on the record volume on bureau databases that are in display, and hence differs from the record counts reflected in other graphs. A lesser count of records, approximately 13 million remains on the L700 and NLR datasets. These figures are based on live as well as signed-off files in Project Evolution.

In terms of actual records being submitted by Full Members to the credit bureaus, the following graph depicts the volume of records submitted monthly over the year in Project Evolution and the corresponding average rejection percentages for 2016.

Monthly data submissions and average rejection percentages



The volume of live data in Project Evolution increased from 26 million in January to 46 million at the end of December 2016, a 77% increase. The average rejection percentages have remained stable, maintaining a 0.5% average until October 2016. Whenever there was a data migration between the NLR and Project Evolution datasets, a spike in average rejections occurred during the month that the data was loaded. These spikes are noticeable in May, November and December 2016 and typically occur as a result of anomalies in the data extracts subsequent to sign-off for migration. The drop in average rejection percentages in December is the result of one of our Full Members rectifying their data processes.

It is further evident that several Full Members collect on debt that is old but not prescribed. The peaks in rejection percentages are also attributed to this practice, as there is no last paid date or status update within three years on records subject to this practice. The development and implementation of the prescription interruption status code is planned to alleviate this and forms part of the Phase 2 implementation in Project Evolution.

The SACRRA Office has identified the Full Members who have caused these spikes and are working with these members, consequently we anticipate that the rejection percentages will come down once remedial actions have been implemented. The new status codes planned for implementation in 2017 will also assist in the resolution of this challenge.

The SACRRA Office issued 11 MDM Alerts in 2016. MDM Alerts are to notify members and in particular all Full Members, of data quality deficiencies emanating from other Full Members in order that all members take the appropriate actions in considering the risks they may face during their decision-making processes. Some of the problems identified in data submissions are:

- unstable extract codes resulting in data extracts changing month-on-month,
- Full Members not applying the DMA to their processes and
- the sourcing of data from multiple systems which creates endless migration and conversion challenges for some members.

The SACRRA Office is working with these members to find permanent resolution to these challenges.

Project Evolution compliant record percentages per category

The table below provides an overview of the percentage of compliant records and files in Project Evolution. This is based on both live and signed-off files which may still be subject to clean-ups before the migration of the data to the Project Evolution dataset.

Category	Files	% Compliant records	% Non-compliant records	Compliant files	Non-compliant files
Retail Apparel	118	98,48	1,52	111	7
Secured	131	87,69	12,31	116	15
Unsecured	810	84,44	15,56	67	All NLR
Other	53	89,12	10,88	36	17
Telecommunications	14	71,32	28,68	11	3
Insurance	35	67,19	32,81	28	7
Retail Furniture	63	98,56	1,44	61	2
Group	21	96,85	3,15	3	All NLR

We are nearing a 100% compliance in the Furniture Retail and Retail Apparel membership categories. The focus for the first quarter of 2017 will be to expedite the sign-off of the remaining files in the Secured, Telecommunications and Insurance categories as well as finalising the remaining files within the Other category. All of what remains within the Group and Unsecured categories resides within the NLR dataset.

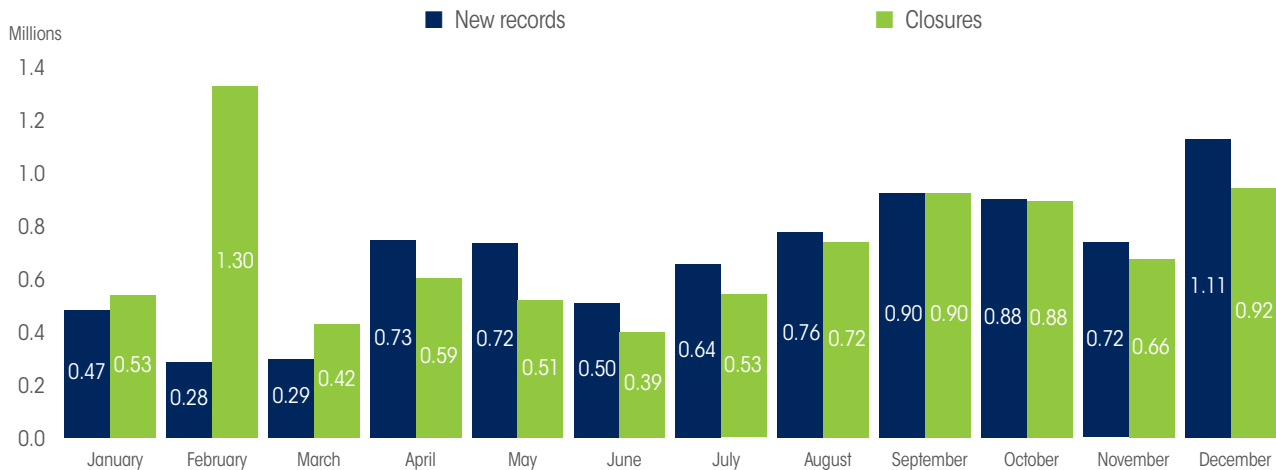
Months	New records	Closures
January	472 261	525 560
February	279 036	1 299 562
March	290 812	420 478
April	728 995	589 891
May	720 467	506 867
June	496 622	390 435
July	640 093	528 608
August	759 769	723 298
September	902 835	903 010
October	880 792	875 098
November	721 143	660 179
December	1 105 717	921 588
Grand Total	7 998 542	8 344 574

With Project Evolution requiring the update of daily new accounts and closures, the increase in daily file submissions was inevitable. With legislation also requiring the removal of adverse listings as envisaged in Section 71A of the NCA, the daily file process facilitated a means for Full Members to comply with the legislation, without having to make significant changes to data submission processes.

Project Evolution (continued)

The volume of new records submitted to the credit bureaus was just under 8 million whilst that of the daily closure of records was more than 8.3 million for the year. The graph shows the daily submissions to the credit bureaus.

Daily new records and closures



Phase 2: Compliance

The SACRRA data specification layout 700 version 2 (L700V2) has been enhanced to make provision for various legislative changes. In the interim to support members' needs for legal compliance with these changes, processes were created to allow for "work-arounds" for the submission and loading of data affected by the new legislation.

This interim arrangement must come to its natural and speedy conclusion and all members are therefore urged to prioritise development towards these compliance requirements. It is also critical as new data comes onboard, that Full Members maximise benefits by rapidly developing to receive and use all the available data in all business decisions.

Specific data categories affected by legislation are:

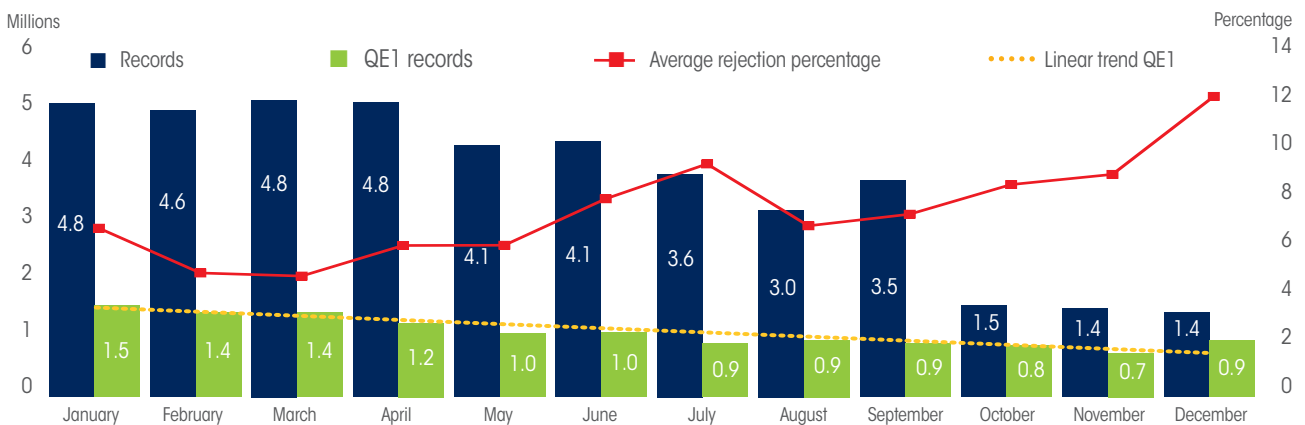
- Removal of Paid-up Adverse:** According to the NCA, adverse indicators held at the bureaus are to be removed within 7 days of settlement of the debt. The amended Data Specification to facilitate the submission of full and part settlement of debt to allow for the removal of adverse codes within the specified period has been catered for in the daily submissions.
- Submission of data related to overdrafts:** Overdrafts were initially not submitted to the bureaus, but to support fully informed affordability assessments, this category of data has been included in the Data Specification.
- Mortgage pre-registrations:** Mortgages are currently only listed at the bureaus on registration of the property into the buyers' names. Up to a 6-month interval between the granting of a mortgage and the actual registration can occur. During this period, the pending mortgage debt is not reported or considered when affordability assessments are conducted by parties the consumer may approach for credit in the interim period. This can lead to the granting of additional credit and the over-indebting of consumers. The intended change in the timeline for when mortgage approvals will be reflected in consumer credit profiles is being accommodated through the earlier listing of the mortgage obligations.
- Prescription of Debt:** As per the Prescription Act 68 of 1998 "no source of information may submit adverse or other information to a credit bureau in respect to debt that has prescribed". The Data Specification was amended to accommodate an indicator to allow for the reporting of debt that has not yet prescribed as well as a new status code to manage debt that has prescribed.
- Debt Recovery data** was historically not being reported through SACRRA, but needs to be provided for in affordability assessments. A tailored Data Specification was developed to comply with all the relevant compliance and legal aspects. Various engagements around this proposed Data Specification were held and will continue until finalisation is reached to allow for development by all members.

The remainder of the credit bureaus' development is anticipated to be completed by the end of Quarter 1, 2017. Full Members, however, are in various stages of development, testing and some are able to submit live data to those bureaus that are ready to receive the data.



National Loans Register (NLR)

Records, rejection percentages and QE1s



As planned, the volume of records being submitted within the NLR dataset has declined albeit at a slow rate until September 2016. The sudden drop in October 2016 is attributed to the data of two members moving to the Project Evolution dataset.

QE1 volumes have declined from January 2016 but remain high relative to the volume of data submitted within this dataset and have increased from the end of the third quarter.

Average rejection percentages have steadily increased during the final quarter of 2016 to approximately 13% which is testament to the poor data quality within this dataset.

The bulk of this data originates from several SSPs or LMSVs and is proving a challenge in terms of Project Evolution requirements. The SACRRA Office will be working closely with the ALG leaders to expedite the implementation of these small lenders' data in Project Evolution.

The SACRRA Office has facilitated the following as part of the SRN clean-ups on the NLR dataset:

- 1 704 099 data migrations – which is the migration of data that was reported under the incorrect SRN thereby necessitating a migration to the correct SRN for a data supplier;
- 155 005 account conversions done due to movement of data suppliers from one SSP or LMSV to another.

The SACRRA Office will be expecting formal plans for the rollout of the remaining NLR data suppliers falling within the ALG membership groups, as part of the NLR decommissioning exercise. This is in order to manage the process effectively, as there will be an extensive number of clean-ups and corrections to be done before the migration of this data occurs.

Due to the complexities of the clean-up activities and numerous challenges facing SSPs or LMSVs, in administering these activities for their clients in remote areas, who may also have poor technical infrastructure and who experience severe cost constraints, it is difficult to set a final date for the decommissioning of the NLR, even though the NCR is keen to finalise the matter. The SACRRA Office anticipates that the remaining NLR data may take longer than expected to be moved to Project Evolution and has to rely on plans for implementation from the ALGs and on the co-operation of all stakeholders to ensure that there is no let-up in driving this dataset to a close, as it is a priority for the NCR to have this dataset effectively decommissioned and integrated.

SACRRA communications and engagements

Growing the data pool

The SACRRA Office engaged with various parties regarding possible membership of SACRRA and with the view to growing the data pool. These included NSFAS – the National Student Financial Aid Scheme, the submission of television licence data, debt recovery data, new operators and existing entities which are now legally obliged to share data. Negotiations are underway with the various parties and will continue into 2017 for finalisation of some of these opportunities.

Communications

After overcoming some challenges related to the contracted service provider, the SACRRA website was made fully functional in October 2016, including the members' area. We also successfully published the first edition of our newsletter in October and will continue to do so on a regular basis. We intend that these communication tools will increase awareness of our efforts, assist in driving the relevant messages to members and other interested stakeholders and in turn make it easier for members to engage with us.

Engagements

Additionally, the SACRRA Office team members represented the Association at various forums including the Credit Ombud Council, the MFSA roadshows, various conferences and other industry events.

To improve engagement and collaboration with Associate and Affiliate Members, pre-Manco/Exco meeting slots with these respective parties were established to ensure that issues of mutual interest can be debated firsthand. Also, regular CBA/SACRRA operational meetings have been re-instituted to address matters at a more generic level, whilst project related matters will still be handled within each of the project processes and forums.



Data Master Application (DMA)

SACRRA has developed tools which support all our members, enhance our services, and prove cost-effective by containing costs overall and ensuring less expensive and or intensive operations within all member environments.

The DMA empowers SACRRA Full Members and ALG Leaders to understand the quality of data ahead of the submission of these to the Associate Members in the required SACRRA format. This application also assists members to be compliant with the requirements of the NCA in terms of reporting quality data that is, up-to-date, relevant, and complete in terms of the SACRRA Specification.

The DMA software application is hosted on-site at members' premises and validates the members' data against the SACRRA Data Specification, providing insight to the shortcomings of the data files through the provision of reports. The DMA does not alter the data, but highlights the issues relevant to the format. The reports generated by the DMA, include rejections, warnings, and quality exceptions, which enable members to take the appropriate remedial actions on the data extracts before submitting the files to the Data Transmission Hub. In this way, our members have some protection of their reputations as data anomalies are addressed before the data is placed in a public environment. Consequently, members are less likely to be found lacking in legal compliance, and overall business risks can be addressed and mitigated proactively, by managing data within the confines of their own operations.

The DMA software is easy to install and use. It reduces the Full Members' implementation time and development costs during the test process. Our Associate Members also receive benefit in terms of time and resource utilisation, as only files which have already undergone quality assurance testing by the party providing the data, are received by the bureaus.

Towards the end of the year, 80% of SACRRA's Full Members were utilising the DMA on a regular basis. This has further resulted in considerable savings within the SACRRA Office as our team take less time to consolidate the various test file reports. This is contingent on the reduction in the number of test iterations required by Full Members before file sign-offs are achieved. The DMA has significantly expedited the migration of members to the Project Evolution data environment.



Data Specification Matrix (DSM)

Our Data Specification Matrix is a tool which will allow for the automation of our extensive Data Specification and make for easier management of the stipulated data format. The current version of the Data Specification is a Word document that is over three hundred pages long!

The DSM will assist with rapid deployment of any changes to the specification to all Members when legislative changes require amendments or when industry players innovate their products, services and or related credit and risk management strategies.

The data submission specification will be made clearer and condensed, thereby assisting in the standardised interpretation of the data fields, the data rules and their related validation requirements. Another intended benefit is the standardised implementation by members for increased consistency of data at the bureaus, and in the interpretation of the data by all users. The DSM will provide useful aid to all parties obligated to submit data to the bureaus, should the SACRRA specification become the NCR-prescribed industry standard for data submissions.

The various dimensions within the Data Specification will allow for tailored specifications to meet the individual needs of the various functional areas within the members' operations. For example, the needs of a developer, will vary from and need differing detail to that of a business processing function, which in turn is different to that of a legal and compliance perspective. Additionally, the specifications required for the distinction between the data providers and credit bureaus is essential as the data rules need to be specific to these parties' roles. Members will be able to download the tailored specifications based on the account types and "user views" relevant to their organisations and functions.

The DSM will facilitate the translation of 28 years' worth of industry knowledge and specification insight for easy reference and application through digitisation. One of our critical lessons learned through the years is the necessity of having a standard implementation and interpretation of the Data Specification.

The DSM was conceptualised and proposed in early 2016 with the final budget being approved toward the end of the year. First phase development will commence in 2017. Although still in the early stages of design, we predict that once this tool is developed and fully functional it will rival the Data Master Application in terms of the value it adds to all our members.



Data Quick Measure (DQM)

Our reporting tool, Qlikview has been rebranded given its customisation to our purposes. The DQM has been deployed within the Stakeholder Management Team and is running satisfactorily in its first-phase format. It provides valuable assistance to the management of our members' data issues by the respective SACRRA Stakeholder Managers. The DQM has decreased the time needed to analyse manual bureau reports from days to only hours, making for more coverage of our membership base by our team and providing information for our members to manage their data more effectively.

As part of the overall SACRRA Automation Project, we are planning to enhance and automate data quality reporting over the next few years and it is envisaged that our DQM will play an integral role in this process.

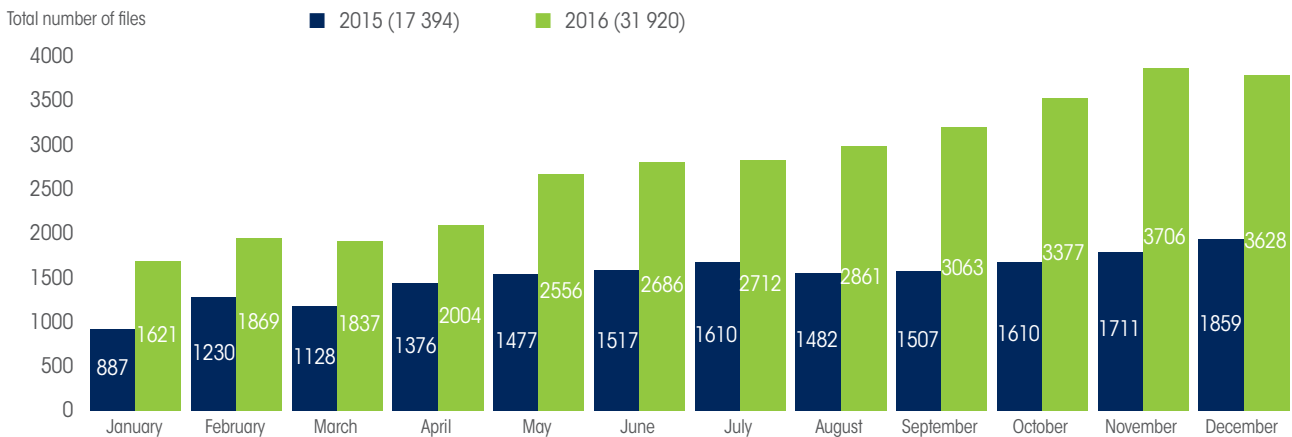


Data Transmission Hub (DTH)

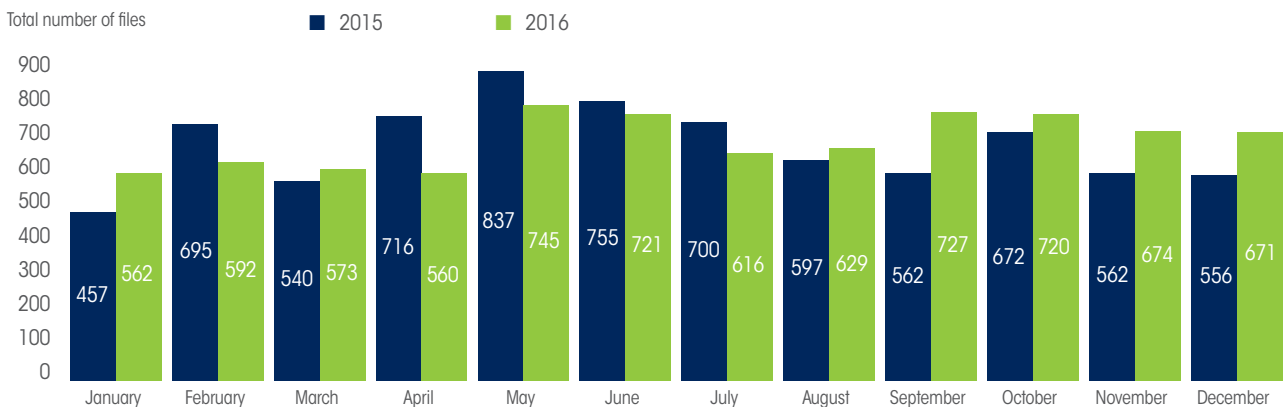
The Data Transmission Hub (DTH), co-owned by the CBA operates at the core of SACRRA's data sharing environment. The DTH is a platform through which only encrypted files are submitted to the credit bureaus for the bureaus to upload. Files are automatically pushed to the bureaus, with notifications of receipt issued in return. The DTH alleviates the need of a data provider having to send a separate file to each bureau and ensures that the information transmitted is secure and received almost simultaneously by the Associate Members. This process of simultaneous submission makes for a fair and competitive market between the bureaus as they can receive the data at the same time and can compete on how fast and accurately they load the data.

The encryption protects the content of the files, whilst the DTH is a secure conduit for the transmission of encrypted files from source to host, catering for the submission of daily and monthly files as well as ad hoc submissions, such as replacement files. The DTH does not store, open, analyse or change the content of the files in any way. The DTH monitors the transmission of files to and from participating members. The volume of files being transmitted via the DTH continues to increase and for 2016 is almost double on 2015, which is clear evidence of the valuable role the DTH fulfils.

Overall file transmission activity 2015 / 2016



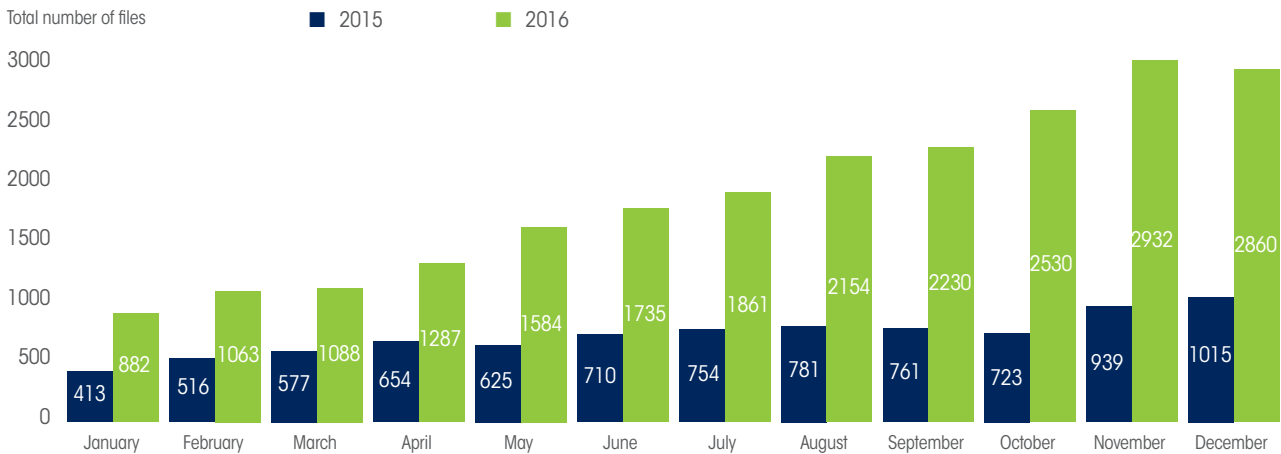
Monthly files 2015 / 2016



Total emails received by SACRRA for 2016

319 200

Daily files 2015 / 2016



As can be seen in the graph, indicating both live and test files, a significant increase in submission of daily files is evident and points to the successful implementation of Project Evolution.

In preparation for the Protection of Personal Information Act, a review was conducted on the encryption component of the DTH and this was completed in October 2016. The findings of the review are that some identified areas require further review and exploration to ensure optimised standards and processes for encryption are utilised.

In anticipation of the Memorandum of Agreement which we are negotiating with the NCR, the SACRRA Office foresees an uptake in the utilisation of the transmission platform when it is made available for use by non-SACRRA Members under the NCR Guidelines which are still to be issued. We will be increasing our monitoring of the DTH Hub capacity to ensure we are able to proactively manage the expected increase in the volume of files to be submitted under these Guidelines.

National Credit Regulator

In alignment with our engagement strategy, the SACRRA Office has begun to work more closely with the National Credit Regulator (NCR). Key engagements in 2016 included negotiations around entering into a Memorandum of Agreement (MOA) with the CBA and NCR relating to the implementation of Regulation 19 (13), as well as considering the provision of management and administration support on the Debt Counselling Rules System (DCRS). The DCRS was due to be ceded by the Banking Association South Africa to the NCR. The DCRS management contract was ultimately awarded to another service provider to manage it for the NCR.

The MOA will be entered into to support the NCR in its implementation of NCA Regulation 19 (13), which requires credit providers to submit consumer credit information to the credit bureaus in the manner and form prescribed by the NCR through conditions of registration and guidelines. The purpose and intention of this MOA are, *inter alia*, to (a) implement a credit reporting framework that is aligned to the objective of the NCR of preventing reckless lending and borrowing; (b) regulate the submission and updating of consumer credit information; and (c) ensure the reporting of accurate and up-to-date information.

The NCR, therefore, wishes to prescribe the SACRRA Data Specification as the format in which consumer credit information should be submitted to the approved bureaus, as well as the use of the Data Transmission Hub, as the platform for data submission by all NCR-registered credit providers and by any other users of data who will be also be required by the NCR to provide data to the approved credit bureaus. SACRRA will also be required to provide regular reports to the NCR to meet the objectives of the MOA on members and data providers who are not SACRRA members.

A Steering Committee is to be established to discuss and effect, amongst other objectives, the implementation of the MOA, the flow of data in the industry with a view to improving the quality of data, and any other items which may be of relevance to effective consumer credit information reporting and the implementation of the NCA. The new operating model (NOM) will also be explored within this MOA Steering Committee through the tabling of relevant data issues which gave rise to the need for the discussion on the NOM originally. The CBA, NCR and SACRRA will under the terms of the MOA, also agree not to bring each other into public disrepute. The intent is to establish a professional co-operative working relationship between the parties.



BUSINESS | CREDIT & RISK
INFORMATION



Business Credit Information Sharing Initiative (BusCRI)

This project initiated in 2011, operates within the mandate of SACRRA and is governed by its own steering committee consisting of the initial 13 founding members and the SACRRA Office representatives.

Even though business data is being collected by some credit bureaus individually, a collective pool of business credit and risk data is required, but does not exist currently. Such a collective data pool would have immense value and numerous benefits to the users of the data and also the data subjects. The aim of BusCRI, therefore, remains that of being a facilitator for business in South Africa to enable the sharing of quality, standardised credit and risk information on commercial enterprise.

Progress

- The legal review commissioned in 2015, was finalised;
- A legal framework was developed and informed the drafting of the Data Access and Masking Protocols, which are currently still under discussion;
- The rules for the data specifications for the banking/agricultural and telecommunication sectors were developed and will be finalised in 2017;
- The part-time project manager was replaced by SACRRA's full time project manager in July 2016;
- Engagements continued with National Treasury and the Department of Small Business Development (DSBD) to discuss alignment and synergies between the BusCRI project and the credit rating agency project run by the DSBD. These two projects compliment each other;
- Discussions were held with the World Bank/IFC to explore various funding models to develop a sliding scale of contribution for founding members versus members who come on board later;
- Discussions were initiated with various donors to explore alternative funding sources; and
- A decision was made to fast track the finalisation of the existing data specifications and to appoint a part-time marketing officer to obtain funding commitments for the project. A milestone decision is to be made by end March 2017, on the continuation of the BusCRI project based on the funding and support secured.

The challenge has been to secure sufficient members and support from other stakeholders to commit to both data submission and financial support for the project. Even though a great deal of enthusiasm for BusCRI is apparent, it appears that concerns, held by the credit/data providers and hosts in the business sector, related to being the early adopters and contributors, are causing a reticence to be actively engaged.



SADC Credit Reporting Alliance Project (SADC-CRA)

SACRRA's scope was expanded in previous years to assist in developing, through technical support, equivalent data sharing associations in the SADC region through the FinMark Trust (FMT) initiative.

A key constraint is the lack of funding and each of the countries require assistance for further developments and or in adapting the data quality management tools suited to each country's specific needs and legislative environments. The SACRRA Office initiated engagements with the Financial Sector Deepening Africa (FSDA) to explore possible collaboration and funding to address these issues. In support of the Namibian Association and its data sharing cause, the SACRRA Data Specification was made available for use in Namibia, at a nominal cost through a licenced agreement which acknowledges our intellectual property rights.

Provision of the SACRRA tools alone will not be sufficient to ensure the establishment and operationalisation of the associations in the respective countries. It is critical that funding also be allocated for developing and implementing related education of and raising awareness levels for officials in government, in regulatory functions and for the industry at large. Broad credit extension is a new concept in most of these countries. To drive appropriate credit consumption and to make for a sound economy, the consumers in each country also require education and promotion of the benefits of (i) having credit profiles and (ii) the related sharing of these amongst credit and financial service providers.

SACRRA hosted FMT country coordinators from Botswana, Lesotho, Swaziland, and Zimbabwe for training on an Operational Framework that was developed as a guide to establishing and running data sharing associations like SACRRA. The training took place over two days and the final day was attended by the chairpersons of the associations from each country including those from Zambia and Namibia.

It is evident from the engagements and the workshop that despite legislation promulgated in some countries, the buy-in from central banks and major industry role players, that more effort is required as the level of traction for the concept of information sharing associations is still inadequate to bring about real commitment and change. Lesotho is the only country that has progressed and has data shared, albeit not by all the stakeholders.

The low traction can partly be attributed to the lack of understanding of what is required by all stakeholders and what the benefits are of collective co-operation within an association. Furthermore, the lack of available resources – funding, technological and human, dramatically impedes efforts within each of the countries. The SACRRA Office will continue to support and provide assistance where possible as the respective practices in each country impact our members who trade in those countries as well as members only operating within South Africa because of the mobility of consumers across borders.

SACRRA Office Team



You are what you do, not what you say you'll do.

CG Jung



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