



SACRRA | CREDIT & RISK  
REPORTING ASSOCIATION

# 2018

ANNUAL REVIEW

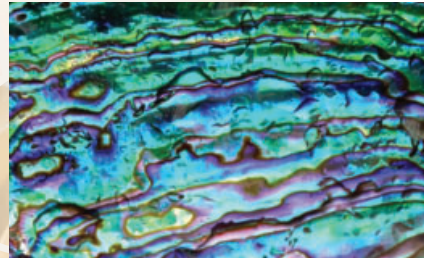
WISDOM IS THE  
ABILITY TO LEARN  
FROM CHANGE



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Publication date of Annual Report – April 2019



## ATTAINING OUR PEARLS OF WISDOM

The famous Fibonacci sequence has captivated mathematicians, artists, designers and scientists for centuries. Also known as the Golden Ratio, its ubiquity and astounding functionality in nature suggests its importance as a fundamental characteristic of the Universe.

Data also has a captivating quality and its importance as a fundamental corner-stone to all decision making is fast becoming more apparent as we move into the 4<sup>th</sup> revolution.

The SACRRA and data are synonymous and as we move into our 30<sup>th</sup> year of existence, we have chosen the Fibonacci sequence as a representation of everything that we do to bring order and structure to the sometimes challenging world of credit and risk information.

# CHAIRPERSON'S REPORT



## Historical review

The Consumer Credit Association (CCA) was established in 1989 with 12 founding members consisting of 10 credit retailers and 2 credit bureaus. Since then the membership base has grown exponentially and includes various other sectors and voluntary data contributors who understand and value the concept of a comprehensive data pool for credit and risk decision support.

Significant events and innovations have occurred through the years. For example, the development and roll-out of a standardised Data Specification which assists the drive for quality data; the Data Transmission Hub (DTH) for a secure transmission mechanism pushing files to all Associate Members at the same time; various automated tools that shorten development and testing cycles, and also introducing cost savings for our Members and the SACRRA Office.

The Memorandum of Agreement (MOA) with the Credit Bureau Association (CBA) and the National Credit Regulator (NCR) was signed in June 2017 to give effect to National Credit Act (NCA) Regulation 19(13) and the related Guidelines. This contract is testament to the successful data sharing environment created and supported by SACRRA Members in a voluntary fashion for over 28 years, prior to the introduction of legislated information reporting.

At the Annual General Meeting held in April 2018, Members agreed to include and voted in Affiliate and Associate Member representatives onto the SACRRA Management Committee (Manco). This broader member representation has resulted in robust discussions, with the benefit of leveraging off the vast experience and knowledge of these members.

It is interesting to note the growth in the collective credit and risk data pool. In the 3rd year of our existence, just over 2 million records were shared and between 200 000 and 250 000 enquiries were done. As at 31 December 2012, 43.5 million records had been submitted and this increased to 56.6 million in 2016. Despite the 'information amnesty' that saw the removal of a significant volume of data components in 2014, the data pool increased to the current 57.2 million records reported at the 2018-year end.

## Key strategic initiatives

From the inception of the Association until 2012, the focus was credit practices, consumer education and data related matters. Thereafter, due to the realisation of the importance of data, the key strategic initiative within the Association changed to focus only on consumer and business credit and risk information.

To support the primary data focus, various initiatives were undertaken. These included efforts to increase the collective data pool through increased membership, discussions around revised legal and board structures that flowed from strategic discussions, as well as a review of the membership pricing model. A long-term project of automating critical functions within the SACRRA Office role and delivering tools to better support members was initiated. The goal of automating SACRRA's functions is to create an optimal balance between technology and human resources to constrain costs and increase operational effectiveness.

Electronic training and information materials are being developed to assist with the onboarding of data contributors under the contract with the NCR. Through this contract we have closer engagement with the Regulator and are supporting the inclusion of all registered credit providers to submit data. We are also driving the decommissioning of the National Loan Register. Through our engagements with the NCR and the World Bank/IFC we hopefully assisted in securing funding for facilitating lender inclusion, digitisation of data and the acquisition of alternative data.

## NCR Memorandum of Agreement

The SACRRA Office has been industriously assisting parties to onboard and some of these parties chose to join as members whilst others remain outside of the Association, but still use the DTH and Data Specifications to be compliant with the legal requirements.

The contractual obligations have not only kept the SACRRA Office keenly focused on onboarding activities, but also on the monitoring of members' compliance with the prescribed reporting cycles, and the quality components of the standardised data formats.

The NCR MOA Steering Committee has proven an effective mechanism for collectively addressing any anomalies arising through the MOA implementation process.

Given the volume of NCR registrants and voluntary data providers to be included, a significant journey lies ahead before a truly comprehensive data pool can be achieved.

# CHAIRPERSON'S REPORT

## Major Projects

A dedicated resource, Caroline Smith, was contracted in 2018 to expedite the progress of the Automation Programme. As part of this programme, the Data Specification Matrix (DSM) beta testing was initiated in 2018. Other projects within the automation vision were scoped and defined at a logical level.

The DTH continues to improve reporting, and the implementation of the new Automated Workflow Engine (AWE) module made a significant improvement to the reporting of file transmissions and cut down on the volume of emails the Office had to deal with in this regard. The AWE module also gave members the option of receiving only summary notifications on files submitted, which is beneficial in terms of members' own resource utilisation.

Work on the Business Credit and Risk Information (BusCRI) project continued during 2018 with a dedicated BusCRI Specialist, Des Power, contracted to progress matters. The NCR has endorsed the use of this Data Specification for the inclusion of the Agricultural Sector, as required within NCA Regulation 19(13) and related Guidelines, as the traditional consumer format was not appropriate for the needs of the Sector. It is anticipated that the NCR collaboration with the World Bank/IFC will contribute in various ways to the highly prized goal of collective information sharing on commercial entities.

Associate Members have, directly with the SACRRA Office and through the CBA, been engaging on the need to reduce the volume of replacement and ad hoc files received from data contributing members. The need for data contributing members to only submit files that align with the SACRRA Data Specifications is paramount to quality data being reflected in the collective data pool.

We are continuing our engagement with the insurance sector to review needs in relation to the data reporting format, associated software and tools to enhance service to these members. They have, for many years, without being forced, appreciated and supported the need to report on insurance premiums to inform affordability assessments and other credit or risk decisions. The need for customisation within the SACRRA offering is now receiving deserved attention as Insurance members are keen to have their data managed within the law but tailored to their and their customers' needs.

## The SACRRA Office

The SACRRA Office enjoyed a reasonably stable staff compliment, but some changes did occur. Ismail Kharwa, the previous Head: Stakeholder Engagements, left in May to join TransUnion to further his career prospects. Similarly, Sweetness Mbona our Stakeholder Manager for the Secured member category, who left the employ of the SACRRA at the end of the year to join FNB. We thank them for their contributions and wish them well.

Happy additions to the team included Mpho Mackenzie, previously with the NCR, who joined the SACRRA team in March as a Stakeholder Manager and Virginia Skosana joined us as our Executive Personal Assistant when Ansa Jordaan's role evolved into that of Finance and Office Administrator.

To ensure optimal human resource practices within the Association, the Manco approved a Human Resources Framework, developed within the scope of the HR Committee, and which informs the HR policies and processes utilised by the SACRRA Office.

## Key legislative developments

The legislative environment, pertaining to consumer credit consumption, market practices and lawful access with related use of the personal and business data, is always dynamic. Consequently, the related practice of adjusting to be compliant with the law, will always exist. Planned legislative initiatives will affect the way data is reported and used. Examples of this are the Debt Relief Bill and the Protection of Personal Information Act and related regulations.

The SACRRA Manco and Office will assess the implications of these legislative requirements on the data reporting environment for SACRRA members and will undertake or recommend the necessary remedial actions to ensure alignment in our tools, policies, practices and standards to be suitably compliant with the prescripts of law.

## Tough economic times

Reviewing the macro environment, it is evident that consumer spending contracted through the year as living costs rose. In 2018, South Africa experienced a second economic recession, the previous occurring in the 1990s. According to Stats SA, the South African economy grew by 1.4% in the fourth quarter of 2018, giving an overall annual growth rate of 0.8%.

The strongest growth for 2018 was evidenced in the finance, real estate and business services sectors, whilst mining, agriculture and construction slumped – mainly for reasons particular to each sector.

The tough economic time experienced, together with the exacerbating challenges which Eskom faces in supplying enough, affordable power for the country's needs, will continue to contribute to economic constriction for some time to come. This will obviously have an impact on members and credit extension – both supply and demand thereof.

Sensitive to that, the Manco and the SACRRA Office Managers sought to contain costs where possible, by planning and implementing measures to achieve effective balance between the deployment of technology and those of human resources.

# CHAIRPERSON'S REPORT

The established Pricing Committee undertook in-depth analysis of the cost-drivers within the SACRRA and reviewed member categories' financial contributions against their service and support requirements, with some surprising insights occurring. Our finance model and related fee pricing also affects non-members because of the contractual obligations we have with the NCR.

The intention is to identify, develop and implement a sustainable financing model which ensures the SACRRA remains viable, so the work on pricing continues within the scope of the strategic planning the Manco and Management team have and are still undertaking.

## Importance of good corporate citizenship

The "Broken Windows" theory, as popularised in 1990 by New York Mayor Rudi Giuliani, states that visible signs of crime, anti-social behaviour, and civil disorder create an urban environment that encourages further crime and disorder. The converse is proved true as well and if we accept this principle in the reporting of credit and risk data, then it stands to reason that good quality data can support business decisions and the development of high quality predictive models.

For those members who continually meet the data requirements we are grateful and for those of us still striving to achieve all that is required, we trust that the endeavours will continue!

## Note of Appreciation

I would like to thank my fellow Manco members for their service during the last year, also all the SACRRA members, the SACRRA Office management and staff and of course our various suppliers without whom we could not deliver some of the most vital services we offer.

Our sincere thanks also go to the National Credit Regulator for having the confidence in our Association to have us assist in the pursuit of a sustainable, fair and fully-reported credit market.

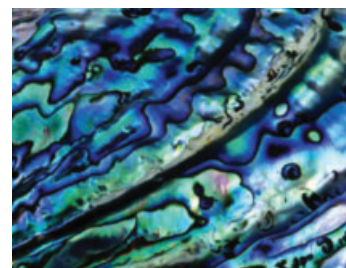
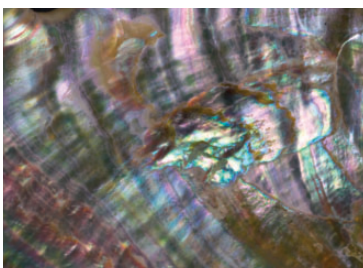
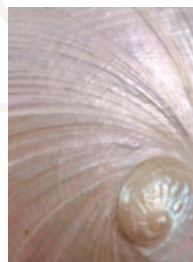
Appreciation is also extended to the CBA, the Banking Association and the Credit Ombud on whose Council our Association is represented.

In concluding, the saying made famous by Napoleon – "an army marches on its stomach" – comes to mind, implying the interdependence of an army on its soldiers with full stomachs and its weaponry; and so too, our Association requires our Members, whom we exist to serve.

**Mark Seymour**  
Chairperson

“ To attain knowledge, add things everyday.  
To attain wisdom, remove things every day.”

Lao Tzu



## SOUTH AFRICAN CONSUMER MARKET REVIEW

According to the latest Credit Bureau Monitor published by the National Credit Regulator (NCR), there are 24 million credit active consumers in South Africa<sup>1</sup>, equating to over 63% of the adult (18+) population. Analysis indicates that roughly 90% of consumers in the addressable market for consumer credit<sup>2</sup> have at least one open credit account. That is an achievement; access to credit is a stated objective of the National Credit Act and an indicator of financial inclusion.

The role of data sharing in enabling this outcome is material. Across the continent, credit information sharing and the establishment of credit bureaus that retain positive and negative information is a cornerstone of strategies to build credit markets. The South African achievement is all the more noteworthy because the creation of this country's credit bureau infrastructure arose out of a voluntary industry initiative and not a regulatory intervention. That initiative required lenders to put aside narrow competitive interests in order to grow the industry, and is a rare example of an industry-led effort for the common good.

Of course, this is not to say that South Africa's credit sector is uncomplicated. Data on loan and borrower level performance – the flipside of the access coin – highlights the precarious position of many consumers. Despite a noticeable improvement, just under 9 million or 37% of all credit active consumers still have impaired records, and high levels of arrears are an enduring feature in many credit verticals. In part, this reflects the underlying economic environment in South Africa; roughly half of all of those with one or more open credit accounts earn less than R7 500 per month. In that segment of the market, wages are stagnant and churn rates in the labour market are high making borrowers vulnerable to income shocks, while there are few safety nets. But beyond this, poor performance also, no doubt, reflects imprudent borrowing and lending behaviour, lender tolerance for default and poor levels of debt discipline among borrowers. While lenders can and do price for this risk, high levels of arrears create moral hazard as borrowers who do pay may assess that it is optimal to cease paying instalments on debt they owe.

At the same time, a significant proportion of high cost credit taken up by lower income households is utilised to support discretionary consumption expenditure, which was not the primary intention of financial inclusion. Interest payments are a visible component of consumption expenditure; it has never been cheap to buy now and pay later. In many cases, instead of credit providing a pathway to prosperity for lower income households, credit amplifies their vulnerabilities. And while tolerance for late payment in sympathy with this vulnerability may be regarded as an important component of a service proposition offered by credit retailers to borrowers, it

comes at a real cost; impaired credit performance, reported to bureaus and which is visible to all lenders, disrupts credit journeys and limits access to better priced or secured credit that could support wealth creation down the line.

It is clear that the thrust of past and current regulatory interventions in the consumer credit sector intends to tackle these challenges. While it is debatable whether inevitably blunt regulatory instruments can achieve their purpose without creating a host of other more pernicious consequences, there has been a clear shift in lending patterns. Credit extended to borrowers who earn R7 500 or less has declined noticeably in real terms since 2011; unsecured credit by over 50% and credit facilities by 37%. Going forward, the proposed debt intervention bill, designed to provide relief for lower income, over-indebted consumers might result in further contraction of lending in the segment of the market targeted by the bill, and might even spill over into higher earning segments.

### Time for consumer credit to come home

Uncertainty regarding the implementation of the bill in the context of South Africa's slow growth, not to mention global instability creates a challenging environment for lenders. Despite this – or possibly, even because of this – there is scope for growth in consumer credit in ways that can shift in the market and re-position credit as a powerful mechanism for asset building and bottom-up transformation.

Previous and draft regulation explicitly favours developmental credit. This category includes loans granted by accredited developmental credit providers for small business, education and housing. In addition, mortgages are rightly treated differently compared to other categories of credit.

While lending for small business and education are critical, arguably housing offers the most significant and immediately achievable opportunity. It is true that affordable stock may be difficult to develop at scale because of the numerous problems that manifest along the housing supply chain. However, the resale entry-level market offers opportunity as properties initially funded by the State and transferred to poor beneficiary households for free legitimately come to the market. Recent research indicates that there are almost two million properties built by government on the Deed's Registry, accounting for a third of all registered residential units. And while house prices may not be growing in many conventional segments of the residential property market, in some lower income neighbourhoods, prices are increasing at over 10% per annum. That said, these houses still trade at a significant discount to newly built stock, providing an affordable entry point

<sup>1</sup> Credit Bureau Monitor, Q3 2018.

<sup>2</sup> The addressable market for consumer credit comprises consumers who have a 'bankable' income or who are underwritten by someone else's income. This includes consumers in formal employment (12.2 million), domestic workers and those in the informal sector (1.3 million and 2.8 million respectively), state and private pensioners (3.5 million) as well as students and homemakers who are underwritten by others (roughly 600 000).

## SOUTH AFRICAN CONSUMER MARKET REVIEW

into the property market. In addition, the State has increased capital subsidies for first time home buyers significantly supporting affordability further. A household earning R10 000 per month for instance would qualify for a capital subsidy of R88 323<sup>3</sup>. This together with an affordable mortgage of around R170 000<sup>4</sup> would provide sufficient capital to fund the purchase an entry level house on the resale market.

Beyond the impact on household wealth, mortgages in particular can have a significant impact on transforming South African cities. Of course, unsecured credit and pension-backed loans can be used for housing purposes. However, because mortgage lenders have a material interest in the property itself, mortgages co-opt the interests of households and the financial sector, both, in support of better urban governance. Households who wish to sell their properties to buyers who need mortgage finance have an interest in paying municipal accounts and complying with land use by-laws and building codes. Likewise, cities that wish to see more mortgage lending in support of housing market performance (and by implication, city budgets) have to govern more effectively.<sup>5</sup>

Indeed, the aligned interests of property owners, mortgage lenders and responsive local government can transform areas that despite almost a quarter of a century of democracy have continued to manifest apartheid's legacy.

As households deleverage and rehabilitate, there is a golden opportunity to develop more inclusive mortgage markets, building on the state's significant investment in subsidy housing. The same data, capabilities and credit market infrastructure that in the past enabled South African consumers to spend now and pay later if at all, can support those same consumers to build wealth.

To quote Paul Collier, a leading global development economist:

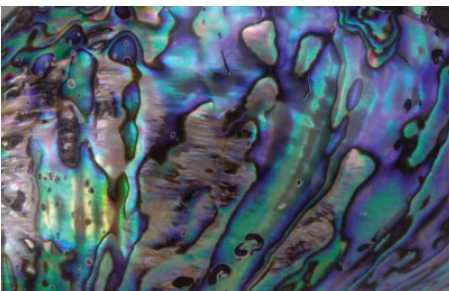
“Commentary on the emergence of an African middle class has become common, but it is being defined in terms of discretionary spending and potential for consumer markets. A politically more salient definition of a middle class would be in terms of home ownership and the consequent stake in economic stability.”

SACRRA members and SACRRA itself clearly play a critical role in that journey.

Source:  
**Illana Melzer**  
Founder: 71 point4

“The fool wonders,  
the wise man asks.”

Benjamin Disraeli



<sup>3</sup> This subsidy, known as the Finance Linked Individual Subsidy Programme or FLISP, is available for first time home buyers who earn between R3 501 and R22 000. The capital subsidy is a declining amount, starting at R121 626 for households earning R3 501 to R27 960 for households earning R22 000.

<sup>4</sup> This assumes a 20-year mortgage granted at 14% per annum interest with R400 per month in insurance. Total instalments (including insurance) are capped at 25% of household income.

<sup>5</sup> For a detailed discussion on mortgage lending in South Africa, see *Bringing Life to Mortgage Markets in South Africa*, Prepared for the Centre for Affordable Housing Finance in Africa by 71 point4, August 2018 available at <http://housingfinanceafrica.org/documents/bringing-life-to-mortgage-markets-in-south-africa/>.

# STATEMENT OF MANAGEMENT COMMITTEE

For the year ended 31 December 2018.

## Responsibility and approval

The Management Committee are required in terms of the Association's Constitution 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 Standards 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 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.

“ It is a capital mistake to theorise before one has data. ”

Arthur Conan Doyle, Author of Sherlock Holmes





## 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 2018.

### 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 Annual Financial Statements has occurred between 31 December 2018 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.

### Financial results

The financial results show that the Association has made a surplus during the current financial year. The Management Committee expects 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 continued in office as the auditor of the Association for the 2018 financial year. The appointment of auditors to serve in office for the 2019 financial year will be recommended by the Management Committee for consideration and approval by the Members of the Association at the next Annual General Meeting.

## Management Committee

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

Member Category	Representative	Organisation
	Darrell Beghin	SACRRA Office
Group	Hennie Ferreira <sup>1</sup>	MicroFinance South Africa (Pty) Ltd
Affiliate	Jaco Rossouw	Principa South African Data Analytics, Consulting & Software
Affiliate	Steve Monty	Information Capital
Associate	Alex Moir	Xpert Decisions Systems
Associate	David Coleman	Experian South Africa
Associate	Thabo Hermanus	Compuscan Holdings South Africa (Pty) Ltd
Insurance	Marc van der Zon	Hollard Insurance Company (Pty) Ltd
Insurance	Hendrik Heyns	Brolink (Pty) Ltd
Other	Christopher Guy Harradine	MBD Credit Solutions (Pty) Ltd
Retail Apparel	Hugh Wroe-Street <sup>2</sup>	Truworths Ltd
Retail Apparel	Anisia Naidoo/Thamsanqa Msimang	Edcon (Pty) Ltd
Retail Apparel	Sharief Allie	The Foschini Group Ltd
Retail Furniture	Eugene Ehlers	JDG Trading Ltd
Secured Finance	Leila Cassim <sup>3</sup>	Nedbank Ltd
Secured Finance	Paul Middleton	Absa Ltd
Secured Finance	Steve Smith	Standard Bank SA Ltd
Telecommunications	Riaan Smit	Vodacom Ltd
Unsecured Finance	Hein Olivier	Capitec Bank Ltd
Unsecured Finance	Tracey Wheatley/Christina Diedericks	African Bank Ltd
Unsecured Finance	Mark Seymour <sup>4</sup>	Thuthukani Financial Services (Pty) Ltd
Notes	<ol style="list-style-type: none"> <li>1 Non-voting member as per clause 9 of the Constitution</li> <li>2 Treasurer</li> <li>3 Vice-Chairperson</li> <li>4 Chairperson</li> </ol>	

## STATEMENT OF FINANCIAL POSITION

At 31 December 2018	2018 R	2017 R
<b>ASSETS</b>		
<b>Non-Current assets</b>	305 100	258 828
Equipment	305 100	258 828
<b>Current assets</b>	17 022 125	12 771 654
Trade and other receivables	661 423	146 601
Cash and cash equivalents	16 360 702	12 625 053
<b>Total assets</b>	<b>17 327 225</b>	<b>13 030 482</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	14 228 214	10 546 151
Retained income	14 228 214	10 546 151
<b>Current liabilities</b>	3 099 011	2 484 331
Trade and other payables	2 892 597	2 167 876
Short-term bank borrowings	4 901	–
Provisions	201 513	316 455
<b>Total liabilities</b>	<b>3 099 011</b>	<b>2 484 331</b>
<b>Total equity and liabilities</b>	<b>17 327 225</b>	<b>13 030 482</b>

## STATEMENT OF COMPREHENSIVE INCOME

At 31 December 2018	2018 R	2017 R
<b>Comprehensive income</b>	<b>17 223 665</b>	<b>13 738 996</b>
<b>Gross surplus</b>	<b>17 223 665</b>	<b>13 738 996</b>
Other income	733 635	561 877
Audit fees	(39 009)	(33 900)
Depreciation	(126 728)	(17 004)
Employment costs	(10 187 202)	(8 582 348)
Other operating expenses	(5 075 005)	(4 322 951)
<b>Surplus from operations</b>	<b>2 529 356</b>	<b>1 344 670</b>
Investment income	1 152 478	940 198
Surplus on disposal of non-current assets	229	–
<b>Surplus before taxation</b>	<b>3 682 063</b>	<b>2 284 868</b>
Taxation	–	–
<b>Surplus for the year</b>	<b>3 682 063</b>	<b>2 284 868</b>
Other comprehensive income	–	–
<b>Total comprehensive income for the year</b>	<b>3 682 063</b>	<b>2 284 868</b>

# MEMBER AND DATA OVERVIEW

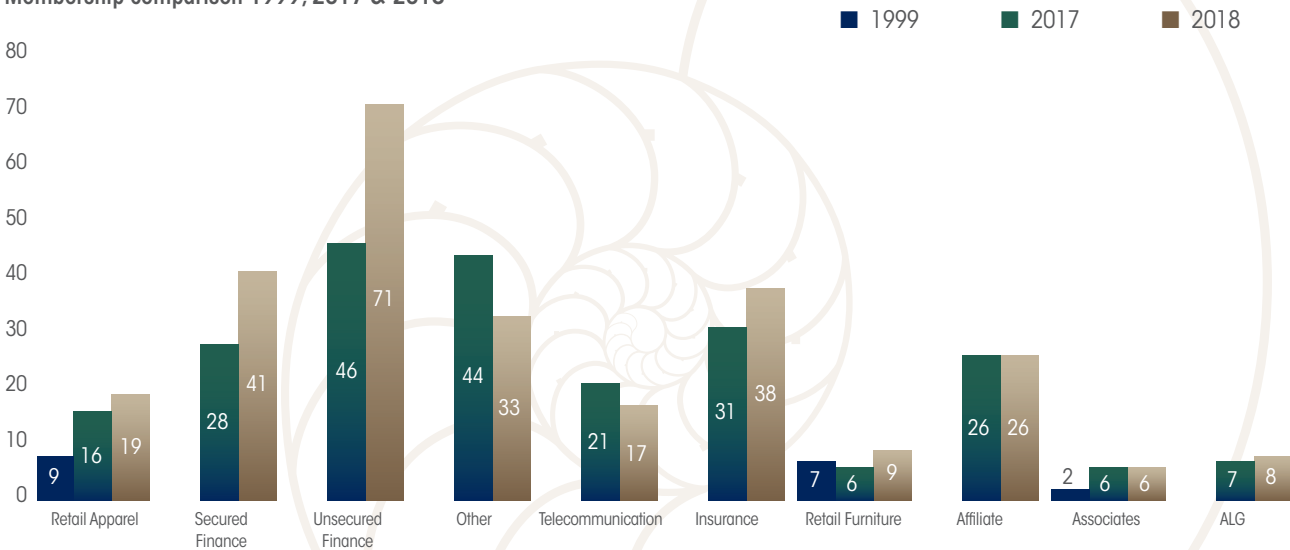
## Member Overview

The Association started as a voluntary member-based non-profit organisation that was established by the retail industry with two credit bureaus. The focus was on credit matters and information sharing within the retail industry, over time the SACRRA membership base has grown not just in numbers but also in industry sector representatives. Thirty years later the membership base boasts retail, telecommunications, insurance, secured and unsecured lending, and a single additional category, "Other", comprised of different types of companies, such as subscriptions and debt collection services. All Members contribute to the same vision of comprehensive quality data to support informed decision-making.

As we look through the archives and review the minutes of the inaugural Annual General Meeting held on 18 April 1989, we can see how far the SACRRA has come and as each year goes by, we continue to grow. Being the versatile Association that we are, we are geared to adapt to changes and membership needs, evolving the data sharing environment and finding the means to accommodate various industry challenges in sharing credit and risk data.

The SACRRA Office regularly engages Members on data quality and Association related issues. During 2018, the Office received approximately 198 000 emails and took relevant actions in regard to these. This excludes emails received for the Data Transmission Hub.

Membership comparison 1999, 2017 & 2018



Membership within the Retail Apparel, Unsecured Finance, Secured Finance and Insurance categories has increased over the years. Recently we have been re-classifying Members previously allocated to the "Other" membership category. The implementation of the NCA Regulation 19(13) and associated guidelines have contributed to our increased membership base.

Membership Category	2017		2018	
	Record Count	% of Total Records	Record Count	% of Total Records
Retail Apparel	17 906 306	31.56	19 171 117	33.49
Secured Finance	14 324 778	25.25	14 978 117	26.17
Unsecured Finance	10 784 335	19.01	7 023 523	12.27
Other	1 295 621	2.28	2 402 419	4.20
Telecommunications	7 207 951	12.70	6 301 466	11.01
Insurance	3 502 249	6.17	4 215 249	7.36
Retail Furniture	1 474 063	2.60	1 329 587	2.32
Affiliate-Led Group (ALG)			1 815 305	3.17
<b>Grand Total</b>	<b>56 495 303</b>	<b>100.00</b>	<b>57 236 783</b>	<b>100.00</b>

# MEMBER AND DATA OVERVIEW

The Insurance category is the single largest contributor of membership fees (18%), followed by the Unsecured and Secured Finance categories (15% and 16% respectively). The 6 NCR-approved Associate Members contributed 13% of membership fees and in addition also contribute to the cost of managing and running the Data Transmission Hub.

## SACRRA Consumer Membership Fees

Membership Category	2018		
	Member Count	Member Fees Rands	% Financial contribution
Retail Apparel	19	1 596 807	10
Secured Finance	41	2 458 843	16
Unsecured Finance	71	2 330 080	15
Other	33	1 831 610	12
Telecommunications	16	928 911	6
Insurance	38	2 704 319	18
Retail Furniture	9	614 391	4
Affiliate	26	191 347	1
Associates	6	1 992 984	13
Affiliate-Led Group (ALG)*	8	673 593	4
<b>Grand Total</b>	<b>268</b>	<b>15 322 886</b>	<b>100</b>
<b>Total Full Members</b>	<b>228</b>	<b>12 464 962</b>	

\*Note: Data contributors falling within the ALG members category are not counted in this table, but is approximately 1 000.

## BusCRI Project Contributions

Member Category	2018		
	Participant Count	Contribution Rands	% Financial Contribution
Data Contributors	5	500 000	28
Data Hosts	7	910 000	51
Donors	1	300 000	17
Interest Group(s)	1	50 000	3
Service Provider(s)	1	10 000	1
<b>Total</b>	<b>15</b>	<b>1 770 000</b>	<b>100</b>



## Data Quality Issues and Materiality Decision Matrix (MDM) Alerts

The SACRRA Office performs monthly data quality assessments on files submitted and/or loaded and where necessary recommends remedial actions for rectification of anomalies.

The MDM process was established to categorise anomalies within data submissions at a granular and macro level. This is to consider the impact of these irregularities on credit and risk decisions, in order to effect the appropriate escalation notifications and set timelines for corrective actions.

2018	Number of MDM Alerts	
	1st Alert	2nd Alert
January	1	0
February	1	0
March	0	1
April	6	0
May	3	1
June	2	0
July	1	0
August	2	0
September	3	0
October	6	0
November	6	0
December	1	0
<b>Grand Total</b>	<b>31</b>	<b>2</b>

The table depicts the number of Alerts issued. In instances where the data issues were not resolved within the specified and agreed timelines, a second MDM Alert was issued wherein the parties experiencing the challenges were named. Three of the first alerts issued were positive in nature, depicting new files being incorporated within the data reporting environment.

# MEMBER AND DATA OVERVIEW

Membership Category	MDM Alerts per Membership Category			
	High Severity File/ Data Integrity Consistency	Non Submission	New Data Additions	Grand Total
Furniture Retail	2			2
Other	6	1	3	10
Retail Apparel	2			2
Secured	1	2		3
Telecommunication	4	2		6
Unsecured	6	2		8
<b>Grand Total</b>	<b>21</b>	<b>7</b>	<b>3</b>	<b>31</b>

## National Loan Register (NLR) Decommissioning

The decommissioning of the NLR dataset has been a key priority and one of the ultimate goals within Project Evolution. The deadline for credit providers who traditionally contributed to the NLR dataset was 30 November 2018. This entailed the parties compliance to the SACRRA L700v2 Specification as well as the migration of their records from the NLR dataset.

The NLR Management Committee commissioned in 2009 by the NCR, approved the proposed NLR Decommissioning Policy in 2017, which was actively implemented during 2018. The Decommissioning Policy affords the ring-fencing of NLR data within the Evolution dataset. Given the nature of the NLR dataset many organisations will have either ceased operations, merged or merely failed to submit data over time. This ring-fencing is therefore specific to data which cannot easily be attributed to any current data contributor. This approach also endorses the NLR Management Committee’s principle that any decommissioning action will not eliminate or deteriorate the volume or value of the NLR dataset.

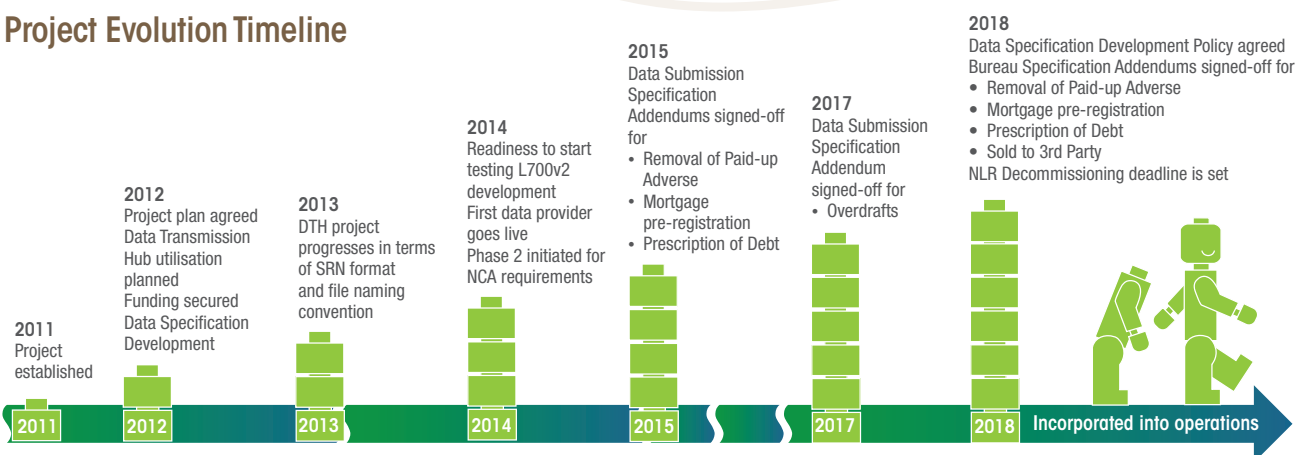
As required, post the 30 November 2018 deadline, the NLR Management Committee reported the status of the NLR dataset as held at each individual NCR hosting bureau, to the NCR. This included the active and dormant Supplier Reference Number (SRN) counts which point to the volume of data that still needed to be migrated and which by implication prevented adherence to the decommissioning deadline.

Prior to Project Evolution the number of records submitted to the NLR dataset was 11 million per month. This has been successfully and intentionally reduced to under 200 000 per month by December 2018.

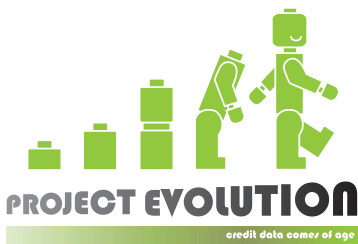
Notwithstanding the status, the NLR dataset has diminished significantly since the first NLR data provider migrated to the Project Evolution dataset in June 2014. Under the guidance of the NLR Management Committee, the decommissioning process will continue in 2019. This is the final delivery required of the NLR Management Committee.

NLR monthly submissions for Members and Non-Members	File Count	Record count
Submissions as at May 2014	861	11 140 728
Data resolved	739	10 967 242
<b>Current NLR submissions (December 2018 month end)</b>	<b>122</b>	<b>173 486</b>

## Project Evolution Timeline



# MEMBER AND DATA OVERVIEW



“ We’re entering a new world in which data may be more important than software.”

Tim O’Reilly, Founder, O’Reilly Media

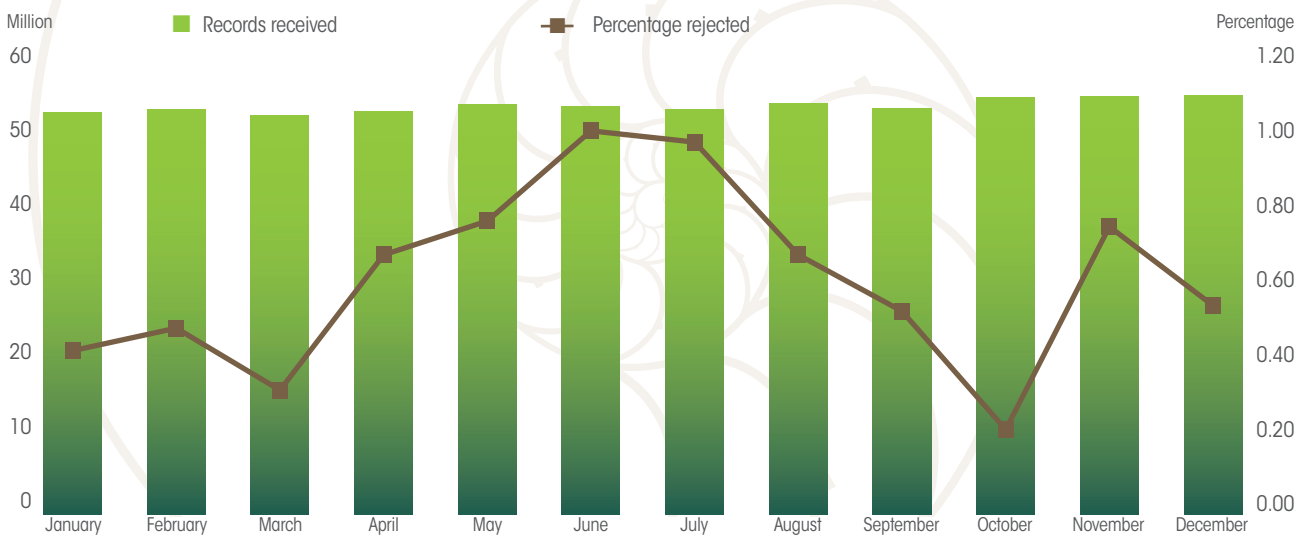
The SACRRA Office and Members continued to strive towards the aim of growing one comprehensive dataset with continual management and monitoring of the data quality.

submitting data to their respective group leaders or due to intermittent transacting by these lenders.

The average rejections across all member categories have, for most of 2018, remained less than 1%, with slight increases in June and July, which rejection challenges were subsequently addressed and rectified. The data submissions from Affiliate Group Leaders are not consistent month-on-month, this is due to credit providers not

The Project Evolution intent of combining the NLR and CCA/CPA datasets in a standard format, with all data flowing through the Data Transmission Hub (DTH) has essentially been achieved. The intended target of a 2% rejection rate has been commendably exceeded with an average of less than 1%.

### L700v2 Data Volumes and Rejection Percentages



The table below depicts the compliance status per member category. Significant progress was made in converting formats from L700 (CPA) to L700v2 with only 8 files remaining in the old L700 (CPA) format and 121 remaining in the NLR dataset.

Member Category	Total Number of Files	% Non-Project Compliant	Non-Project Compliant Files		% Project Compliant	Project Compliant Files
			CPA	NLR		
Retail Apparel	149	0.00			100.00	149
Secured Finance	161	0.09	5		99.91	156
Unsecured Finance	84	0.04		1	99.96	83
Other	69	0.24	1		99.76	68
Telecommunications	13	21.47	1		78.53	12
Insurance	41	0.85	1		99.15	40
Retail Furniture	52	0.00			100.00	52
Affiliate-Led Groups	1 156	9.16		120	90.84	1 036
<b>Grand Total</b>	<b>1 725</b>	<b>9.16</b>	<b>8</b>	<b>121</b>	<b>90.84</b>	<b>1 596</b>

# OPERATIONS OVERVIEW

## Project Evolution Phase 2: Compliance

The compliance phase of Project Evolution refers to:

- Removal of Paid-up Adverse data, this has been catered for in the Daily Submission Data Specification through the inclusion of new status codes;
- Submission of Overdraft data;
- Submission of Mortgage pre-registrations;
- Management of Prescribed Debt; and
- Debt Sold to Third Party.

The Data Submission Specification Addendums for the compliance phase were signed off during 2015, 2017 and 2018. The Bureau Specification Addendums were signed off during early and mid-2018. Members will start development on these during 2019 and will cease to use the interim work-arounds put in place to assist with compliance requirements once all development is completed.



## Data Specification Development Policy

Given the volume of data contributors and credit bureaus involved, the development process is often complicated and resource-intensive for all parties. A standard approach with set principles was required to ensure that all parties deliver on their requirements in a fair and timely manner. The Project Evolution Steering Committee proposed and agreed a Data Specification Development Policy which was approved by the SACRRA Management Committee in August 2018 and which will be applied to all future Data Specification developments.

The policy established high-level principles agreed between the SACRRA Data Contributing Members as well as the Associate Members, to expedite developments. These principles support the requirements of the MOA with the NCR.

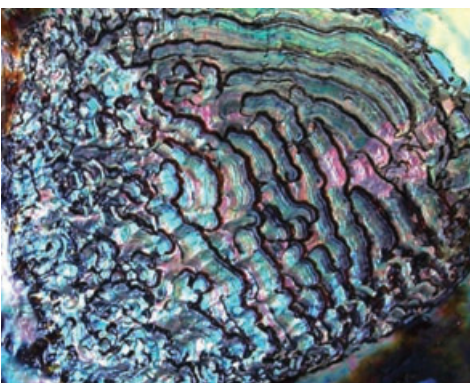
The Policy addresses:

- Project Principles;
- Input Development Principles;
- Output Development Principles (Return Strings); and
- Data Mapping Principles.

The progress of Project Evolution Phase 2 is relative to agreement on the date on which to commence formal testing of data submissions and validation rules. This will be pursued in 2019.

“ I never guess. It is a capital mistake to theorise before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts.”

Sir Arthur Conan Doyle, Author of Sherlock Holmes stories



# OPERATIONS OVERVIEW

## MOA Onboarding

The National Credit Regulator (NCR) prescribed the Data Transmission Hub, co-owned by the Credit Bureau Association (CBA) and the SACRRA, as the “manner” and the SACRRA’s Data Specification (Layout 700v2) as the “form” in which credit and data providers must submit credit and risk information to the NCR approved credit bureaus under Regulation 19(13) and it’s associated guidelines.

In terms of the MOA the NCR, the CBA and the SACRRA have specific responsibilities. The SACRRA is responsible for the assessment and onboarding of NCR registrants and any data contributors that would want to access payment profile information. Responsibilities also include the provision of an onboarding timetable to the approved bureaus and reporting to the NCR on data quality exceptions, non-submissions as well as non-payment of prescribed fees.

The NCR Registrant count, excluding SACRRA Members, has since expanded to 5 556 from 3 894 in 2017.

The published deadline for the onboarding of NCR categories 1-5 was 30 November 2018. Only 4 NCR registrants completed the onboarding process and started submitting live files by the deadline. From the 52 registrants being onboarded, only 7 registrants provided timelines, one registrant received approval from the NCR for an extension and the remaining 44 registrants were still to confirm and commit their timelines. There are, however, many category 1-5 registrants that did not complete the assessment phase. Some registrants joined as SACRRA Members and 12 of these Members completed the onboarding process during 2018.

Nineteen registrants have unique products which the NCR needed to determine the requirement, or otherwise, for reporting of information. Examples of these products are investment or policy-backed lending, pawn transactions and timeshare points.

Reporting to the NCR commenced in February 2018 on Non-Submissions, followed by the Data Management Quality reporting in April 2018. The non-payment reports had commenced in October 2017. The SACRRA Office is actively working with Members to rectify any data anomalies but is required to report Members to the NCR should those anomalies not be rectified within agreed timelines.

The MOA Steering Committee commenced the review of the data access practices to ensure that the principle of data reciprocity is maintained.

To support the onboarding requirements, the SACRRA Office held various information sessions with NCR registrants and also presented at NCR workshops. The Assessment Form was amended to include Cooperative Financial Institutions and the Regulation

19(13) brochure updated to cover key issues identified during initial engagements with early adopters.

Various engagements were held during 2018 with the World Bank/IFC, NCR, Associate Members and Affiliate Group Leaders to inform a World Bank/IFC, NCR project concept and charter. The initial objectives identified were to (a) promote information sharing by credit providers in categories 6 to 9; (b) promote the collection and usage of alternative data for credit reporting; as well as (c) enhance the effectiveness of NCR through adoption of technology.

## Training Intervention

Based on the engagements with NCR registrants and the various queries received through the assessment and onboarding phases, it became clear that registrants needed additional assistance to understand the various processes and to interpret the Data Specification and related requirements. This led to the SACRRA Office drafting detailed scripts on the data sharing environment, the MOA and related Guidelines to Regulation 19(13), explaining the submission requirements of Layout 700v2, including reporting and consumer dispute management. These scripts were used to produce five training videos. Two of these videos will be made available on the SACRRA’s website and the rest disseminated when an entity starts the onboarding process to alleviate the time spent by the SACRRA Stakeholder Managers on non-members. These videos will also be made available to new SACRRA Members being onboarded and can be used in face-to-face training interventions for large groups.

**SACRRA CREDIT & RISK REPORTING ASSOCIATION**

Please note that the information provided in this Assessment Form will only be used to the extent necessary for the purposes of conducting an assessment, to inform the onboarding process, and to report to the National Credit Regulator (NCR) in terms of the SACRRA's obligations in terms of the Memorandum of Agreement entered into with the NCR, and will do so in accordance with the Protection of Personal Information Act, 4 of 2013 (POPIA).

### Assessment Form Cooperative Financial Institutions Data Contributor Details

**1. Data Contributor Details**

Name of Cooperative Financial Institution (CFI)  
 Trading name  
 Postal address  
 Physical address  
 Postcode  
 Telephone number (include)  
 Cell phone number  
 Company email address  
 Company registration number  
 NCR registration number, if applicable  
 Total principal debt  
 CFI registration number, if applicable  
 Number of members belonging to this Co-operative Financial Institution  
 Is your company currently using the Banking system platform offered by National Treasury/DBSA? Yes/No, but would consider using one

**2. Business / Infrastructure / Readiness**

Primary Credit bureau / Number Records / Products / Industry / SSP  
 Does your company currently use a Secondary Service Provider or external Loan Management System for data management purposes? Yes/No, but would consider using one  
 If Yes, please complete 'SSP Contact Details' section  
 If your company has credit and risk payment information on your customers, is it stored in an electronic format? Yes/No  
 If Yes, please complete 'Capacity to develop and share data' section  
 Does your company keep payment information on your customers? Yes/No  
 If Yes, please complete 'Capacity to develop and share data' section  
 Is your company's credit and risk data stored in a paper format? Yes/No  
 If Yes, please complete 'Capacity to develop and share data' section  
 Is the data for the various products your company offer (e.g. savings, credit, insurance, etc) stored in the same way (e.g. electronic or paper)? Yes/No, please elaborate  
 Does your company think you have the capacity, skill and resources in-house to develop an electronic system? Yes/No  
 Does your company have access to the internet? Yes/No  
 Does your company have access to the internet? Yes/No, please elaborate

**3. Products to Report**

Product Name  
 Product Description  
 Product Type  
 Product Category  
 Product Code  
 Product Status  
 Product Risk Rating  
 Product Interest Rate  
 Product Term  
 Product Collateral  
 Product Security  
 Product Insurance  
 Product Guarantor  
 Product Co-signer  
 Product Joint Borrower  
 Product Joint Guarantor  
 Product Joint Co-signer  
 Product Joint Borrower/Guarantor/Co-signer  
 Product Other



# OPERATIONS OVERVIEW



**BUSINESS** | CREDIT & RISK INFORMATION

“Theories come and go, but fundamental data always remain the same.”

Mary Leakey, Anthropologist

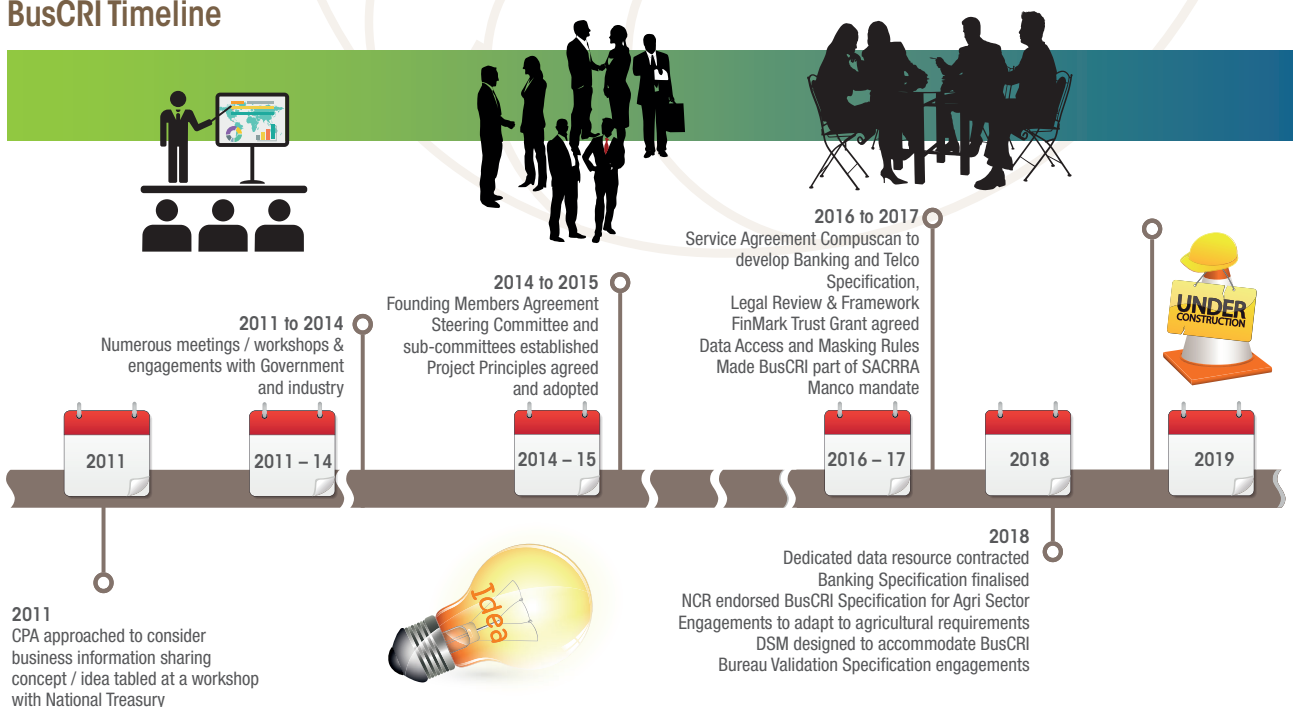
## Business Credit And Risk Information (BusCRI) Sharing Initiative

The objective of the BusCRI project is to provide an all-inclusive business payment database to assist in the acceleration of extension and management of credit and financial services to commercial enterprises. This project aims to leverage the role the SACRRA performs in the facilitation of credit and risk reporting on natural persons (consumers), in South Africa, to the benefit of business payment behaviour information being collectively reported.

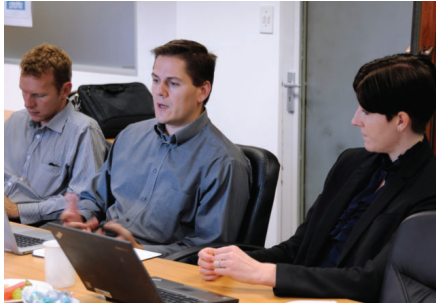
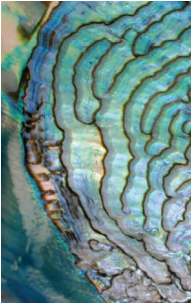
Subsequent to the SACRRA Manco approving the Banking Data Submission Specification in May 2018, the NCR endorsed the inclusion of the agricultural sector’s products into the BusCRI Specification under Regulation 19(13). In light of the many nuances agri-lending has compared to “traditional” credit, a number of engagements and workshops with the Agricultural Business Chamber (AGBIZ), and its members were necessary to ensure amendments to the Data Specification met their needs while complying with the parameters of Regulation 19(13).

The latter part of 2018 saw the drafting of the BusCRI Data Contributors’ and Bureau Validation Specifications. The Data Contributor Specifications contain the data extract rules and requirements for the development of the submission files for Property Finance, Business Mortgage Loans, Business Fixed Term Loans, Business Revolving Credit Loans and Vehicle and Asset Finance. The Bureau Validation Specification contains the data validation rules (either accept, reject or warn) that the credit bureaus need to develop to enable BusCRI data files to be validated and loaded. Both Specifications will be finalised and signed off in early 2019 for data hosts and data contributors to commence development.

## BusCRI Timeline



# OPERATIONS OVERVIEW



“Data is a precious thing and will last longer than the systems themselves.”

Tim Berners-Lee, father of the Worldwide Web

The Founding Project Members continued their support and the participation expanded with the Banking Association South Africa joining as a Special Interest Group, Accountability signed up as a Service Provider and VeriCred Credit Bureau came in as a data host during 2018. Consequently the following two new membership categories were introduced:

<b>Special Interest Group</b>	An industry sector participant or special interest group that will have no voting rights but will contribute financially towards the project in exchange for industry level statistics e.g. BASA.
<b>Service Provider</b>	A secondary service provider/loan management system vendor who will be responsible for submitting data on behalf of their clients e.g. they collect and report bureau data from smaller lenders to the data hosts. This category excludes an on-seller.

## BusCRI Project Participants



# OPERATIONS OVERVIEW

## SACRRA Automation and Tools

The following initiatives were addressed during 2018:



- Completion of enhancements to the Data Master Application (DMA) in line with Specification 700v2 amendments (Prescription of Debt, Debt Sold to 3rd Parties, Overdrafts, Mortgage pre-registrations). The testing for these changes is planned for 2019 and once completed will allow Members to confirm the correctness of their newly developed file submissions, prior to submission to the bureaus.



- Implementations of significant upgrades to the Data Transmission Hub software, databases and operating systems. The implementations were achieved as per the agreed dates with no unscheduled down time.



- Development of the Data Specification Matrix (DSM), the online tool that will provide detail of the 700v2 Specification inclusive of links between relevant fields and tables, was completed and released to participating pilot Members for beta testing during quarter 4. Enhancements were identified during this testing phase and the application will be amended accordingly for release in early 2019.

The Member Management component forms the basis of all future development and will allow online registration by prospective members as well as certain changes to members information. It will also facilitate the online request for new Supplier Reference Numbers (SRNs) as well as requests for amendments of SRNs relating to merging, splitting or selling of books related to existing SRNs.

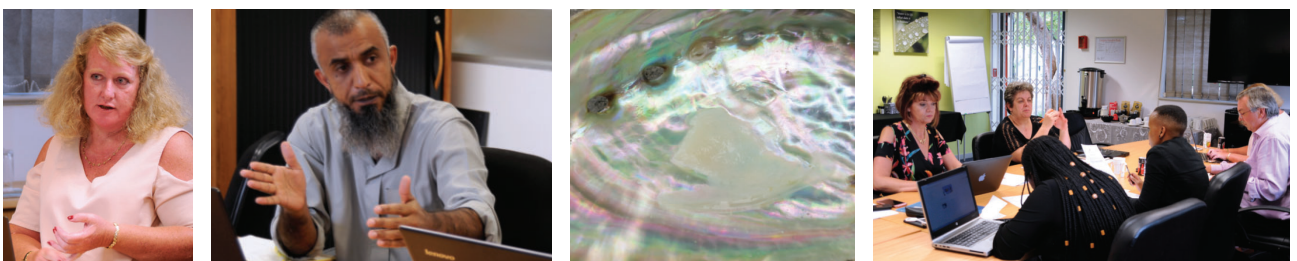
Members will have access to the portal which will provide a view of member company information and allow for sending and

receiving of notifications. The processes within the SACRRA Office will be built into a workflow solution that will provide a task list for the staff based on roles, information status and exceptions.

This will enable the SACRRA Office to optimise the management of incoming work as well as to identify bottlenecks within the processes that can then be addressed. A full audit trail of all tasks and data changes will be held to ensure that appropriate governance exists.

“ It’s difficult to imagine the power that you’re going to have when so many different sorts of data are available. ”

Tim Berners-Lee



# OPERATIONS OVERVIEW



“ Logic is the beginning of wisdom, not the end. ”

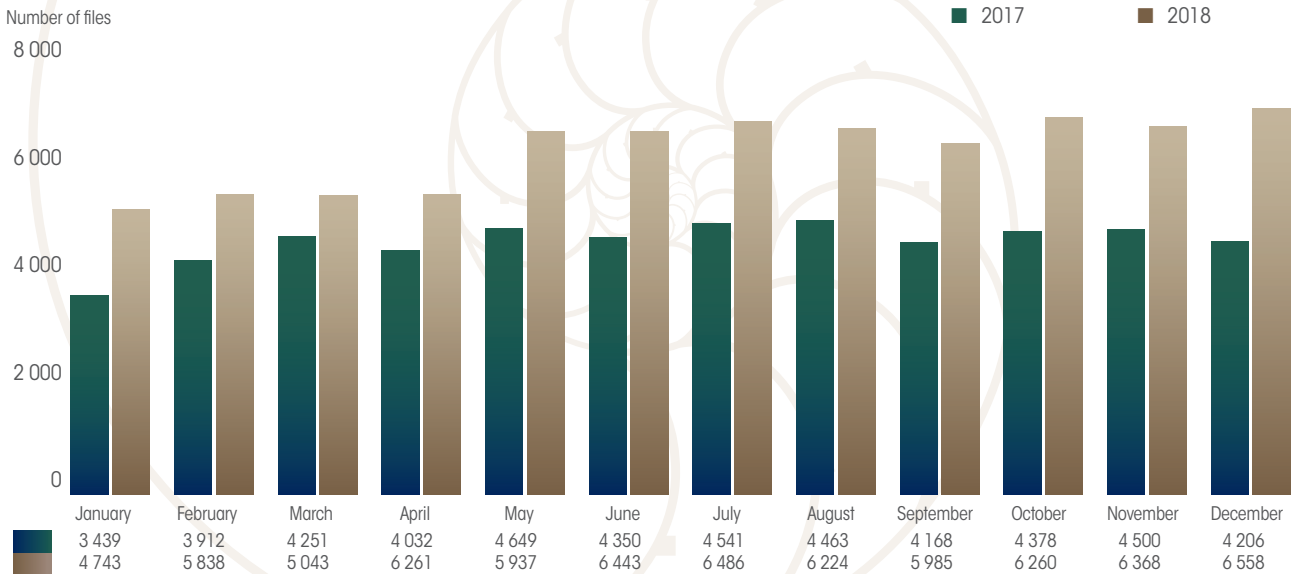
Leonard Nimoy

The total number of live files submitted via the Data Transmission Hub (DTH) increased by 26.67% from 2017 to 2018. This is partially attributed to the increase in SACRRA Membership, as well as the continued onboarding of non-SACRRA Members.

The total DTH-related emails received by the SACRRA Office reduced to 345 335. The AWE model that was implemented in June 2018 has significantly reduced the volume of emails the SACRRA Office manages on the DTH from 10 emails per file to 1 email per file where the files failed the transmission process. All submissions are now monitored through the enhanced reporting functionality.

The total number of files consists of CATB, L700, L700v2, Ad Hoc and Paid-up Judgment files uploaded via the DTH.

## Data Transmission Hub Activity 2017 vs 2018

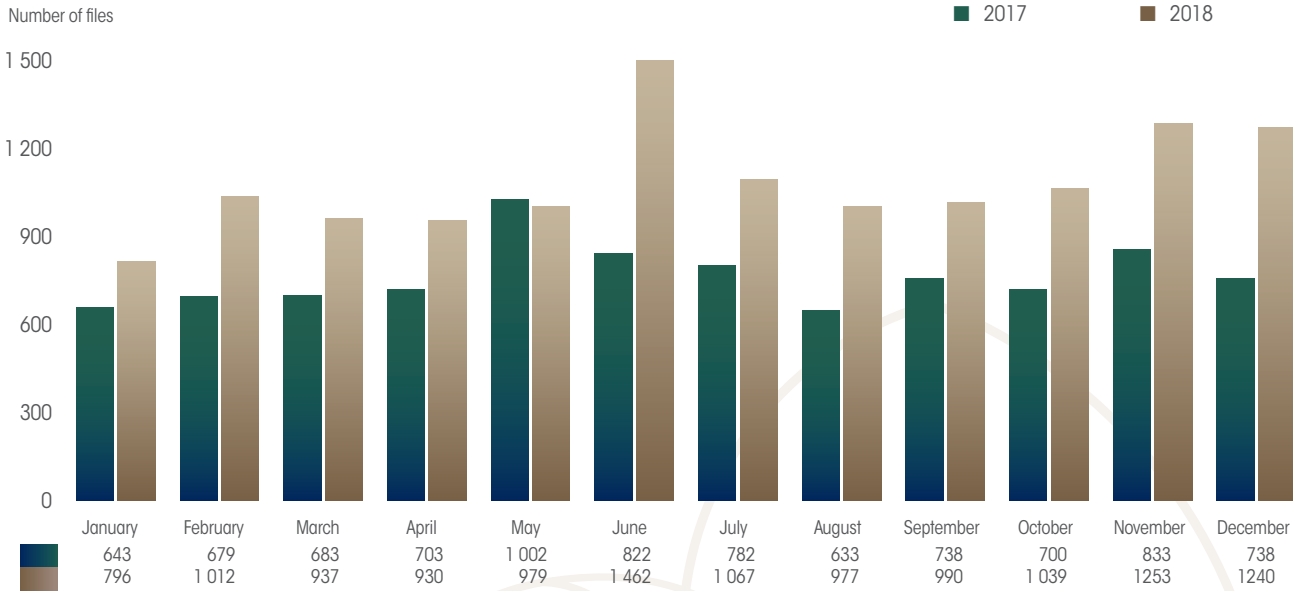


■ Total files 2017	52 906	■ Total emails received by the SACRRA Office 2017	508 920
■ Total files 2018	72 146	■ Total emails received by the SACRRA Office 2018	345 335



# OPERATIONS OVERVIEW

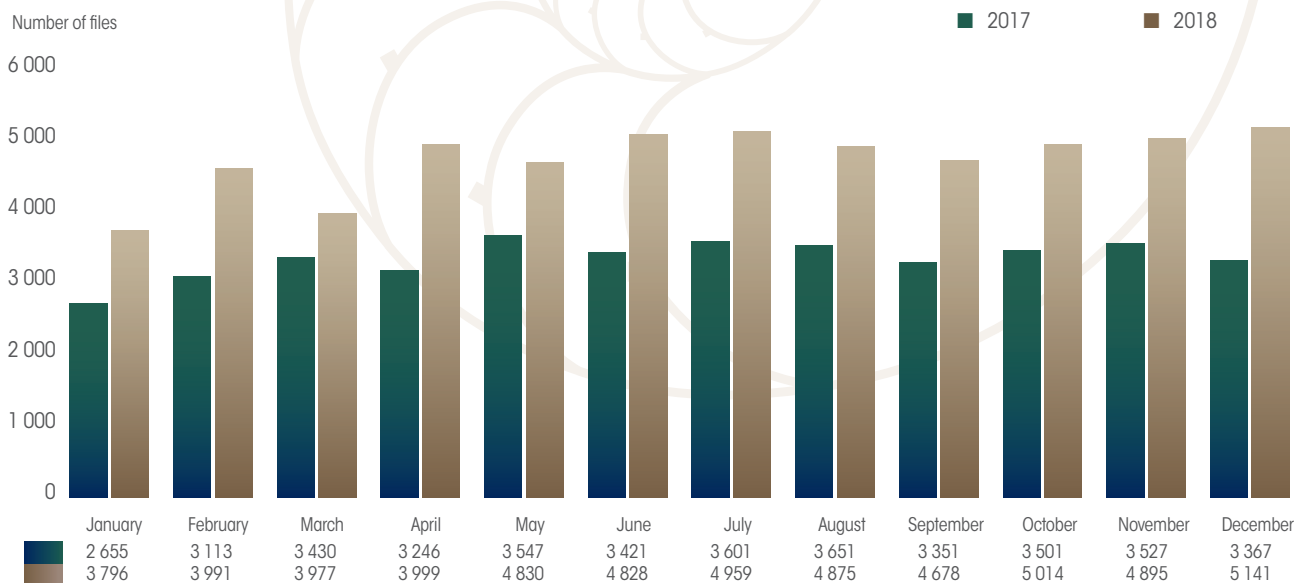
## Monthly files 2017 vs 2018



The number of monthly files includes all live files in CATB, L700 and L700v2. The number of monthly files increased by 29.4% from 2017 to 2018.

■ Total files 2017      **8 956**  
■ Total files 2018      **12 682**

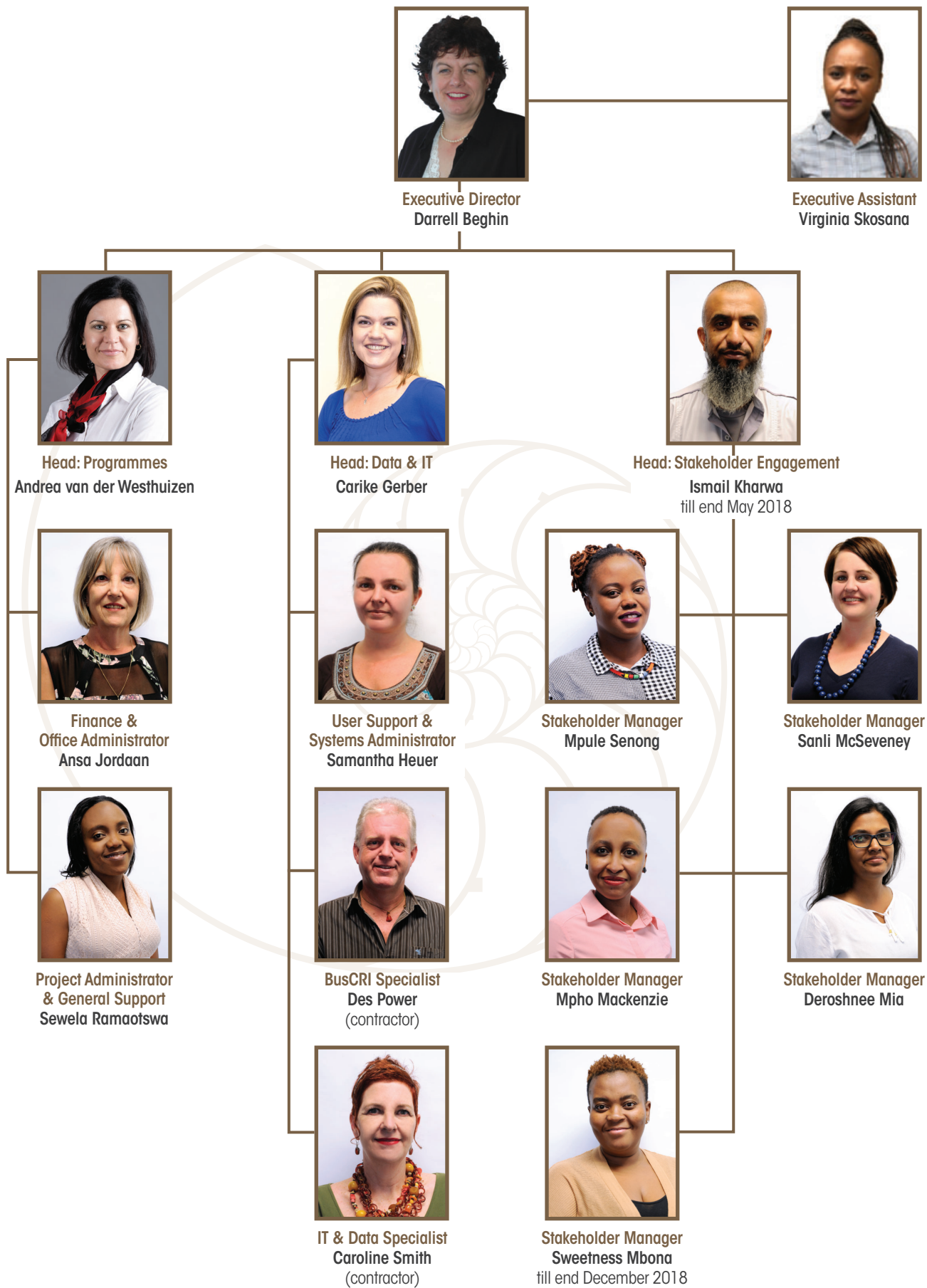
## Daily files 2017 vs 2018



The number of daily files includes L700v2 submissions and has increased by 26.5% from 2017 to 2018, this is attributed to the continuous success of Project Evolution.

■ Total files 2017      **40 409**  
■ Total files 2018      **54 982**

# SACRRA TEAM

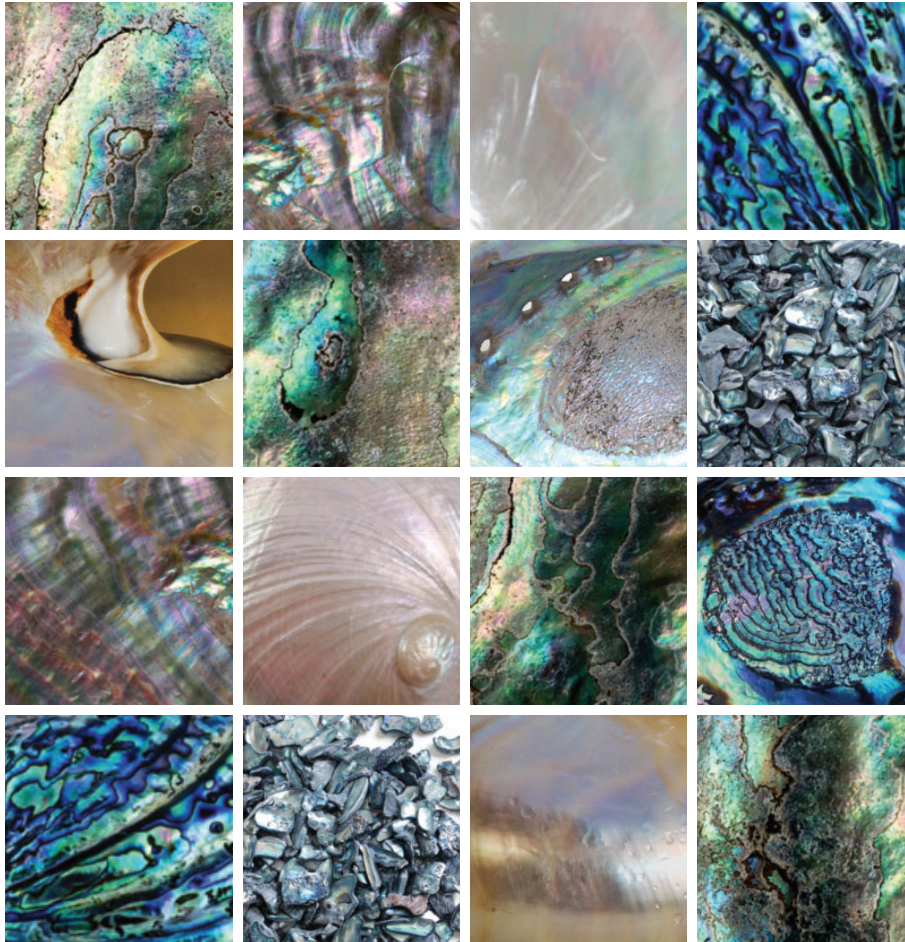




Pearls are traditionally associated with 30<sup>th</sup> anniversaries and are formed when an irritant makes its way into a mollusc which then secretes what is commonly known as “mother of pearl” to produce a beautiful gemstone.

Just as sand is often the irritant that forces the creation of a pearl, so is the SACRRA Office team, drawing on our Association’s years of collective data expertise, to stimulate the pearls of wisdom required to help produce quality, standardised data.

In heading into our 30<sup>th</sup> year of existence, we would like to thank all past and present Members, suppliers and stakeholders who contributed over the years to the successful collective data pool our country benefits from today.



**SACRRA** | CREDIT & RISK  
REPORTING ASSOCIATION

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