CBL/SD/003/2009

**GUIDELINES FOR THE MANAGEMENT OF THE CREDIT REFERENCE SYSTEM
AT THE CENTRAL BANK OF LIBERIA**

1. **INTRODUCTION**

These guidelines are intended to define the procedures for the accessing and management of the credit reference system (CRS) at the Central Bank of Liberia (CBL) in compliance with "CBL Directive on Lending to Delinquent Borrowers" (CBL/SD/01/2005), which was issued in February 2005. They are intended to inform the commercial banks on the procedures regarding the submission of data, response to inquiries and management of the credit reference information.

The CRS is intended to facilitate the availability of information on the credit history of potential borrowers and help improve credit culture in the banking system. Banks are further encouraged to cross-reference with each other for information on potential borrowers as well.

The objective of the CRS is to improve the credit environment and/or mitigate potential credit risks and over concentration of credits in the individual banks and the banking system in general. The information provided by the CRS is propriety and must be treated with high degree of confidentiality.

2. **REPORTING FORMAT**

All banks are required to submit monthly data of borrowers to the CRS in a format as prescribed by the CBL on the **tenth day** of the new month (see appendix). The information to be provided to the CRS should at minimum contain the following:

(i)   Applicant's name in Column A,
(ii)   Business affiliation in Column B,
(iii)   Currency type (US or Liberian dollars) in Column C, etc.

In order to facilitate smooth processing of information, all banks are required to submit information to the credit reference database in an access spread sheet.

4. **UTILIZATION OF IDENTIFIERS**

In order to reduce the possibility of providing information associated with the wrong person or borrowers with the same name, banks are encouraged to request and record identifiers, such as a voter registration, driver's license, passport, or birth certificate numbers or a unique numbering system for potential borrowers for recording in the database.

5.   **RECORDING OF INQUIRIES**

In order to keep track of potential borrowers applying to more than one bank for credits during the same period, which could lead to overexposure in the system and high risk of default, the database will record each inquiry for information from the database on each potential borrower. Information on the total credit requests of a potential borrower within the same time period, including the date and nature of the inquiries to each bank   will be provided to subsequent requesting banks.

6.   **RESPONSE TO CREDIT REFERENCE INQUIRY**

The response to credit reference inquiry shall contain information not only on the delinquent status of a potential borrower but also the level of his/her exposure to the banking system. Response to credit inquiry may be done by a **written response**. The requesting bank may seek further information regarding details of the indebtedness of a prospective borrower. All requests for further information, including information on the banks that the potential borrower is indebted or exposed to, must be made by a senior staff of the requesting bank to the Assistant Director for Supervision and Surveillance Section, Supervision Department and/or a designated person.

The maximum allowable time for responding to requests shall not exceed 48 hours as of the time of submission. Any delay beyond this time line, the requesting bank may contact the Supervision Department to follow-up.

7.   **MAINTENANCE OF HISTORICAL INFORMATION**

Information provided to the CRS shall be maintained for a period of seven years. This means that historical information about the borrower, such as the payment from history on all outstanding and closed loans in the banking system during the prior 5-7 years, will be maintained in the database and can be accessed by banks upon request. Thus a bank would know that a borrower with a current loan in the system has, in fact, been delinquent on that loan for most of the previous years even though it currently has a performing status. Such information should inform the bank on the past payment performance of a potential borrower.

8.   **NOTIFICATION TO DECLINED POTENTIAL BORROWERS**

Information from the CRS must be treated with strict confidentiality between the requesting bank and the CBL. Thus, in no way, should the CBL be implicated in the credit decision of a bank regarding any loan applicant. Violation of this provision will be subject to a fine of not less than L$200,000 and/or other supervisory sanctions.

However, in order to provide the opportunity for a potential borrower to correct any erroneous reporting on their credit status and/or information associated with the wrong person, the requesting bank may provide the applicant (s) with all necessary information, subject to the provision in the above Paragraph.

9.   **<u>DATA INTEGRITY</u>**

The banks are required to ensure that data provided to the CRS is accurate and updated on a regular basis consistent with CBL Regulation regarding asset classification and the format for submission of data to the CRS. Where necessary, a bank may provide an updated report on the credit status of a borrower prior to the reporting date.

These guidelines shall take effect as of June 8, 2009 and shall be enforced by the Supervision Department, until otherwise advised.

SIGNED: _____
                   CENTRAL BANK OF LIBERIA

MONTHLY LOAN & OVERDRAFT REPORT AS AT ....

Loan No	Name of Borrower	Original Amt	Granting Date	Maturity Date	Principal Balance	Bank Classification	Total No of Payment	Interest Rate	Payment Frequency	Interest Accrued	Deposit Balance	Date of First Instam Pmt	Grace Period	Date of Prin Pmt	Amount of Principal Paid	Date Arrears Start	Days Past Due	CBL Classification	Bank Provision	Loan Restructured	Branch	Loan Officer