

CHAPTER 6. FINANCIAL SERVICES—METHODOLOGY NOTE

I. MOTIVATION

Access to finance remains a major constraint for firms worldwide, despite being essential for their operations and expansion and positively associated with firm innovation.¹ Access to finance affects firms' ability to manage volatile cash flow and directly contributes to a firm's resilience, which was underscored during the global pandemic.² Research has also shown that private sector financing in developing economies has positive macroeconomic effects as firm-level employment often benefits from improved access to finance.³

Having a sound and robust regulatory framework that can support financial service providers and enhance information sharing can increase the likelihood of firms obtaining financing. Sound due diligence regulations spanning aspects of anti-money laundering/combating the financing of terrorism (AML/CFT) and grounded in risk-based evaluations are important for macroeconomic financial stability.⁴ Furthermore, a modern secured transactions system, where movable assets are commonly used as collateral, offers borrowers access to credit at affordable rates.⁵ To enable financing, lenders require adequate access to borrowers' credit information to overcome information asymmetries. Sharing such information in the form of credit reporting reduces lenders' uncertainty about borrowers' total debt exposure, increases the availability of credit, and lowers interest rates.⁶

Accessible financing also plays an important role in maintaining a company's financial stability. Removing bottlenecks associated with making and receiving payments further strengthens firms' financial security. In recent years, cashless transactions (including e-payments) have continued growing.⁷ However, economies' ever-increasing digitalization requires the regulation of electronic solutions to reap the benefits of technological progress. This would enable the extensive use of electronic payments (e-payments), which is associated with reduced tax evasion and lower informality in the private sector.⁸

In this context, the Financial Services topic measures the quality and effectiveness of regulatory frameworks for commercial lending, secured transactions, and e-payments. It also measures the operational efficiency of accessibility of information in credit infrastructure. Lastly, the topic will also look at the operational efficiency of receiving financial services from a firm's perspective.

II. INDICATORS

The Financial Services topic measures four areas—Commercial Lending; Secured Transactions; e-Payments; and Credit Information—across the three different dimensions, here referred to as pillars. The first pillar assesses the effectiveness of regulation pertaining to commercial lending, secured transactions, and e-payments, covering de jure features of a regulatory framework. The second pillar measures the accessibility of information in credit infrastructure by evaluating the operation of credit bureaus and registries and the operation of collateral registries. Thus, the second pillar assesses the de facto and some de jure provision of financial services. The third pillar measures the operational efficiency of obtaining a loan, registering a security interest as well as the timeliness of credit information sharing, and operational efficiency of e-payments along with their usage. Each pillar is divided into categories—defined by common features that inform the grouping into a particular category—and each category is further divided into subcategories. Each subcategory has several indicators, each of which may, in turn, have several components. Relevant points are assigned to each indicator and subsequently aggregated to obtain the number of points for each subcategory, category, and pillar. Table 1 summarizes all three pillars and their respective categories for the four areas measured: Commercial Lending, Secured Transactions, e-Payments, and Credit Information.

Table 1. Summary Table of all Three Pillars for the Financial Services Topic

Pillar I—Quality of Regulations for Financial Services (23 indicators)	
1.1	Commercial Lending (4 indicators)
1.1.1	Customer Due Diligence (CDD) and Risk Factors (1 indicator)
1.1.2	Availability of Enhanced and Simplified CDD Measures (2 indicators)
1.1.3	Record Keeping of Customer Information (1 indicator)
1.2	Secured Transactions (7 indicators)
1.2.1	Integrated Legal Framework for Secured Transactions (1 indicator)
1.2.2	Types of Movable Assets, Debts, and Obligations that Can Be Secured (4 indicators)
1.2.3	Priority/Enforcement of Security Interests (2 indicators)
1.3	e-Payments (12 indicators)
1.3.1	Risk Management (3 indicators)
1.3.2	Consumer Protection (6 indicators)
1.3.3	Interoperability of Payment Systems and Promotion of Competition (3 indicators)
Pillar II—Accessibility of Information in Credit Infrastructure (6 indicators)	
2.1	Operation of Credit Bureaus and Registries (3 indicators)
2.1.1	Data Coverage (1 indicator)
2.1.2	Types of Data Shared (1 indicator)
2.1.3	Additional Services and Borrower's Access to Information (1 indicator)
2.2	Operation of Collateral Registries (3 indicators)
2.2.1	Existence of a Centralized and Publicly Available Registry (1 indicator)
2.2.2	Notice-Based Registry Updates (1 indicator)
2.2.3	Autonomy of Secured Creditors to Access and Update the Registry (1 indicator)
Pillar III—Operational Efficiency of Receiving Financial Services (8 indicators)	
3.1	Loans (3 indicators)
3.1.1	Obtaining a Loan (2 indicators)
3.1.2	Operational Efficiency of Security Interest and Credit Data Update (1 indicator)
3.2	e-Payments (5 indicators)
3.2.1	Cost of e-Payments (2 indicators)
3.2.2	Time to Receive e-Payments (1 indicator)
3.2.3	Usage Level of e-Payments (2 indicators)

1. PILLAR I. QUALITY OF REGULATIONS FOR FINANCIAL SERVICES

Table 2 shows the structure for Pillar I, Quality of Regulations for Financial Services. Each of this pillar's categories and subcategories will be discussed in more detail in the order shown in the table.

Table 2. Pillar I—Quality of Regulations for Financial Services

1.1	Commercial Lending
1.1.1	Customer Due Diligence (CDD) and Risk Factors
1.1.2	Availability of Enhanced and Simplified CDD Measures
1.1.3	Record Keeping of Customer Information
1.2	Secured Transactions
1.2.1	Integrated Legal Framework for Secured Transactions
1.2.2	Types of Movable Assets, Debts, and Obligations that Can Be Secured
1.2.3	Priority/Enforcement of Security Interests
1.3	e-Payments
1.3.1	Risk Management
1.3.2	Consumer Protection
1.3.3	Interoperability of Payment Systems and Promotion of Competition

1.1. Commercial Lending

Category 1.1 is divided into three subcategories consisting of several indicators, each of which may, in turn, have several components.

1.1.1 Customer Due Diligence (CDD) and Risk Factors

Modern financial legal frameworks require lenders such as banks and other financial institutions to perform a certain level of due diligence before enrolling new customers and before granting any financing to such customers or to their businesses.⁹ To strengthen global safeguards and further protect the integrity of the financial systems, the Financial Action Task Force (FATF) emphasizes a risk-based approach to AML/CFT.¹⁰ According to this approach, economies, relevant authorities, and financial institutions should identify and assess the risks they are exposed to and take appropriate measures to mitigate them effectively.¹¹ Therefore, Subcategory 1.1.1–Customer Due Diligence (CDD) and Risk Factors comprises one indicator (table 3).¹²

Table 3. Subcategory 1.1.1–Customer Due Diligence (CDD) and Risk Factors

	Indicators	Components
1	Requirement to Conduct CDD and Risk Factors	Legal requirement to conduct CDD i) Verification of customer's identity ii) Verification of direct ownership and control structure of the customer iii) Verification of beneficial owners of the customer iv) Verification of the purpose/intended use of the loan v) Verification of the geographical location of the customer Risk factors (customer identity) i) Customer risk factors (beneficial owner) ii) Customer risk factors (ownership structure) iii) Customer risk factors (involvement in international structure) iv) Customer risk factors (personal asset-holding vehicles) v) Customer risk factors (nominee shareholders or shares in bearer forms) vi) Customer risk factors (business relationship conducted in unusual circumstances) vii) Customer risk factors (cash-intensive) viii) Customer risk factors (located in high-risk geographical location) Risk factors (product, service, geography, delivery channel) i) Product risk factors (private banking) ii) Product risk factors (anonymous transactions) iii) Product risk factors (payments received from unknown sources) iv) Product risk factors (non–face-to-face relation and transactions) v) Product risk factors (operations in high-risk geographical location)

Note: CDD = Customer Due Diligence.

1.1.2 Availability of Enhanced and Simplified CDD Measures

Not all customers are subject to the same risks and therefore the economies' regulations would require different processes when it comes to performing CDD measures, depending on the customer's level of risk.¹³ Thus, following a risk assessment of the client, the availability of simplified and enhanced CDD measures in an economy would simplify the process for firms with lower risks, while adopting a more robust and in-depth review process for those with higher risk.¹⁴ Therefore, Subcategory 1.1.2–Availability of Enhanced and Simplified CDD Measures comprises two indicators (table 4).

Table 4. Subcategory 1.1.2–Availability of Enhanced and Simplified CDD Measures

	Indicators	Components
1	Simplified CDD	i) Simplified AML/CFT CDD review for low-risk clients ii) Regulatory guidance to determine low-risk clients
2	Enhanced CDD	i) Enhanced AML/CFT CDD review for high-risk clients ii) Regulatory guidance to determine high-risk clients

Note: AML/CFT = Anti-Money Laundering/Combating the Financing of Terrorism; CDD = Customer Due Diligence.

1.1.3 Record Keeping of Customer Information

The evolution of AML/CFT measures and those related to the compliance/Know Your Customer (KYC) regulations highlights reliance on several measures.¹⁵ These include customer due diligence (CDD) for existing customers and steps undertaken by other relevant institutions, maintaining the information collected about customers and their businesses for a certain period, and updating such information regularly, especially when the customer is considered high risk.¹⁶ Therefore, Subcategory 1.1.3–Record Keeping of Customer Information comprises one indicator (table 5).

Table 5. Subcategory 1.1.3–Record Keeping of Customer Information

	Indicators	Components
1	CDD for Existing Customers and Record Keeping	i) Reliance on CDD for existing customers ii) Reliance on CDD undertaken by other institutions iii) Regulation for reliance on an eKYC system when performing CDD iv) Reliance on eKYC in practice v) Maintain CDD information for a period of 5 years vi) Ongoing CDD for high-risk clients

1.2 Secured Transactions

Category 1.2 is divided into three subcategories consisting of several indicators, each of which may, in turn, have several components.

1.2.1 Integrated Legal Framework for Secured Transactions

Under this approach, all secured transactions, no matter how denominated, are classified as transactions creating security rights in movable assets and are subjected to the same an identical legal framework for creation, enforcement and publicity of security rights. Having an integrated and functional approach to secured transactions provides flexible contractual arrangements for security purposes that allows borrowers to use as much of their movable assets as collateral to get credit.¹⁷ It also allows both incorporated and non-incorporated entities to create or acquire collateral in movable assets without conferring special advantages or rights to any class of debtor or creditor.¹⁸ This approach helps avoid multiplicity of legal frameworks that can create gaps and inconsistencies. Also, an integrated legal framework could be easier to implement because it would not require adjustments or references to other laws. Furthermore, it can lower the risk of lending and contribute to a more stable financial environment. Therefore, Subcategory 1.2.1–Integrated Legal Framework for Secured Transactions comprises only one indicator (table 6).

Table 6. Subcategory 1.2.1–Integrated Legal Framework for Secured Transactions

	Indicators	Components
1	Integrated Legal Framework for Secured Transactions	i) Integrated legal framework ii) Fiduciary transfer of title iii) Financial lease agreement iv) Assignment of receivables and outright transfer of receivables v) Retention of title sales vi) Incorporated and non-incorporated debtors and creditors

1.2.2 Types of Movable Assets, Debts, and Obligations that Can Be Secured

For promoting access to finance for firms and individuals, it is critical that they can grant a security interest in different types of movable assets, including tangible and intangible, current, or future. Having regulations that enable firms and individuals to use multiple types of movable assets when obtaining loan gives them the ability of translating the full value of those assets into productive use, by potentially increasing the

amount of credit available to them and reducing the cost of such credit. Also, including all types of movable assets under the same regime and permitting grantors to describe such assets in generic terms enables parties to avoid expensive investigation at the time a security right is created or costly litigation thereafter about whether any particular type of asset is, or is not, covered by the regime. This contributes not only to firm flexibility but also to the overall benefit of the society by promoting safe and secure lending to the private sector.¹⁹ Therefore Subcategory 1.2.2–Type of Movable Assets, Debts, and Obligations that Can Be Secured comprises four indicators (table 7).

Table 7. Subcategory 1.2.2–Types of Movable Assets, Debts, and Obligations that Can Be Secured

	Indicators	Components
1	Security Interest in One Category of Movable Assets	i) Security interest over accounts receivable ii) Description of the collateral iii) Security interest over inventory iv) Limitations on inventory v) Description of the collateral vi) Security interest over tangible movable property, other than inventory vii) Description of the collateral
2	Security Interest in Combined Category of Movable Assets	i) Security interest in combined category of movable assets ii) Limitations on the assets iii) Description of the collateral
3	Security Interest over Future Assets	i) Security interest over future assets ii) Security interest over after-acquired property iii) Automatic extension of the collateral to products, proceeds, and replacements of the original collateral
4	Debts and Obligations	i) Current and future debts and obligations ii) Fixed debts and obligations iii) Conditional debts and obligations iv) Fluctuating debts and obligations v) Description of debts and obligations

1.2.3 Priority/Enforcement of Security Interests

Securing creditor's rights by having clear and transparent rules that determine the priority system for creditors in case of loan default is crucial to promote access to finance and decrease the cost of lending. This approach promotes the enactment of precise rules to govern every possible type of priority conflict with the rights of a competing claimant and to avoid, as far as possible, creating any later-in-time rights that would outrank existing security rights. Providing the concerned parties with the option to agree to enforce the security interest outside of court through public and/or private auction can relieve some of the pressure on the judiciary branch and decrease the risk of backlog of cases. This can make the enforcement process more efficient and flexible.²⁰ Therefore Subcategory 1.2.3–Priority/Enforcement of Security Interests comprises two indicators (table 8).

Table 8. Subcategory 1.2.3–Priority/Enforcement of Security Interests

	Indicators	Components
1	Priority of Claims outside of Insolvency or Bankruptcy	Priority of claims outside of insolvency or bankruptcy
2	Enforcement of Security Interests	i) Enforcement of security interests ii) Availability of public auction iii) Availability of private sale iv) Availability of pactum commissorium

1.3 e-Payments

Category 1.3 is divided into three subcategories consisting of several indicators, each of which may, in turn, have several components.

1.3.1 Risk Management

A sound regulatory framework for e-payments is essential to maintain the integrity of the monetary system and safeguard financial stability.²¹ In particular, having adequate risk management practices is important to ensure the security, efficiency, and stability of the electronic transfers.²² Measures that prevent fraud, promote information and cybersecurity, ensure protection, integrity, authenticity, and confidentiality of data and operating processes boost the confidence of users in these services and make the overall e-payment system more secure.²³ Therefore Subcategory 1.3.1–Risk Management comprises three indicators (table 9).

Table 9. Subcategory 1.3.1–Risk Management

	Indicators	Components
1	External Review and Internal Control	i) External review of regulatory compliance of payment service providers (PSP) ii) Scope of review iii) Implementation of internal controls
2	Cybersecurity and Operational Risk	i) Requirement for cybersecurity ii) Requirement for a contingency plan
3	Liquidity Risk	i) Requirements to ensure customers have access to funds ii) Customer usage limits

1.3.2 Consumer Protection

The consumer protection subcategory covers the protection of funds of customers using e-payments, disclosure by payment service providers (PSPs) of complete and accurate information about all fees, terms, and conditions for using e-payments, and availability of recourse and dispute resolution mechanisms. Protection of customer funds is vital to ensure the safety and reliability of payments systems and preserve user's confidence.²⁴ It is a fundamental part of an overall financial consumer protection framework and includes arrangements covering, among others, the obligations of users and PSPs, fraudulent or unauthorized payments, cancellation or modification of transactions, and insurance requirements for protection of funds.²⁵ Disclosure of relevant information by the PSPs is essential for promoting transparency and enabling users to have a clear understanding of the costs associated with these services.²⁶ Timely notifications of any subsequent changes, including in policies and procedures for handling customer complaints and their data, are also important because they often involve handling sensitive personal and financial information.²⁷ These measures are essential for promoting consumers' trust and confidence in using e-payments.²⁸ Availability of recourse and dispute resolution mechanism can provide users of e-payment services with an opportunity to resolve their disputes and complaints in a timely and effective manner.²⁹ These mechanisms play an important role in preventing customer abuse and motivating PSPs to address operational weaknesses that may result in low-quality service.³⁰ They also boost consumer confidence and trust, and enable new and existing customers alike to exercise their rights effectively.³¹ Therefore, Subcategory 1.3.2–Consumer Protection comprises six indicators (table 10).

Table 10. Subcategory 1.3.2–Consumer Protection

	Indicators	Components
1	Obligations of User and Payment Service Provider (PSP)	i) Limits on use of payment instrument and access to payment accounts ii) Obligations of user in relation to payment instrument and security credentials iii) Payment service user's identity verification (authentication)
2	Cancellations, Protection of Funds, and Liabilities	i) Cancellation or modification of payment transaction by payer ii) Protection of customer funds held with non-bank PSPs iii) Insurance requirements of customer funds held by non-bank PSPs iv) Notification of suspicious activity and rectification of transactions v) General provisions on liability for fraud vi) PSP's liability for unauthorized payments vii) Payer's liability for unauthorized payment
3	Fee Disclosures and Change Notifications	i) Disclosure of all fees for use of e-payment ii) Notify user about changes in fees
	Disclosures of Liability,	i) Disclosure of liability

4	Data Use, and Dispute Mechanisms	ii) Disclosure of use of customer data iii) General terms of services iv) Written policies for complaints handling procedures
5	Disputing a Transaction	i) Time limit in which payment can be disputed ii) PSP to acknowledge receipt of dispute notice iii) Collection of undisputed charges
6	Availability of Dispute Mechanisms	i) Independent unit of PSP in charge of dispute resolution ii) Requirement of dispute resolution mechanism iii) Availability of independent governmental authority for not resolved disputes

Note: PSP = Payment Service Provider.

1.3.3 Interoperability of Payment Systems and Promotion of Competition

Payment system interoperability allows participants to conduct, clear, and settle payments across systems without participating in multiple systems.³² The interoperability of payment systems can promote competition, reduce costs, enable economies of scale for PSPs, and enhance convenience for users of payment services.³³ Similarly, promoting market competition is vital for facilitating the entrance of new players and innovation of products, enhancing the quality and efficiency of available services, and reducing prices.³⁴ Interoperability and promotion of competition can play a critical role in meeting the needs of unserved and underserved firms/users. Therefore, Subcategory 1.3.3–Interoperability of Payment Systems and Promotion of Competition comprises three indicators (table 11).

Table 11. Subcategory 1.3.3–Interoperability of Payment Systems and Promotion of Competition

	Indicators	Components
1	Interoperability of Payment Systems	Level and extent of interoperability characterized in the jurisdiction
2	Fair Competition	Fair competition provisions
3	Equal Access and Treatment of different PSPs	i) Providing new PSPs equal access to market as existing participants ii) Functional requirements for PSP

Note: PSPs = Payment Service Providers.

2. PILLAR II. ACCESSIBILITY OF INFORMATION IN CREDIT INFRASTRUCTURE

Table 12 shows the structure for Pillar II, Accessibility of Information in Credit Infrastructure. Each of this pillar's categories and subcategories will be discussed in more detail in the order shown in the table.

Table 12. Pillar II–Accessibility of Information in Credit Infrastructure

2.1	Operation of Credit Bureaus and Registries
2.1.1	Data Coverage
2.1.2	Types of Data Shared
2.1.3	Additional Services and Borrower's Access to Information
2.2	Operation of Collateral Registries
2.2.1	Existence of a Centralized and Publicly Available Registry
2.2.2	Notice-Based Registry Updates
2.2.3	Autonomy of Secured Creditors to Access and Update the Registry

2.1 Operation of Credit Bureaus and Registries

Category 2.1 is divided into three subcategories consisting of several indicators, each of which may, in turn, consist of several components.

2.1.1 Data Coverage

In today's interconnected world, access to comprehensive and accurate data is crucial for informed decision-making, risk assessment, and crisis management. Credit Bureaus and Registries report the number of borrowers (individuals and firms) listed in a credit agency's database, with information on their

borrowing history. Accurate, transparent, and shared data enables better understanding of consumer behavior and market trends. With the increasing complexity of global financial systems, the need for reliable data sharing and collaboration is more pressing than ever. Therefore, Subcategory 2.1.1–Data Coverage comprises one indicator (table 13).

Table 13. Subcategory 2.1.1–Data Coverage

	Indicators	Components
1	Data Coverage	i) Data on firms and individuals are shared ii) Data from alternative sources are shared in addition to data from financial institutions iii) Cross-border information sharing iv) Crisis reporting

2.1.2 Types of Data Shared

The scope of data shared is crucial in determining the effectiveness of credit reporting systems to maintain a comprehensive and accurate picture of creditworthiness. Credit Reporting Agencies collect information on the creditworthiness of borrowers in the financial system and facilitate the exchange of credit information among creditors.³⁵ This improves the efficiency of the lending process by reducing information asymmetries.³⁶ Therefore, Subcategory 2.1.2–Types of Data Shared comprises one indicator (table 14).

Table 14. Subcategory 2.1.2–Types of Data Shared

	Indicators	Components
1	Types of Data Shared	i) Both positive credit information and negative credit information are shared ii) At least two years of historical data are shared iii) Data on loan amounts below 1% of income per capita are shared

2.1.3 Additional Services and Borrower’s Access to Information

Access to information empowers borrowers to take control of their finance through credit scores and credit reports. It also enables lenders to better understand lending risks associated with each potential borrower.³⁷ This can promote access to finance for borrowers and contribute to the stability of the financial sector. Therefore, Subcategory 2.1.3–Additional Services and Borrower’s Access to Information comprises one indicator (table 15).

Table 15. Subcategory 2.1.3–Additional Services and Borrower’s Access to Information

	Indicators	Components
1	Additional Services and Borrower’s Access to Information	i) By law, borrowers have the right to access online their data in the largest credit reporting agency in the economy ii) Banks and other financial institutions have online access to credit information iii) Credit reporting agency offers credit scores as a value-added service iv) Borrower’s credit information is verified in practice

2.2 Operation of Collateral Registries

Category 2.2 is divided into three subcategories consisting of several indicators, each of which may, in turn, have several components.

2.2.1 Existence of a Centralized and Publicly Available Registry

Collateral registries are publicly available databases of security interests in movable assets by incorporated and nonincorporated entities. They support the legal framework of security rights in movable assets by facilitating awareness of both their existence and establishing priority among creditors based on the time of registration.³⁸ A centralized collateral registry allows for the consolidation of all security interests registrations within the economy in a single location or single database. By centralizing the collateral registry and allowing registry access to the wide public, records become available to all parties, enabling

them to determine whether a security interest already exists over a firm's or individual's movable assets. With this information, creditors can take measures to protect themselves against any potential priority risks that may affect their prospective or existing rights.³⁹ Therefore, Subcategory 2.2.1–Existence of a Centralized and Publicly Available Registry comprises one indicator (table 16).

Table 16. Subcategory 2.2.1–Existence of a Centralized and Publicly Available Registry

	Indicators	Components
1	Existence of a Centralized and Publicly Available Registry	i) Registry is operational ii) Registry is centralized or linked among different geographic regions iii) Registration of non-possessory security interest required iv) Registry is open to all types of borrowers or creditors v) If there are different registries per province for different types of debtors, the same rules for the creation of the non-possessory security interest and for third-party effectiveness should apply vi) If there are different registries per province for different types of assets, the same rules for the creation of the non-possessory security interest and for third-party effectiveness should apply vii) Anyone can access the data in the registry without restriction from any geographic location in the economy viii) Registry has an online database searchable by debtor's name or unique identifier ix) Registry can be consulted by a serial number of the collateral

2.2.2 Notice-Based Registry Updates

As opposed to a document-based registry, a notice-based registration system for security interests provides notice that the secured creditor may have a security right in the registered assets. This notice includes only certain information about the security right. Thus, the security agreement creating the security right is not registered and its validity and content are not verified by the system or by a clerk at the registry. A notice-based system significantly reduces the registration burden on secured creditors and provides a highly efficient and cost-effective registration and searching process. It also contributes to keeping low the administrative costs of the registry.⁴⁰ Therefore, Subcategory 2.2.2–Notice-Based Registry Updates comprises one indicator (table 17).

Table 17. Subcategory 2.2.2–Notice-Based Registry Updates

	Indicators	Components
1	Notice-Based Registry Updates	i) Registry is notice-based ii) Registry does not verify the legality of the transaction iii) Registry does not verify the correctness of the information iv) Registry covers all types of security interests in movable assets

2.2.3 Autonomy of Secured Creditors to Access and Update the Registry

Allowing all types of secured creditors direct access to the computerized collateral registry system without registry personnel intervention ensures a more efficient, cost-effective, and user-friendly system for all parties involved.⁴¹ To maintain efficiency and reduce costs, scrutiny by registry personnel should not be required for registration or searches. Thus, the registry should be available online to allow direct electronic access to its users. This direct client access greatly reduces operational and maintenance costs while enhancing the efficiency of the registration process by giving users direct control over the timing of their registrations. Therefore, subcategory 2.2.3–Autonomy of Secured Creditors to Access and Update the Registry comprises one indicator (table 18).

Table 18. Subcategory 2.2.3–Autonomy of Secured Creditors to Access and Update the Registry

	Indicators	Components
1	Autonomy of Secured Creditors to Access and Update the Registry	i) All types of secured creditors can perform the registration ii) Secured creditors or their representatives can open an account online without the participation or approval of any third party

		iii) Secured creditors or their representatives can conduct registrations and searches of security interests online, without the interference of the registry iv) The collateral registry has an online system for registrations, amendments, renewals, cancellations, and searches of security interests v) Banks verify collateral registry records
--	--	---

3. PILLAR III. OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES

Table 19 shows the structure for Pillar III, Operational Efficiency of Receiving Financial Services. Each of this pillar's categories and subcategories will be discussed in more detail in the order shown in the table.

Table 19. Pillar III—Operational Efficiency of Receiving Financial Services

3.1	Loans
3.1.1	Obtaining a Loan
3.1.2	Operational Efficiency of Security Interest and Credit Data Update
3.2	e-Payments
3.2.1	Cost of e-Payments
3.2.2	Time to Receive e-Payments
3.2.3	Usage Level of e-Payments

3.1 Loans

Category 3.1 is divided into two subcategories consisting of several indicators, each of which may, in turn, have several components.

3.1.1 Obtaining a Loan

It is important for businesses to obtain financing in a timely manner to continue their operations, manage volatile cash flow, and expand. Costly and cumbersome processes to obtain financing can discourage firms from applying for and obtaining loans.⁴² Therefore, Subcategory 3.1.1—Obtaining a Loan comprises two indicators (table 20).

Table 20. Subcategory 3.1.1—Obtaining a Loan

	Indicators	Components
1	Time to Obtain a Loan	i) Time for the decision on the loan to be communicated, from the moment the application was submitted
2	Obstacles to Obtaining a Loan	i) Percent of firms reporting complex procedures, unfavorable interest rates, or high collateral requirement as main reason for not applying for loans ii) Perceptions index of access to finance as a constraint

3.1.2 Operational Efficiency of Security Interest and Credit Data Update

Having efficient and low-cost processes for registering security interests in collateral registries and for information to be reflected in Credit Reporting Agencies used for credit reports are beneficial for firms as they make the process of obtaining loans less costly, less burdensome, and more efficient.⁴³ Therefore, Subcategory 3.1.2—Operational Efficiency of Security Interest and Credit Data Update comprises one indicator (table 21).

Table 21. Subcategory 3.1.2—Operational Efficiency of Security Interest and Credit Data Update

	Indicators	Components
1	Operational Efficiency of Security Interest and Credit Data Update	i) Time for the registration of a security interest to be reflected in the database ii) Cost to register a security interest iii) Time for credit information to be reflected in credit report from the moment credit reporting agency received such information

3.2 e-Payments

Category 3.2 is divided into three subcategories consisting of several indicators, each of which may, in turn, have several components.

3.2.1 Cost of e-Payments

Having access to electronic payments is a benefit to firms as they provide them with the opportunity to reach more customers, provide them with convenient payment experience, expand their business and enhance transparency of transactions. For firms to reap these benefits, it is essential that e-payments are inexpensive.⁴⁴ Subcategory 3.2.1–Cost of e-Payments comprises two indicators (table 22).

Table 22. Subcategory 3.2.1–Cost of e-Payments

	Indicators	Components
1	Cost of Receiving e-Payments	Cost to accept e-payment, as a percentage of transaction value
2	Cost of Making e-Payments	Cost to make e-payment, as a percentage of transaction value

3.2.2 Time to Receive e-Payments

For firms to reap the benefits detailed under 3.2.1 above, it is essential that e-payments are also fast.⁴⁵ Subcategory 3.2.2–Time to Receive e-Payments comprises one indicator (table 23).

Table 23. Subcategory 3.2.2–Time to receive e-Payments

	Indicators	Components
1	Time to Receive e-Payments	Time to receive money through e-payment from when an order is placed

3.2.3 Usage Level of e-Payments

Efficient e-payment processing combined with safety and flexibility is also reflected in a higher level of usage in both making and receiving payments. Subcategory 3.2.3–Usage Level of e-Payments comprises two indicators (table 24).

Table 24. Subcategory 3.2.3–Usage level of e-Payments

	Indicators	Components
1	Usage Level of Receiving e-Payments	Percentage of monthly sales received electronically
2	Usage Level of Making e-Payments	Percentage of monthly payments done electronically

III. DATA SOURCES

4.1 Data Collection Sources

The data for Pillar I and part of Pillar II (Operation of Credit Bureaus and Collateral Registries) are collected through consultations with private sector experts. Information related to credit registries (in Pillar II) is collected through public sector experts in economies where credit registries exist, in addition to the information collected through credit bureaus if they exist in the economy. In Pillar III, the data related to the operational efficiency of security interest and credit data update are also collected through consultations from private sector experts. Experts for the Financial Services topic vary depending on the area measured, and include financial lawyers and practitioners in commercial banking, payment services providers, financial services providers, credit bureaus, credit registries, and notaries.

Most of the data for Pillar III are collected through Enterprise Surveys. Enterprise Surveys provide representative data on operational efficiency for loans and e-payments experienced by businesses in practice. A representative sample of companies captures variation of user experience within each economy. Businesses with different characteristics, such as size, region, and sector, participate in the surveys. For more details on the collection of data by the Enterprise Surveys, please refer to the Overview chapter of this Methodology Handbook.

4.2 Screening and Selection of Experts

The Financial Services topic has four questionnaires, one for each area: Commercial Lending; Secured Transactions and Operation of Collateral Registries; e-Payments; Operation of Credit Bureaus and Registries. Each questionnaire targets experts in their respective areas of expertise. A screener questionnaire is used to assist the selection of experts receiving the Financial Services topic questionnaires based on a set of criteria (table 25).

Table 25. Screener Questionnaire and Respondent Criteria

Relevant Experts' Professions	
Commercial Lending	Lawyers, financial professionals, researchers in financial services, commercial banks, financial institutions
Secured Transactions	Financial and banking lawyers
e-Payments	Financial lawyers, commercial banks, payment service providers, researchers in financial services
Credit Bureaus and Registries	Operational private credit bureaus and public registries
Relevant Areas of Specialization	
Commercial Lending	Legal experts in Know Your Customer (KYC) process and regulatory requirements for AML/CFT, compliance, legal and risk departments in financial institutions (banks, lending institutions), identity and background verification service companies
Secured Transactions	Law degree with a focus in banking or finance, currently working in a transactional law firm or the legal department of a commercial bank, in addition to notaries
e-Payments	Legal experts in electronic payments, fintech, financial regulations pertaining to payment service providers
Credit Bureaus and Registries	Experts in economics, banking and finance, accounting, business administration, law, or any related fields –currently working in credit reporting industry (credit bureau/registry)
Assessment of the Experts' Knowledge and Experience Related to Commercial Lending, Secured Transactions, e-Payments, and Credit Information	
Commercial Lending	Experience in the banking and financial sector, notably in KYC handling, opening of accounts, lending to customers, or experience in customer identity verification, compliance, undergoing a KYC process, gathering of customer data, customer due diligence, risk evaluation (AML/CFT). Experience in the banking and financial sector laws and regulations pertaining to customer due diligence
Secured Transactions	Financial or banking lawyers specialized in commercial lending and secured transactions regulations
e-Payments	Experience in financial law, payment services, payment systems, electronic payments law, banking law, etc.
Credit Bureaus and Registries	Experience in gathering and reporting credit information data of customers (firms and individuals), business administration, and information management

Note: AML/CFT = Anti-Money Laundering/Combating the Financing of Terrorism; KYC = Know Your Customer.

Thus, the information provided in the screener questionnaires allows the team to better understand the experts' professions, areas of specializations and experts' knowledge or experience related to commercial lending, secured transactions, e-payments, and credit bureaus and registries.

IV. PARAMETERS

To ensure comparability of the data from expert consultations across economies, the Financial Services topic uses general parameters. A parameter refers to an assumption that is made about the business location and the type of transactions. Questionnaire respondents are presented with these parameters and assumptions and asked to evaluate a standardized scenario that permits comparability across locales, jurisdictions, and economies.

5.1 General Parameters

Financial Services employs two general parameters. Many economies have subnational jurisdictions, which require a business location to be specified for experts to identify the relevant regulatory framework to be assessed. In addition, it is important to specify the type of transactions as these are relevant for experts to identify the appropriate regulations.

5.1.1 Business Location

Justification:

Geographic location determines the regulations that govern the financial services available to firms and businesses. In addition, it is important to determine the geographical location from a practical standpoint, to identify experts from whom data on regulatory frameworks and practical implementations are collected. The largest city is chosen based on the population size as detailed in the Overview chapter of this Methodology Handbook.

Application:

For Pillar I, the parameter is used in cases where regulations are not applicable at a national level, varying across states or regions. For the economies where regulations differ across states, regulations for the largest city are measured. For Pillar II and III, the location parameter is established for economies where there are several collateral registries (that is, federal systems).

5.1.2 Type of Transactions

Justification:

Type of transactions determines the regulations that govern the financial services available to firms and businesses (for example, domestic versus cross-border transactions). In order to limit the scope of what is measured by the topic, and for experts to identify the relevant regulatory framework to be assessed, the topic focuses on domestic commercial transactions only.

Application:

For Pillar I, the parameter is used in cases where regulations are different across different types of transactions. For the economies where regulations differ across types of transactions, regulations for domestic commercial transactions are measured. For Pillars II and III, the transactions measured are limited to a commercial loan/transaction.

V. TOPIC SCORING

The Financial Services topic has three pillars: Pillar I—Quality of Regulations for Financial Services; Pillar II—Accessibility of Information in Credit Infrastructure; and Pillar III—Operational Efficiency of Receiving Financial Services. The total points for each pillar are further rescaled to values from 0 to 100, and subsequently aggregated into the total topic score. Each pillar contributes one-third to the total topic score. Table 26 shows the scoring for the Financial Services topic. The scores distinguish between benefits to the firm (captured as firm flexibility points) and benefits to society's broader interests (captured as social benefits points). For further scoring details please see Annex A, which complements this section.

Table 26. Aggregate Scoring Overview

Pillar Number	Pillar	Number of Indicators	Score			Rescaled Points (0-100)	Weight
			Firm Flexibility Points	Social Benefits Points	Total Points		
I	Quality of Regulations for Financial Services	23	21	23	44	100	0.33
II	Accessibility of Information in Credit Infrastructure	6	6	6	12	100	0.33
III	Operational Efficiency of Receiving Financial Services	8	100	n/a	100	100	0.33

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent).

6.1 Pillar I—Quality of Regulations for Financial Services

Pillar I covers 23 indicators with a total score of 44 points (21 points on firm flexibility and 23 points on social benefits) (table 27). The scoring for each category under this pillar is as follows:

- 6.1.1** *Commercial Lending* has 4 indicators with a total maximum score of 6 points (2 points on firm flexibility and 4 points on social benefits). Specifically, the *Customer Due Diligence (CDD) and Risk Factors* Subcategory has 1 indicator; the *Availability of Enhanced and Simplified CDD Measures* Subcategory has 2 indicators; and the *Record Keeping of Customer Information* Subcategory has 1 indicator. A regulatory framework that follows good practices for customer due diligence for commercial lending benefits society (social benefits) and sometimes firms (firm flexibility). Hence, scores are not equally assigned to both categories.
- 6.1.2** *Secured Transactions* has 7 indicators with a total maximum score of 14 points (7 points on firm flexibility and 7 points on social benefits). Specifically, the *Integrated Legal Framework for Secured Transactions* Subcategory has 1 indicator; the *Types of Movable Assets, Debts, and Obligations that Can Be Secured* Subcategory has 4 indicators; and the *Priority/Enforcement of Security Interests* Subcategory has 2 indicators. A regulatory framework that follows good practices for secured transactions benefits society (social benefits) and firms (firm flexibility). Hence, scores are equally assigned to both categories.
- 6.1.3** *e-Payments* has 12 indicators with a total maximum score of 24 points (12 points on firm flexibility and 12 points on social benefits). Specifically, the *Risk Management* Subcategory has 3 indicators; the *Consumer Protection* Subcategory has 6 indicators; and the *Interoperability and Promotion of Competition* Subcategory has 3 indicators. A regulatory framework that follows good practices for e-payments benefits society (social benefits) and firms (firm flexibility). Hence, scores are equally assigned to both categories.

Table 27. Aggregate Scoring Pillar I

Pillar I—Quality of Regulations for Financial Services		No. of Indicators	FFP	SBP	Total Points	Rescaled Points
1.1	Commercial Lending	4	2	4	6	20.00
1.1.1	Customer Due Diligence (CDD) and Risk Factors	1	n/a	1	1	10.00
1.1.2	Availability of Enhanced and Simplified CDD Measures	2	1	2	3	5.00
1.1.3	Record Keeping of Customer Information	1	1	1	2	5.00
1.2	Secured Transactions	7	7	7	14	40.00

1.2.1	Integrated Legal Framework for Secured Transactions	1	1	1	2	10.00
1.2.2	Types of Movable Assets, Debts, and Obligations that Can Be Secured	4	4	4	8	20.00
1.2.3	Priority/Enforcement of Security Interests	2	2	2	4	10.00
1.3	e-Payments	12	12	12	24	40.00
1.3.1	Risk Management	3	3	3	6	10.00
1.3.2	Consumer Protection	6	6	6	12	20.00
1.3.3	Interoperability of Payment Systems and Promotion of Competition	3	3	3	6	10.00
	Total	23	21	23	44	100.00

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). CDD = Customer Due Diligence; FFP = Firm Flexibility Point; SBP = Social Benefits Point.

6.2 Pillar II—Accessibility of Information in Credit Infrastructure

Pillar II covers 6 indicators with a total score of 12 points (6 points on firm flexibility and 6 points on social benefits) (table 28). The scoring for each category under this pillar is as follows:

- 6.2.1** *Operation of Credit Bureaus and Registries* has 3 indicators with a total maximum score of 6 points (3 points on firm flexibility and 3 points on social benefits). The *Data Coverage*, *Types of Data Shared*, and *Additional Services and Borrower's Access to Information* features can facilitate access to finance for firms and contribute to stability of the financial sector. Because these measures directly affect firms and society, scores are equally assigned for firm flexibility and social benefits.
- 6.2.2** *Operation of Collateral Registries* has 3 indicators with a total maximum score of 6 points (3 points on firm flexibility and 3 points on social benefits). Specifically, the *Existence of a Centralized and Publicly Available Registry*, *Notice-Based Registry Updates*, and *Autonomy of Secured Creditors to Access and Update the Registry* features make registries more transparent, cheaper, and have more expedited procedures. Thus, these indicators are equally scored as a benefit for both firms as well as society.

Table 28. Aggregate Scoring Pillar II

Pillar II—Accessibility of Information in Credit Infrastructure		No. of Indicators	FFP	SBP	Total Points	Rescaled Points
2.1	Operation of Credit Bureaus and Registries	3	3	3	6	50.00
2.1.1	Data Coverage	1	1	1	2	16.67
2.1.2	Types of Data Shared	1	1	1	2	16.67
2.1.3	Additional Services and Borrower's Access to Information	1	1	1	2	16.67
2.2	Operation of Collateral Registries	3	3	3	6	50.00
2.2.1	Existence of a Centralized and Publicly Available Registry	1	1	1	2	16.67
2.2.2	Notice-Based Registry Updates	1	1	1	2	16.67
2.2.3	Autonomy of Secured Creditors to Access and Update the Registry	1	1	1	2	16.67
	Total	6	6	6	12	100.00

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

6.3 Pillar III—Operational Efficiency of Receiving Financial Services

Pillar III covers 8 indicators with scores ranging from 0 to 100 (table 29). The scores on indicators under this pillar are assigned to firm flexibility only, as the indicators measure the outcomes of service provision to firms. For example, high fees, complex processes, and long times to obtain financial services have adverse impacts on firms, thus hampering firm flexibility. The scoring for each category under this pillar is as follows:

- 6.3.1** *Loans* has 3 indicators with a total maximum score of 50 points. Specifically, the *Obtaining a Loan* Subcategory has 2 indicators, and the *Operational Efficiency of Security Interest and Credit Data Update* Subcategory has 1 indicator.
- 6.3.2** *e-Payments* has 5 indicators with a total maximum score of 50 points. Specifically, the *Cost of e-Payments* Subcategory has 2 indicators, the *Time to Receive e-Payments* Subcategory has 1 indicator, and the *Usage Level of e-Payments* Subcategory has 2 indicators.

Table 29. Aggregate Scoring Pillar III

Pillar III—Operational Efficiency of Receiving Financial Services		No. of Indicators	Rescaled Points
3.1	Loans	3	50.00
3.1.1	Obtaining a Loan	2	40.00
3.1.2	Operational Efficiency of Security Interest and Credit Data Update	1	10.00
3.2	e-Payments	5	50.00
3.2.1	Cost of e-Payments	2	20.00
3.2.2	Time to Receive e-Payments	1	10.00
3.2.3	Usage Level of e-Payments	2	20.00
Total		8	100.00

References

- Alvarez de la Campa, A. 2011. "Increasing Access to Credit through Reforming Secured Transactions in the MENA Region." Policy Research Working Paper 5613, World Bank, Washington, DC.
- Amin, M., and D. Viganola. 2021. "Does Better Access to Finance Help Firms Deal with the COVID-19 Pandemic? Evidence from Firm-Level Survey Data." Policy Research Working Paper 9697. Washington, DC, World Bank.
- Ayyagari, M., P. Pedro Juarros, M. S. Martinez Peria, and S. Singh. 2021. "Access to Finance and Job Growth: Firm-Level Evidence across Developing Countries." *Review of Finance* 25 (5): 1473–96.
- BCBS (Basel Committee on Banking Supervision). 2014. *Sound Management of Risks Related to Money Laundering and Financing of Terrorism* (revised July 2020). <https://www.bis.org/bcbs/publ/d505.pdf>.
- Beck, T., A. Demirgüç-Kunt, and P. Honohan. 2009. "Access to Financial Services: Measurement, Impact, and Policies." *World Bank Research Observer* 24 (1).
- Beck, T., A. Demircuc-Kunt, and V. Maksimovic. 2005. "Financial and Legal Constraints to Growth: Does Firm Size Matter?" *Journal of Finance* 60 (1).
- Boar, C., S. Claessens, A. Kosse, R. Leckow, and T. Rice. 2021. "Interoperability between Payment Systems across Borders." *BIS Bulletin* No. 49. Bank for International Settlements.
- Brown, M., T. Jappelli, and M. Pagano. 2009. "Information Sharing and Credit: Firm-Level Evidence from Transition Countries." *Journal of Financial Intermediation* 18: 151–72.
- Celik, K. 2021. "Impact of the FATF Recommendations and their Implementation on Financial Inclusion: Insights from Mutual Evaluations and National Risk Assessments." *Equitable Growth, Finance and Institutions Insight*. World Bank, Washington, DC.
- Demirgüç-Kunt, A., T. Beck, and P. Honohan. 2008. *Finance for All? Policies and Pitfalls in Expanding Access*. Washington, DC: World Bank.
- Joint Committee of the European Supervisory Authorities. 2017. "The Risk Factor Guidelines." <https://www.eba.europa.eu/sites/default/files/documents/10180/1890686/66ec16d9-0c02-428b-a294-pdf>.
- European Parliament. 2015. "EU Second Payment Services Directive 2015/2366." <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2366>.
- FATF (Financial Action Task Force). 2012–2023. *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*. FATF. www.fatf-gafi.org/recommendations.html.
- FATF (Financial Action Task Force). 2013–2017. *Anti-Money Laundering and Terrorism Financing Measures and Financial Inclusion—With a Supplement on Customer Due Diligence*. FATF. www.fatf-gafi.org/publications/financialinclusion/documents/financial-inclusion-cdd-2017.html.

- FATF (Financial Action Task Force). 2014. Risk-Based Approach for the Banking Sector. FATF. <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Risk-based-approach-banking-sector.html#:~:text=A%20risk%2Dbased%20approach%20means,with%20the%20level%20of%20risk.>
- FATF (Financial Action Task Force). 2020. *Guidance on Digital Identity*. FATF.
- Giannetti, C., and N. Jentzsch. 2013. “Credit Reporting, Financial Intermediation and Identification Systems: International Evidence.” *Journal of International Money and Finance* 33: 60–80.
- Hu, S., and Y. Zhang. 2021. “COVID-19 Pandemic and Firm Performance: Cross-Country Evidence.” *International Review of Economics & Finance* 74: 365–72.
- ICMA (International Capital Market Association). 2021. *Handbook–Harmonised Framework for Impact Reporting*. ICMA.
- Immordino, G., and F. F. Russo. 2018. “Cashless Payments and Tax Evasion.” *European Journal of Political Economy* 55: 36–43.
- Këllici, E., and I. Baholli. 2015. “Mobile Payments, Driving Economies in Development Countries Toward Less Risky Transactions and Lowering Informality.” *European Academic Research* 3 (1): 572–88.
- Khiaonarong, T., and T. Goh. 2020. “FinTech and Payments Regulation: An Analytical Framework.” *Journal of Payments Strategy & Systems* 14 (2): 157–71.
- Martinez Peria, M. S., and S. Singh. 2014. “The Impact of Credit Information Sharing Reforms on Firm Financing.” Policy Research Working Paper 7013. World Bank, Washington, DC.
- OCC (Office of the Comptroller of the Currency). 2021. *Comptroller’s Handbook: Payment Systems*, October 2021. OCC.
- Qi, S., and S. Ongena. 2019. “Fuel the Engine: Bank Credit and Firm Innovation.” *Journal of Financial Services Research* 57: 115–47.
- Pazarbasioglu, C., A. G. Mora, M. Uttamchandani, H. Natarajan, E. Feyen, and M. Saal. 2020. *Digital Financial Services*. Washington, DC: World Bank Group.
- Resendiz, R. M. 2018. “The Role of Payment Systems and Services in Financial Inclusion–The Latin American and Caribbean Perspective.” IFC Bulletins chapters in *The Role of Data in Supporting Financial Inclusion Policy*, vol. 47, edited by Bank for International Settlements.
- Siemer, M. 2019. “Employment Effects of Financial Constraints during the Great Recession.” *Review of Economics and Statistics* 101: 16–29.
- UNCITRAL (United Nations Commission on International Trade Law). 2010. *UNCITRAL Legislative Guide on Secured Transactions*. United Nations.
- UNCITRAL (United Nations Commission on International Trade Law). 2014. *UNCITRAL Guide on the Implementation of a Security Rights Registry*. United Nations.

- UNCITRAL (United Nations Commission on International Trade Law). 2019. *UNCITRAL Model Law on Secured Transactions*. United Nations.
- Wellalage, N. H., and V. Fernandez. 2019. “Innovation and SME Finance: Evidence from Developing Countries.” *International Review of Financial Analysis* 66: 101370.
- Wellalage, N. H., and S. Locke. 2020. “Formal Credit and Innovation: Is There a Uniform Relationship Across Types of Innovation?” *International Review of Economics & Finance* 70: 1–15.
- World Bank. 2010-2023. Enterprise Surveys. Washington, DC: World Bank Group. <https://www.enterprisesurveys.org/en/data/exploretopics/biggest-obstacle>.
- World Bank. 2014. *Global Financial Development Report 2014: Financial Inclusion*. Washington, DC: World Bank.
- World Bank. 2016. *Payment Aspects of Financial Inclusion*. Washington, DC: World Bank Group. <https://www.worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report>.
- World Bank. 2020a. *Payment Systems Worldwide: Summary Outcomes of the Fifth Global Payment Systems Survey: A Snapshot*. Washington, DC: World Bank.
- World Bank. 2020b. *Payment Aspects of Financial Inclusion in the Fintech Era*. Washington, DC: World Bank Group.
- World Bank 2021b. *Considerations and Lessons for the Development and Implementation of Fast Payment Systems*. World Bank Fast Payments Toolkit–Main Report). Washington, DC: World Bank Group.
- World Bank Group. 2011. General Principles for Credit Reporting. Washington, DC: World Bank Group.
- World Bank Group. 2017. Good Practices for Financial Consumer Protection. Washington, DC: World Bank Group.
- World Bank Group. 2019b. *Prudential Regulatory and Supervisory Practices for Fintech: Payments, Credit and Deposits*. Washington, DC: World Bank Group.
- World Bank Group and World Economic Forum. 2016. *Innovation in Electronic Payment Adoption: The Case of Small Retailers*. World Economic Forum, Geneva and World Bank, Washington, DC.

- ¹ Qi and Ongena (2019); Wellalage and Fernandez (2019); Wellalage and Locke (2020); World Bank (2010-2023).
- ² Amin and Viganola (2021); Hu and Zhang (2021).
- ³ Ayyagari et al. (2021); Siemer (2019).
- ⁴ Celik (2021).
- ⁵ World Bank (2015).
- ⁶ Brown, Jappelli, and Pagano (2009); Martinez Peria and Singh (2014).
- ⁷ World Bank (2020a).
- ⁸ Immordino and Russo (2018); Kelliçi and Baholli (2015).
- ⁹ FATF (2012–2023).
- ¹⁰ FATF (2014, 2012–2023).
- ¹¹ FATF (2014).
- ¹² Joint Committee of the European Supervisory Authorities (2017).
- ¹³ BCBS (2014).
- ¹⁴ Joint Committee of the European Supervisory Authorities (2017).
- ¹⁵ FATF (2013–2017).
- ¹⁶ BCBS (2014); FATF (2012–2023); Joint Committee of the European Supervisory Authorities (2017).
- ¹⁷ UNCITRAL (2010, 2019). Terminology and Interpretation: “Intangible assets” means all types of movable assets other than tangible assets and includes incorporeal rights, receivables and rights to the performance of obligations other than receivables. “Movable asset” means a tangible or intangible asset, other than immovable property.
- ¹⁸ UNCITRAL (2010, 2019).
- ¹⁹ UNCITRAL (2010, 2019).
- ²⁰ UNCITRAL (2010, 2019).
- ²¹ Khiaonarong and Goh (2020).
- ²² World Bank (2020b).
- ²³ OCC (2021); World Bank (2016).
- ²⁴ World Bank Group (2017).
- ²⁵ European Parliament (2015); World Bank (2019b).
- ²⁶ World Bank (2020b).
- ²⁷ World Bank (2016).
- ²⁸ World Bank Group (2017).
- ²⁹ World Bank (2020b).
- ³⁰ World Bank (2016).
- ³¹ World Bank Group (2017).
- ³² Boar et al (2021).
- ³³ Resendiz (2018).
- ³⁴ World Bank (2016, 2020b).
- ³⁵ Credit bureaus and registries differ in terms of their ownership, with the former generally being privately owned companies and the latter established by the government in the majority of cases, usually under the management of the central bank or the banking supervision authority. Regardless of the ownership structure, as credit reporting service providers, both types of organizations can serve the same role by providing information on borrower’s histories that assist creditors in their lending decisions.
- ³⁶ World Bank Group (2011, 2019a).
- ³⁷ Giannetti and Jentzsch (2013).
- ³⁸ Alvarez de la Campa (2011).
- ³⁹ UNCITRAL (2010).
- ⁴⁰ UNCITRAL (2010).
- ⁴¹ UNCITRAL (2010).
- ⁴² Beck, Demirguc-Kunt, and Maksimovic (2005).
- ⁴³ UNCITRAL (2014, 2019, 2020); World Bank Group (2011).
- ⁴⁴ World Bank (2021b).
- ⁴⁵ World Bank (2021b).

ANNEX A. FINANCIAL SERVICES–SCORING SHEET

This document outlines the scoring approach for the Financial Services topic. For every indicator, a Firm Flexibility Point (FFP) and/or a Social Benefits Point (SBP) are assigned, along with a clarification on the detailed scoring for each such indicator and a note on the relevant background literature.

PILLAR I–QUALITY OF REGULATIONS FOR FINANCIAL SERVICES					
1.1 COMMERCIAL LENDING					
1.1.1 Customer Due Diligence (CDD) and Risk Factors					
Indicators	FFP	SBP	Total Points	Rescaled Points	Background Literature
Requirement to Conduct CDD and Risk Factors	n/a	1	1	10.00	BCBS (2014); European Supervisory Authorities (2013); FATF (2014)
Total Points for Subcategory 1.1.1	0	1	1	10.00	
1.1.2 Availability of Enhanced and Simplified CDD Measures					
Simplified CDD	1	1	2	3.33	BCBS (2014); European Supervisory Authorities (2013); FATF (2014)
Enhanced CDD	n/a	1	1	1.67	BCBS (2014); European Supervisory Authorities (2013); FATF (2014)
Total Points for Subcategory 1.1.2	1	2	3	5.00	
1.1.3 Record Keeping of Customer Information					
CDD for Existing Customers and Record Keeping	1	1	2	5.00	BCBS (2014); European Supervisory Authorities (2013); FATF (2014, 2020)
Total Points for Subcategory 1.1.3	1	1	2	5.00	
Total Points for Category 1.1	2	4	6	20.00	

1.2 SECURED TRANSACTIONS					
1.2.1 Integrated Legal Framework for Secured Transactions					
Integrated Legal Framework for Secured Transactions	1	1	2	10.00	UNCITRAL (2010, 2019)
Total Points for Subcategory 1.2.1	1	1	2	10.00	
1.2.2 Types of Movable Assets, Debts, and Obligations that Can Be Secured					
Security Interest in One Category of Movable Assets	1	1	2	5.00	UNCITRAL (2010, 2019)
Security Interest in Combined Category of Movable Assets	1	1	2	5.00	UNCITRAL (2010, 2019)
Security Interest over Future Assets	1	1	2	5.00	UNCITRAL (2010, 2019)
Debts and Obligations	1	1	2	5.00	UNCITRAL (2010, 2019)
Total Points for Subcategory 1.2.2	4	4	8	20.00	
1.2.3 Priority/Enforcement of Security Interests					
Priority of Claims Outside of Insolvency or Bankruptcy	1	1	2	5.00	UNCITRAL (2010, 2019)
Enforcement of Security Interests	1	1	2	5.00	UNCITRAL (2010, 2019)
Total Points for Subcategory 1.2.3	2	2	4	10.00	
Total Points for Category 1.2	7	7	14	40.00	
1.3 E-PAYMENTS					
1.3.1 Risk Management					
External Review and Internal Control	1	1	2	3.33	OCC (2021); World Bank (2016, 2020)
Cybersecurity and Operational Risk	1	1	2	3.33	OCC (2021); World Bank (2016, 2020)
Liquidity Risk	1	1	2	3.33	OCC (2021); World Bank (2016, 2020)
Total Points for Subcategory 1.3.1	3	3	6	10.00	
1.3.2 Consumer Protection					
Obligations of User and Payment Service Provider (PSP)	1	1	2	3.33	EU Second Payment Services Directive 2015/2366 (2015); World Bank (2016, 2020); World Bank Group (2017)
Cancellations, Protection of Funds, and Liabilities	1	1	2	3.33	EU Second Payment Services Directive 2015/2366 (2015); World Bank (2020); World Bank Group (2017, 2019b)
Fee Disclosures and Change Notifications	1	1	2	3.33	World Bank (2016, 2020); World Bank Group (2017)

Disclosures of Liability, Data Use, and Dispute Mechanisms	1	1	2	3.33	World Bank (2016, 2020); World Bank Group (2017)
Disputing a Transaction	1	1	2	3.33	World Bank (2016, 2020); World Bank Group (2017)
Availability of Dispute Mechanisms	1	1	2	3.33	World Bank (2016, 2020); World Bank Group (2017)
Total Points for Subcategory 1.3.2	6	6	12	20.00	
1.3.3 Interoperability of Payment Systems and Promotion of Competition					
Interoperability of Payment Systems	1	1	2	3.33	Boar et al. (2021); Resendiz (2018); World Bank (2020)
Fair Competition	1	1	2	3.33	World Bank (2016, 2020)
Equal Access and Treatment of Different PSPs	1	1	2	3.33	World Bank (2016, 2020)
Total Points for Subcategory 1.3.3	3	3	6	10.00	
Total Points for Category 1.3	12	12	24	40.00	
Total Points for Pillar I	21	23	44	100.00	

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). AML/CFT = Anti-Money Laundering/Combating the Financing of Terrorism; CDD = Customer Due Diligence; FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR II–ACCESSIBILITY OF INFORMATION IN CREDIT INFRASTRUCTURE					
2.1 OPERATION OF CREDIT BUREAUS AND REGISTRIES**					
** If the credit reporting agency (bureau or registry) is not operational or covers less than 5 percent of the adult population (age 15 to 64), the score is 0. In the case where the bureau or registry is operational but does not distribute credit report by the cut-off date for B-READY, the score is also 0.					
2.1.1 Data Coverage					
Indicators	FFP	SBP	Total Points	Rescaled Points	Background Literature
Data Coverage	1	1	2	16.67	Giannetti and Jentzsch (2013); Martinez Peria and Singh (2014); World Bank (2019a); World Bank Group (2011)
Total Points for Subcategory 2.1.1	1	1	2	16.67	
2.1.2 Types of Data Shared					
Types of Data Shared	1	1	2	16.67	World Bank (2019a); World Bank Group (2011)
Total Points for Subcategory 2.1.2	1	1	2	16.67	
2.1.2 Additional Services and Borrower's Access to Information					
Additional Services and Borrower's Access to Information	1	1	2	16.67	World Bank (2019a); World Bank Group (2011)
Total Points for Subcategory 2.1.3	1	1	2	16.67	
Total Points for Category 2.1	3	3	6	50.00	
2.2 OPERATION OF COLLATERAL REGISTRIES					
2.2.1 Existence of a Centralized and Publicly Available Registry					
Existence of a Centralized and Publicly Available Registry	1	1	2	16.67	UNCITRAL (2010, 2014, 2019)
Total Points for Subcategory 2.2.1	1	1	2	16.67	
2.2.2 Noticed-Based Registry Updates					
Notice-Based Registry Updates	1	1	2	16.67	UNCITRAL (2010, 2014, 2019)
Total Points for Subcategory 2.2.2	1	1	2	16.67	
2.2.3 Autonomy of Secured Creditors to Access and Update the Registry					
Autonomy of Secured Creditors to Access and Update the Registry	1	1	2	16.67	UNCITRAL (2010, 2014, 2019)
Total Points for Subcategory 2.2.3	1	1	2	16.67	
Total Points for Category 2.2	3	3	6	50.00	

Total Points for Pillar II	6	6	12	100.00	
-----------------------------------	----------	----------	-----------	---------------	--

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR III-OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES					
3.1 LOANS					
3.1.1 Obtaining a Loan					
Indicators	FFP	SBP	Total Points	Rescaled Points	Background Literature
Time to Obtain a Loan	50	n/a	50	20.00	Beck, Demirgüç-Kunt, and Maksimovic (2005)
Obstacles to Obtaining a Loan	50	n/a	50	20.00	Beck, Demirgüç-Kunt, and Maksimovic (2005)
Total Points for Subcategory 3.1.1	100	n/a	100	40.00	
3.1.2 Operational Efficiency of Security Interest and Credit Data Update					
Operational Efficiency of Security Interest and Credit Data Update	100	n/a	100	10.00	UNCITRAL (2010, 2014, 2019); World Bank Group (2011, 2019a)
Total Points for Subcategory 3.1.2	100	n/a	100	10.00	
Total Points for Category 3.1	100	n/a	100	50.00	
3.2 E-PAYMENTS					
3.2.1 Cost of e-Payments					
Cost of Receiving e-Payments	50	n/a	50	10.00	World Bank (2021)
Cost of Making e-Payments	50	n/a	50	10.00	World Bank (2021)
Total Points for Subcategory 3.2.1	100	n/a	100	20.00	
3.2.2 Time to Receive e-Payments					
Time to Receive e-Payments	100	n/a	100	10.00	World Bank (2021)
Total Points for Subcategory 3.2.2	100	n/a	100	10.00	
3.2.3 Usage Level of e-Payments					
Usage Level of Receiving e-Payments	50	n/a	50	10.00	World Bank (2021)
Usage Level of Making e-Payments	50	n/a	50	10.00	World Bank (2021)
Total Points for Subcategory 3.2.3	100	n/a	100	20.00	
Total Points for Category 3.2	100	n/a	100	50.00	
Total Points for Pillar III	100	n/a	100	100.00	

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). FFP = Firm Flexibility Point; SBP = Social Benefits Point.

References

- BCBS (Basel Committee on Banking Supervision). 2014. *Sound Management of Risks Related to Money Laundering and Financing of Terrorism*. January 2014.
- Beck, T., A. Demirgüç-Kunt, and P. Honohan. 2009. "Access to Financial Services: Measurement, Impact, and Policies." *World Bank Research Observer* 24 (1).
- Beck, T., A. Demirguc-Kunt, and V. Maksimovic. 2005. "Financial and Legal Constraints to Growth: Does Firm Size Matter?" *Journal of Finance* 60 (1): 137–77.
- Boar, C., S. Claessens, A. Kosse, R. Leckow, and T. Rice. 2021. "Interoperability between Payment Systems across Borders." *BIS Bulletin* No. 49. Bank for International Settlements.
- Demirgüç-Kunt, A., T. Beck, and P. Honohan. 2008. *Finance for All? Policies and Pitfalls in Expanding Access*. Washington, DC: World Bank.
- European Supervisory Authorities (EIOPA, EBA, and ESMA). 2013. *Preliminary Report on Anti-Money Laundering and Counter Financing of Terrorism Risk-based Supervision*. JC-2013-72. October 2013.
- European Parliament. 2015. "European Union Second Payment Services Directive 2015/2366." <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2366>.
- FATF (Financial Action Task Force). 2014. "Guidance for a Risk-Based Approach-Banking Sector." FATF, Paris.
- FATF (Financial Action Task Force). 2020. "Guidance on Digital Identity." FATF, Paris.
- Giannetti, C., and N. Jentzsch. 2013. "Credit Reporting, Financial Intermediation and Identification Systems: International Evidence." *Journal of International Money and Finance*. 33: 60–80.
- ICMA (International Capital Market Association). 2021. *Handbook–Harmonised Framework for Impact Reporting*. ICMA.
- Martinez Peria, M. S., and S. Singh. 2014. "The Impact of Credit Information Sharing Reforms on Firm Financing." Policy Research Working Paper 7013. World Bank, Washington, DC.
- OCC (Office of the Comptroller of the Currency). 2021. *Comptroller's Handbook: Payment Systems*, October 2021. OCC.
- Pazarbasioglu, C., A. G. Mora, M. Uttamchandani, H. Natarajan, E. Feyen, and M. Saal. 2020. *Digital Financial Services*. Washington, DC: World Bank Group.
- Resendiz, R. M. 2018. "The Role of Payment Systems and Services in Financial Inclusion–The Latin American and Caribbean Perspective." IFC Bulletins chapters in *The Role of Data in Supporting Financial Inclusion Policy*, vol. 47, edited by Bank for International Settlements.
- UNCITRAL (United Nations Commission on International Trade Law). 2010. *UNCITRAL Legislative Guide on Secured Transactions*. United Nations.

- UNCITRAL (United Nations Commission on International Trade Law). 2014. *UNCITRAL Guide on the Implementation of a Security Rights Registry*. United Nations.
- UNCITRAL (United Nations Commission on International Trade Law). 2019. *UNCITRAL Model Law on Secured Transactions*. United Nations.
- World Bank. 2014. *Global Financial Development Report 2014: Financial Inclusion*. Washington, DC: World Bank.
- World Bank. 2016. *Payment Aspects of Financial Inclusion*. Washington, DC: World Bank.
- World Bank. 2020. *Payment Aspects of Financial Inclusion in the Fintech Era*. Washington, DC: World Bank Group.
- World Bank. 2021. *Considerations and Lessons for the Development and Implementation of Fast Payment Systems*. World Bank Fast Payments Toolkit–Main Report. Washington, DC: World Bank.
- World Bank Group. 2011. *General Principles for Credit Reporting*. Washington, DC: World Bank Group.
- World Bank Group. 2017. *Good Practices for Financial Consumer Protection*. Washington, DC: World Bank Group.
- World Bank Group. 2019a. *Credit Reporting Knowledge Guide*. Washington, DC: World Bank.
- World Bank Group. 2019b. *Prudential Regulatory and Supervisory Practices for Fintech: Payments, Credit and Deposits*. Washington, DC: World Bank Group.
- World Bank Group and World Economic Forum. 2016. *Innovation in Electronic Payment Adoption: The Case of Small Retailers*. Geneva: World Economic Forum and Washington, DC: World Bank.

ANNEX B. FINANCIAL SERVICES–ANNOTATED QUESTIONNAIRE

Annex B consists of a Glossary and Annotated Questionnaires for Commercial Lending, Secured Transactions and Collateral Registries, Electronic Payments (e-payments), and Operation of Credit Bureaus and Registries. The Annotated Questionnaires provide the mapping between each indicator and the corresponding question(s).

Glossary

Arrears: Obligations that have not been paid by their due date, meaning, an overdue payment.

Assignment of receivables: The creation of a security right in a receivable that secures the performance of an obligation. Although outright transfers of receivables are transfers not intended to secure an obligation, for convenience of reference the term is included in the assignment of receivables. Example: A company/individual assigns or sells outright its accounts receivable to a lending company in return for a loan. The lending company is repaid from the receivables.

Collateral registry: Also called Security Rights Registry under the United Nations Commission on International Trade Law (UNCITRAL) Guide on the Implementation of a Security Rights Registry, means the economy's system for receiving, storing, and making accessible to the public certain information about security rights in movable assets.

Commercial lender: A regulated lending entity that grants loans to businesses.

Credit bureau: Private firm or nonprofit organization that maintains a database on the creditworthiness of borrowers (individuals or firms) in the financial system and facilitates the exchange of credit information among creditors.

Credit registry: Database managed by the public sector, usually by the central bank or the superintendent of banks that collects information on the creditworthiness of borrowers (individuals or firms) in the financial system and facilitates the exchange of credit information among banks and other regulated financial institutions (while their primary objective is to assist banking supervision).

Credit reporting agency: Credit reporting system provider. It includes Credit Bureaus and Credit Registries.

Credit score: A number assigned to a borrower based on the borrower's ability and capacity to repay debt. It also captures the creditworthiness of borrowers. Credit scores are developed based on the credit bureau/registry's data, and include information pooled across many creditors and possibly some public information sources.

Crises-related data: Data that have been collected (on borrowers) during an unstable or difficult time that could lead to a change of lending decision.

Cross border credit information sharing: A movement or transfer of information between credit bureaus/registries and financial institutions across country borders.

Customer: The customer is defined as any type of business engaging in commercial transactions, regardless of their legal structure.

Customer usage limits: Refer to types of measures put in place to mitigate the risks. For example, per transaction and/or daily limits for users of payment services set by the operator and/or the participating payment service providers.

Default: A failure to meet a financial obligation/pay the loan when its due.

e-KYC: Electronic Know Your Customer allows the bank to obtain and verify information about the identity of their customer digitally, without the need for paper documents.

Electronic money (e-money): An electronic store of monetary value on a technical device that may be widely used for making payments to other entities other than the e-money issuer. The device acts as a prepaid bearer instrument, which does not necessarily involve bank accounts in transactions.

Electronic payment (e-payment): Sometimes also called a digital payment, means the transfer of value from one payment account to another using a digital device such as a mobile phone, POS (Point of Sales), or computer, digital channel communication such as mobile wireless data or SWIFT (Society for the Worldwide Interbank Financial Telecommunication). This definition includes payments made with bank transfers, mobile money, and payment cards including credit, debit, and prepaid cards.

Fiduciary transfer of title: A transfer of ownership for security purposes until the debt is extinguished. The debtor may retain possession of the assets. Example: A company/individual transfers the title of a machine to a bank as security for loan and expects to retrieve ownership of the machine following payment of the debt.

Financial institutions: Banks or other companies engaged in the business of dealing with financial and monetary transactions such as deposits, commercial loans, and investments. These include commercial banks, development banks, etc.

Financial lease: An agreement where the lessor receives payments to cover its ownership costs. Such an agreement creates a right in favor of the lessor over a tangible asset—that is, the object of a lease agreement—under which, at the end of the lease: (a) The lessee automatically becomes the owner of the asset that is the object of the lease; (b) The lessee may acquire ownership of the asset by paying no more than a nominal price; or (c) The asset has no more than a nominal residual value. Example: Company/individual “Lessee” agrees to lease a machine from another company “Lessor.” The lessor is usually a financial institution. The lease agreement guarantees the use of the machine and guarantees that the lessor receives regular payments from the lessee for a specified period of time.

Firm: Organization/corporation that requests a loan from a financial institution and has a history in bureau/registry.

Functional equivalents: In the functional approach to secured transactions, all rights in movable assets that are created by agreement and that secure the payment or other performance of an obligation, regardless of the type of transaction or the terminology used by the parties, are considered to be functional equivalents to traditional types of security interests.

The four most common types of functional equivalents are:

- 1- fiduciary transfer of title;
- 2- financial leases;
- 3- assignment/transfer of receivables; and
- 4- sales with retention of title.

Historical data: Borrowing credit history records borrower's ability to repay debts and demonstrated responsibility in repaying them. It also shows borrowers' transactions and relevant financial history.

Incorporated entities: Separate legal entities incorporated through a registration process established by legislation.

Individual: A person who requests a loan from a financial institution and has a history in bureau/registry. A group of individuals (borrowers + third party + partner + sponsors) will be considered as ONE individual borrower, not firm.

Internet banking: A facility which enables customers of a financial institution to execute financial transactions electronically via the internet using a computer or another electronic device.

KYC: Know Your Customer is the process through which banks obtain and verify information about the identity of their customer.

Mobile banking: A facility which enables customers of a financial institution to execute financial transactions electronically via the internet using a mobile phone.

Mobile money: A pay-as-you-go digital medium of exchange and store of value using mobile money accounts, facilitated by a network of mobile money agents. It is a financial service offered to its clients by a mobile network operator or another entity that partners with mobile network operators, independent of the traditional banking network.

Movable property: A tangible or intangible asset, which is not immovable property. The assessment does not include the movable properties governed by a different regime due to their nature: airplanes, boats, intellectual property, etc.

Negative data: Information that indicates a poor credit history or financial behavior, such as defaults or restructured debts, arrears or late payments, accounts sent to collections and bankruptcies. It suggests a higher risk for lenders and creditors, making it more challenging for borrowers to qualify for loans or credit at favorable interest rates.

Non-regulated entities: Retailers, utility companies, trade creditors, and microfinance institutions.

Payment cards: These include credit, debit, and prepaid cards.

Payment service provider (PSP): An entity that provides payment services, including remittances. PSPs include banks and other deposit-taking institutions, as well as specialized entities such as money transfer operators and e-money issuers.

Positive data: Information that indicates a positive credit history or financial behavior such as account paid in full, on-time loan repayments and no late payments or collection. It is used to demonstrate an individual's or business's creditworthiness and ability to manage debt responsibly.

Private sale: A method of selling assets in which the buyer's and seller's identities are not disclosed and the procedure may not be monitored by a government agency.

Public auction: A method of selling assets in a public forum through open and competitive bidding and under the authority of a court or a government agency.

Regulated entities: Banks or similar financial institutions that are regulated, supervised, and subject to periodic examination by a government agency.

Rental properties or rental data: Rental payment history, rental agreements, property management and information related to commercial properties and loans (commercial property owners, small business owners, real estate investors). These include property management companies, rental listing platforms, government housing authorities, property records offices.

Repayment history: Unpaid debts or outstanding credit (even if they currently have no outstanding loans, defaults, etc.), as well as positive data on timely repayments.

Restructured debts: Refinanced debt held by an individual or firm.

Retailers and merchants: Department stores, furniture stores, car dealers, etc.

Retention of title sale: The sale of goods where the title to the goods remains vested in the seller until certain obligations (usually payment of the purchase price) are fulfilled by the buyer. Example: The title of inventory remains vested with a seller until the purchase price has been paid in full by the buyer company/individual.

Secured transactions: All transactions, irrespective of the form, that create a right in any type of movable asset to secure the performance of an obligation.

Security interest in a combined category of assets: When a security interest is granted over all or several types of movable assets of the entire company in one security instrument. Common law countries may allow to grant a security interest over a combined category of assets by way of a floating charge or enterprise charge. In civil law countries, this may be possible through a “nantissement du fonds de commerce” or “fondo de comercio/hipoteca mercantil”.

Tax companies: Companies that provide tax-related data and information to credit reporting agencies. It helps assessing the creditworthiness of borrowers. These include government tax authorities, tax collection agencies, and tax information providers.

Unincorporated entities: Entities that are considered non-registered partnerships, sole proprietorships, and individuals.

Utility companies: Companies providing telecommunications, electricity, water, gas, or similar services.

Value-added service: Practice of providing credit scores to borrowers as an additional benefit (features, recommendation, support, and analyses related to the credit score), beyond the traditional credit reporting services.

COMMERCIAL LENDING QUESTIONNAIRE

The tables that follow present all indicators (including their components, if applicable) under each pillar, with a reference to the corresponding question number in parenthesis. The questions are listed before each table for ease of reference.

For Y/N questions, the Y response accounts for the score and is considered as good practice, unless otherwise indicated with the sign “Y/N; N – good practice”.

In the tables that follow, “AND” means all referenced questions must have a good practice response to obtain a score on the indicator.

In the tables that follow, “OR” means one or more referenced questions must have a good practice response to obtain a score on the indicator.

Certain questions are marked as “not scored,” which indicates that they do not impact the score in any way. The purpose of these questions is to further inform and refine the questions design for subsequent years of the rollout phase as needed, as well as to substantiate and provide further information for the scored questions.

PILLAR I–QUALITY OF REGULATIONS FOR COMMERCIAL LENDING	
Parameters	
Business Location	The largest (most populous) city in the economy. The parameter is used in cases where regulations may not be applicable at a national level and vary across states or regions.
Type of Transactions	The parameter is used in cases where regulations are different across different types of transactions. Under Pillar 1, domestic commercial loans are considered.

1.1 COMMERCIAL LENDING

1.1.1 *Customer Due Diligence (CDD) and Risk Factors*

- 1. Are there any legal or regulatory requirements in your country for a commercial lender to conduct a customer due diligence** *(that is, screening of customers, anti-money laundering/combating the financing of terrorism [AML/CFT] measures)?* (Y/N) *(not scored)*

Does the regulatory framework related to customer due diligence require that upon reviewing a commercial loan application for a new customer, the commercial lender verifies: (questions 2 through 6)

- 2. The customer’s identity.** (Y/N)
- 3. The direct ownership and control structure of the customer.** (Y/N)
- 4. The beneficial owners of the customer.** (Y/N)
- 5. The purpose/intended use of the loan.** (Y/N)

6. The geographical location of the customer. (Y/N)
7. When performing a customer due diligence, does the regulatory framework require the commercial lender to consider anti-money laundering/combating the financing of terrorism (AML/CFT) risk factors related to the identity of the customer *(risk-based approach pertaining to customer's identity)*? (Y/N) *(not scored)*

Does the regulatory framework require the commercial lender to identify whether: (questions 8 through 15)

8. The ultimate or beneficial owner of the customer would present any Money Laundering/Terrorist Financing (ML/TF) risk *(for example, blacklisted individuals involved in money laundering; financing of terrorism; politically exposed individuals; etc.)* that may prevent the commercial lender from doing business with the customer. (Y/N)
9. The ownership structure of the customer appears unusual or excessively complex given the nature of the customer's business. (Y/N)
10. The customer is involved in or part of an international structure *(for example, owned by a foreign holding, has foreign affiliates)* and if such involvement has any impact on its activities from a ML/TF risk perspective. (Y/N)
11. The customer is a Personal Asset Holding Vehicle *(that is, legal person or arrangement especially created to hold personal assets for investment presenting a ML/TF risk)*. (Y/N)
12. The customer has nominee shareholders or shares in bearer form. (Y/N)
13. The business relationship is conducted in unusual circumstances *(for example, significant unexplained geographic distance between the financial institution and the customer)*. (Y/N)
14. The customer's business is cash-intensive/reliant. (Y/N)
15. The customer is located in a high-risk geographical location. (Y/N)
16. When performing a customer due diligence, does the regulatory framework require the commercial lender to consider AML/CFT risk factors related to the business activity of the customer *(risk-based approach pertaining to customer's products, services, transactions, geography, or delivery channels (that is, a review that goes beyond the requested loan and involves a general review of the business activities of the applicant))*? (Y/N) *(not scored)*

Does the regulatory framework require the commercial lender to verify whether: (questions 17 through 21)

17. The customer is involved in private banking. (Y/N)
18. The customer had anonymous transactions *(for example, transactions which may include cash)*. (Y/N)
19. The customer's activities include the undertaking of non-face-to-face business relationships or transactions. (Y/N)
20. The customer receives payments from unknown or unassociated third parties. (Y/N)

21. The customer operates or undertakes activities in a high-risk geographical location. (Y/N)

1.1.2 Availability of Enhanced and Simplified CDD Measures

22. Are simplified customer due diligence measures available for low-risk clients applying for commercial loans, under the country's regulatory framework? (Y/N)

23. Does the regulatory framework provide criteria to guide commercial lenders in determining a low-risk client? (Y/N)

24. Are enhanced customer due diligence measures available for high-risk clients applying for commercial loans, under the country's regulatory framework? (Y/N)

25. Does the regulatory framework provide criteria to guide commercial lenders in determining a high-risk client? (Y/N)

1.1.3 Record Keeping of Customer Information

26. Does the regulatory framework prohibit the reliance on customer due diligence previously conducted by the commercial lender itself for existing customers (*unless there are doubts about the accuracy of that information*)? (Y/N, N – good practice)

27. Does the regulatory framework prohibit commercial lenders from relying – partially or completely – on a KYC (*Know Your Customer is the process through which commercial lenders obtain and verify information about the identity of their customer*) conducted by a third party? (Y/N, N – good practice)

28. Does the regulatory framework prohibit commercial lenders in the country from relying on an e-KYC (*Electronic Know Your Customer allows commercial lenders to obtain and verify information about the identity of their customers digitally, without the need for paper documents*) system when performing customer due diligence? (Y/N, N – good practice)

N → provide response to question 29.

29. Are commercial lenders relying on e-KYC systems when performing customer due diligence in practice? (Y/N)

30. Does the regulatory framework require maintaining, for at least five years, all necessary records of customer information, both domestic and international, to enable them to comply swiftly with information requests from the competent authorities? (Y/N)

31. For high-risk cases, does the regulatory framework require that the commercial lender ensure that documents, data, or information collected under the customer due diligence process are kept up to date and relevant by undertaking periodical reviews of existing records? (Y/N)

1.1 COMMERCIAL LENDING			
1.1.1 Customer Due Diligence (CDD) and Risk Factors			
Indicators	FFP	SBP	Total Points

Requirement to Conduct CDD and Risk Factors			
- Legal requirement to conduct CDD		1	1
- Verification of customer's identity (2)		0.05	0.05
- Verification of direct ownership and control structure of the customer (3)		0.05	0.05
- Verification of beneficial owners of the customer (4)		0.05	0.05
- Verification of the purpose/intended use of the loan (5)		0.05	0.05
- Verification of the geographical location of the customer (6)		0.05	0.05
- Risk factors (customer identity)			
- Customer risk factors (beneficial owner) (8)		0.06	0.06
- Customer risk factors (ownership structure) (9)		0.06	0.06
- Customer risk factors (involvement in international structure) (10)		0.05	0.05
- Customer risk factors (personal asset-holding vehicles) (11)		0.05	0.05
- Customer risk factors (nominee shareholders or shares in bearer forms) (12)		0.05	0.05
- Customer risk factors (business relationship conducted in unusual circumstances) (13)	n/a	0.06	0.06
- Customer risk factors (cash-intensive) (14)		0.06	0.06
- Customer risk factors (located in high-risk geographical location) (15)		0.06	0.06
- Risk factors (product, service, geography, delivery channel)			
- Product risk factors (private banking) (17)		0.06	0.06
- Product risk factors (anonymous transactions) (18)		0.06	0.06
- Product risk factors (payments received from unknown sources) (19)		0.06	0.06
- Product risk factors (non-face-to-face relation and transactions) (20)		0.06	0.06
- Product risk factors (operations in high-risk geographical location) (21)		0.06	0.06
Total Points	0	1	1
1.1.2 Availability of Enhanced and Simplified CDD Measures			
Indicators	FFP	SBP	Total Points
Simplified CDD	1	1	2
- Simplified AML/CFT CDD review for low-risk clients (22)	0.5	0.5	1
- Regulatory guidance to determine low-risk clients (23)	0.5	0.5	1
Enhanced CDD	n/a	1	1
- Enhanced AML/CFT CDD review for high-risk clients (24)	n/a	0.5	0.5
- Regulatory guidance to determine high-risk clients (25)	n/a	0.5	0.5
Total Points	1	2	3
1.1.3 Record Keeping of Customer Information			
Indicators	FFP	SBP	Total Points
CDD for Existing Customers and Record Keeping	1	1	2
- Reliance on CDD for existing customers (26)	0.2	0.2	0.4
- Reliance on CDD undertaken by other institutions (27)	0.2	0.2	0.4
- Regulation for reliance on an eKYC system when performing CDD (28)	0.1	0.1	0.2
- Reliance on eKYC in practice (29)	0.1	0.1	0.2
- Maintain CDD information for period of 5 years (30)	0.2	0.2	0.4
- Ongoing CDD for high-risk clients (31)	0.2	0.2	0.4
Total Points	1	1	2

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). AML/CFT = Anti-Money Laundering/Combating the Financing of Terrorism; CDD = Customer Due Diligence; FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR III—OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES

The scores for Pillar III indicators are calculated using the Normal Cumulative Density Function (CDF) transformation method on a scale of 0 to 100, where 0 and 100 represent the lowest and highest possible scores, respectively. The best and worst performers are identified based on the 5th and 95th percentiles of the collected data.

Data for Pillar III on the Operational Efficiency of Receiving Financial Services are collected through firm-level surveys, using the following parameter:

PILLAR III—OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES	
Parameters	
Type of Transactions	Transactions under Pillar III are limited to commercial loans.

3.1. LOANS

3.1.1 Obtaining a Loan

- 1. Time to Obtain a Loan:** How many days did it take from the moment the application was submitted until the decision was communicated?
- 2. Obstacles to Obtaining a Loan:** Percent of firms reporting complex procedures, unfavorable interest rates, or collateral too high as main reason for not applying for loans; and percent of firms perceiving access to finance as a constraint.

3.1 LOANS			
3.1.1 Obtaining a Loan			
Indicators	FFP	SBP	Total Points
Time to Obtain a Loan (1)	100 (50%)	n/a	100 (50%)
Obstacles to Obtaining a Loan (2)	100 (50%)	n/a	100 (50%)
Total Points for Subcategory 3.1.1	100	n/a	100

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). FFP = Firm Flexibility Point; SBP = Social Benefits Point.

SECURED TRANSACTIONS AND COLLATERAL REGISTRIES QUESTIONNAIRE

The tables that follow present all indicators (including their components, if applicable) under each pillar, with a reference to the corresponding question number in parenthesis. The questions are listed before each table for ease of reference.

For Y/N questions, the Y response accounts for the score and is considered as good practice, unless otherwise indicated with the sign “Y/N; N – good practice”.

In the tables that follow, “AND” means all referenced questions must have a good practice response to obtain a score on the indicator.

In the tables that follow, “OR” means one or more referenced questions must have a good practice response to obtain a score on the indicator.

Certain questions are marked as “not scored,” which indicates that they do not impact the score in any way. The purpose of these questions is to further inform and refine the questions design for subsequent years of the rollout phase, as needed, as well as to substantiate and provide further information for the scored questions.

PILLAR I—QUALITY OF REGULATIONS FOR SECURED TRANSACTIONS	
Parameters	
Business Location	The largest (most populous) city in the economy. The parameter is used in cases where regulations may not be applicable at a national level and vary across states or regions.
Type of Transactions	The parameter is used in cases where regulations are different across different types of transactions. Under Pillar I, domestic commercial transactions are considered.

1.2 SECURED TRANSACTIONS

1.2.1 Integrated Legal Framework for Secured Transactions

- 1. Are at least 3 out of 4 functional equivalents (fiduciary transfer of title, financial lease, assignment or transfer of receivables and sales with retention of title) regulated under the same law and registered at the same registry to be enforceable against third parties? (Y/N)**
- 2. Is there a law/regulation that covers the creation, priority, and enforcement of fiduciary transfer of title? (Y/N)**
- 3. Do fiduciary transfers of title have to be registered to be effective against third parties? (Y/N)**
- 4. Is there a law/regulation that covers the creation, priority, and enforcement of financial leases? (Y/N)**
- 5. Do financial lease rights have to be registered to be effective against third parties? (Y/N)**
- 6. Is there a law/regulation that covers the creation, priority, and enforcement of assignment of receivables and outright transfer of receivables? (Y/N)**

7. Do assignments of receivables and outright transfers of receivables have to be registered to be effective against third parties? (Y/N)
8. Is there a law/regulation that covers the creation, priority, and enforcement of retention of title sales? (Y/N)
9. Does retention of title sales have to be registered to be effective against third parties? (Y/N)
10. Are there different rules regarding the creation, priority, and/or enforcement of functional equivalents depending on whether the debtor or the creditor is an incorporated or an unincorporated entity? (Y/N; N – good practice)

1.2.2 Types of Movable Assets, Debts, and Obligations that Can Be Secured

11. Can a debtor grant a secured creditor a non-possessory security interest over only its accounts receivable or the outstanding debts owed to the debtor by third parties (*e.g., the amounts that the debtor is entitled to receive from a buyer of its goods or services*)? (Y/N)
12. According to the law, can the accounts receivable or outstanding debts be described in general terms both in the security agreement and when the security interest is registered (*e.g., “all accounts receivable”*)? (Y/N)
13. Can a debtor grant a secured creditor a non-possessory security interest over only its inventory? (Y/N)
14. Are there any major restrictions or requirements prescribed by law when using inventory as security (*e.g., preserving the stipulated value of inventory, specifically describing the storage location, updating lists*)? (Y/N; N – good practice)
15. According to the law, can the inventory be described in general terms both in the security agreement and when the security interest is registered (*e.g., “all laptop inventories” rather than “PXS laptop, serial number 3278632, metal-colored, 14-inch screen.”*)? (Y/N)
16. Can a debtor grant a secured creditor a non-possessory security interest over only its tangible movable property other than inventory (*e.g., machinery, furniture, livestock, crops, etc.*)? (Y/N)
17. According to the law, can tangible movable property (other than inventory) be described in general terms both in the security agreement and when the security interest is registered (*e.g., “10 printers” rather than “Canon 11-Color plus Chroma Optimizer 24-inch Printer, serial # 12345”*)? (Y/N)
18. According to the law, can a debtor grant a secured creditor a security interest in a combined category of assets (*e.g., a floating charge or an enterprise charge*)? (Y/N)
19. According to the law, is there a limitation on the assets that can be included in this security interest (*e.g., collateral is accessory to a mortgage, specific description of location of movables, updating of lists of collateral upon change, limit in value*)? (Y/N; N – good practice)

20. According to the law, can this collateral be described in general terms both in the security agreement and when the security interest is registered (e.g., “all combined assets of the enterprise”)? (Y/N)
21. Can a debtor use future assets (e.g., the debtor knows that it will receive a fleet of trucks in the future and uses them as collateral) as movable assets to secure a loan? (Y/N)
22. Can a debtor use after-acquired property (e.g., property that it has not yet acquired and that it may never acquire, or present and future inventory) as movable assets to secure a loan? (Y/N)
23. By law, does the security interest automatically extend to “products” of the original collateral (e.g., if the original collateral covers raw materials, such as lumber, the products of this asset would include furniture manufactured with the raw materials)? (Y/N)
24. If the security interest automatically extends to “products” of the original collateral, does it apply to security interest in one category of movable assets (e.g., only accounts receivable, or only inventory, or only tangible movable property)? (Y/N)
25. If the security interest automatically extends to “products” of the original collateral, does it apply to security interests in a combined category of movable assets (e.g., a floating charge or an enterprise charge)? (Y/N)
26. By law, does the security interest automatically extend to “proceeds” of the original collateral (e.g., if the original collateral covers raw materials, such as lumber, the proceeds will include money and receivables received from the sale of the furniture)? (Y/N)
27. If the security interest automatically extends to “proceeds” of the original collateral, does it apply to security interest in one category of movable assets (e.g., only accounts receivable, or only inventory, or only tangible movable property)? (Y/N)
28. If the security interest automatically extends to “proceeds” of the original collateral, does it apply to security interests in a combined category of movable assets (e.g., a floating charge or an enterprise charge)? (Y/N)
29. By law, does the security interest automatically extend to “replacements” of the original collateral (e.g., if the original collateral covers raw materials, such as lumber, the replacements would be another new lumber used in a subsequent manufacturing process)? (Y/N)
30. If the security interest automatically extends to “replacements” of the original collateral, does it apply to security interest in one category of movable assets (e.g., only accounts receivable, or only inventory, or only tangible movable property)? (Y/N)
31. If the security interest automatically extends to “replacements” of the original collateral, does it apply to security interests in a combined category of movable assets (e.g., a floating charge or an enterprise charge)? (Y/N)
32. Can present and future debts and obligations be secured with a single category of movable assets (e.g., only accounts receivable, or only inventory, or only tangible movable property)?
- 32a. Yes, present and future debts and obligations can be secured
- 32b. No, only present debts and obligations can be secured

33. Can all types of fixed debts and obligations be secured with a single category of movable assets (*e.g., only accounts receivable or only inventory, or only tangible movable property*)? (Y/N)
34. Can all types of conditional debts and obligations be secured with a single category of movable assets (*e.g., only accounts receivable or only inventory, or only tangible movable property*)? (Y/N)
35. Can all types of fluctuating debts and obligations be secured with a single category of movable assets (*e.g., only accounts receivable, or only inventory, or only tangible movable property*)? (Y/N)
36. Can present and future debts and obligations be secured with a combined category of movable assets (*e.g., a floating charge or an enterprise charge*)? (Y/N)
37. Can all types of fixed debts and obligations be secured with a combined category of movable assets (*e.g., a floating charge or an enterprise charge*)? (Y/N)
38. Can all types of conditional debts and obligations be secured with a combined category of movable assets (*e.g., a floating charge or an enterprise charge*)? (Y/N)
39. Can all types of fluctuating debts and obligations be secured with a combined category of movable assets (*e.g., a floating charge or an enterprise charge*)? (Y/N)
40. By law, can the obligations be described in general terms in the security agreement and when the security interest is registered (*e.g., “all obligations between the parties,” or “obligations of a debt of up to US\$1,000,000 [as in a line of credit]; the obligations will fluctuate under that threshold without requiring a new agreement every time a new obligation is created”*)? (Y/N)
N → provide response to question 41.
41. Please indicate what the description requirements are. (*not scored*)

1.2.3 Priority/Enforcement of Security Interests

42. Does a secured creditor have an absolute priority over all other creditor claims (*such as labor wages or state taxes*), whether unregistered or that were registered later, but before commencement of any court proceedings? (Y/N)
43. Please classify the following types of creditors' claims according to their priority ranking: registered security interests, unregistered tax claims, unregistered labor claims, other claims that rank before registered security interests. (*Please note that since the debtor is outside any insolvency or bankruptcy procedure, the relevant articles might be found in different laws, such as the labor code or tax law. (not scored)*)
44. Does the law allow parties to a security agreement, at the time a security interest is created, to agree to enforce the security interest outside of court if the debtor defaults? Please consider this question for the security interests both in one category and a combined category of movable assets (*i.e., upon default, may the secured party (i) take possession of the collateral or (ii) sell, exchange, convert into money, collect, or otherwise enforce against the collateral privately or by auction*). (Y/N)
45. Can a sale of the movable asset take place through a public auction? (Y/N)
46. Can a sale of the movable asset take place through a private sale? (Y/N)

47. Does the law allow “pactum commissorium” in your economy (may the secured creditor automatically appropriate the encumbered asset upon default of the debtor)? (Y/N)

48. Is the creditor allowed to acquire the asset as a full repayment of the debt by agreement? (Y/N)

1.2 SECURED TRANSACTIONS			
1.2.1 Integrated Legal Framework for Secured Transactions			
Indicators	FFP	SBP	Total Points
Integrated Legal Framework for Secured Transactions (option 1)	1	1	2
- Integrated legal framework and same rules apply for incorporated and non-incorporated debtors and creditors (1 AND 10) OR	1 OR	1 OR	2 OR
<i>If 1 is a No and 10 is a No, points can be assigned as follows:</i>			
- Fiduciary transfer of title and same rules apply for incorporated and non-incorporated debtors and creditors (2 AND 3)	0.12	0.12	0.25
- Financial lease agreement and same rules apply for incorporated and non-incorporated debtors and creditors (4 AND 5)	0.12	0.12	0.25
- Assignment of receivables and outright transfer of receivables and same rules apply for incorporated and non-incorporated debtors and creditors (6 AND 7)	0.12	0.12	0.25
- Retention of title sales and same rules for incorporated and non-incorporated debtors and creditors (8 AND 9)	0.12	0.12	0.25
Total Points	1	1	2
1.2.2 Types of Movable Assets, Debts and Obligations that Can Be Secured			
Indicators	FFP	SBP	Total Points
Security Interest in One Category of Movable Assets (11 AND 12 AND 13 AND 14 AND 15 AND 16 AND 17)	1	1	2
Security Interest in Combined Category of Movable Assets (18 AND 19 AND 20)	1	1	2
Security Interest over Future Assets (21 AND 22 AND 23 AND 24 AND 25 AND 26 AND 27 AND 28 AND 29 AND 30 AND 31)	1	1	2
Debts and Obligations (32 AND 33 AND 34 AND 35 AND 36 AND 37 AND 38 AND 39 AND 40)	1	1	2
Total Points	4	4	8
1.2.3 Priority/Enforcement of Security Interests			
Indicators	FFP	SBP	Total Points
Priority of Claims Outside of Insolvency or Bankruptcy (42)	1	1	2
Enforcement of Security Interests	1	1	2
- Enforcement of security interests out of court (44)			
- Availability of public auction (45)			
- Availability of private sale (46)			
- Availability of <i>pactum commissorium</i> (47 AND 48)			
<i>To obtain a score on this question, the response to 44 must be Yes, in addition to at least two out of the three available methods of enforcement (public auction, private sale, and/or pactum commissorium)</i>			
Total Points	2	2	4

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR II–ACCESSIBILITY OF INFORMATION IN CREDIT INFRASTRUCTURE	
Parameters	
Business Location	The parameter is used in cases where there may be several collateral registries in an economy (that is, federal systems). In case of multiple collateral registries, the one in the largest (most populous) city is considered.

2.2 OPERATION OF COLLATERAL REGISTRIES

2.2.1 Existence of a Centralized and Publicly Available Registry

49. Is the collateral registry in operation? (Y/N)

50. Is the collateral registry (or its database) either centralized geographically for the entire economy or linked among different geographic regions within the economy? *(The “unified collateral registry” is understood either centralized geographically for the entire economy or, if different registries exist, their databases should be unified or linked. Hence, the security interest should only have to be registered once to be effective everywhere in the country as the information among different registries would be consolidated).* (Y/N)

51. Is the registration of a non-possessory security interest required in order to be enforceable against third parties? (Y/N)

52. Is the collateral registry limited to security interests granted by certain types of borrowers or creditors *(e.g., incorporated entities, only individuals, commercial banks)?* (Y/N)

53. If different registries exist for different types of debtors *(e.g., incorporated and unincorporated debtors), do the same rules for the creation of the non-possessory security interest and for third-party effectiveness apply?* 53a. OR 53c. – good practice

53a. Yes

53b. No

53c. Different registries do not exist for different types of debtors

54. If different registries exist for different types of assets *(e.g., specific categories of movables assets, or combined categories of movable assets), do the same rules for the creation of the non-possessory security interest and for third-party effectiveness apply?* 54a. OR 54c. – good practice

54a. Yes

54b. No

54c. Different registries do not exist for different types of assets

55. Can everyone, including members of the public, access the data in the registry without restriction from any geographic location in the economy *(e.g., without intermediaries such as registrars, clerks, notaries or without being limited to a certain type of users such as state agencies)?* (Y/N)

56. Does the registry have an electronic database searchable by debtor’s name or unique identifier? (Y/N)

57. Is the collateral searchable by a serial number in the registry? (Y/N)

2.2.2 Notice-based Registry Updates

- 58. Is this a notice-based registry?** *(e.g., a simple notice is submitted electronically from place of business, electronic and/or paper documents are not submitted, such as a copy of the loan contract, or the registry does not have the authority nor the responsibility to request that the agreement is properly executed)* (Y/N)
- 59. Does the registry verify the legality of the transaction once the notice of security interest has been submitted?** (Y/N; N – good practice)
- 60. Does the registry staff review the correctness, completion, and accuracy of the information in the filing of the notice** *(e.g., a registry clerk manually reviews and accepts the notice of registration or rejects the notice of registration due to lack or inaccuracy of information in the electronic forms to be completed)*? (Y/N; N – good practice)
- 61. Does the registry cover all types of security interests in movable assets** *(other than vehicles, ships, aircraft, intermediated securities, or intellectual property)*, **including functional equivalents such as fiduciary transfers of title, financial lease agreements, assignments of receivables, and retention of title sales?** (Y/N)

2.2.3 Autonomy of Secured Creditors to Access and Update the Registry

- 62. Are all types of secured creditors, whether incorporated or not, and their representatives allowed to register a security interest with the collateral registry?** (Y/N)
- 63. Is the process of creating an account with the registry done online without the participation or approval of any third party?** (Y/N)
- 64. Does the collateral registry have an online system for searches of security interests?** (Y/N)
- 65. Does the collateral registry have an online system for registrations of security interests?** (Y/N)
- 66. Does the collateral registry have an online system for amendments of security interests?** (Y/N)
- 67. Does the collateral registry have an online system for renewals of security interests?** (Y/N)
- 68. Does the collateral registry have an online system for cancellations of security interests?** (Y/N)
- 69. Do banks in your economy review information from collateral registries to verify borrower's collateral registry records when a loan includes a movable asset?**
69a. Yes
69b. No
69c. There are no operational collateral registries
- 70. How often do the banks use this information?** 70a. – good practice
70a. Always
70b. Sometimes
70c. Rarely

2.2 OPERATION OF COLLATERAL REGISTRIES			
2.2.1 Existence of a Centralized and Publicly Available Registry			
Indicators	FFP	SBP	Total Points
Existence of a Centralized and Publicly Available Registry	1	1	2
- Existence of a collateral registry which is operational (49)	0.25	0.25	0.5
- Registry is centralized or linked among different geographic regions (50 OR 53 AND 54)	0.25	0.25	0.5
- Registration of non-possessory security interest is required, and the registry is open to all types of borrowers or creditors (51 AND 52)	0.25	0.25	0.5
- Anyone can access the data in the registry without restriction from any geographic location in the economy, and the registry has an online database searchable by debtor's name or unique identifier and serial number of the collateral (55 AND 56 AND 57)	0.25	0.25	0.5
<i>If the answer is No for question 49, the economy is not eligible to score on the remaining questions; 50 to 70</i>			
Total Points	1	1	2
2.2.2 Notice-based Registry Updates			
Notice-based Registry Updates (58 AND 59 AND 60 AND 61)	1	1	2
Total Points	1	1	2
2.2.3 Autonomy of Secured Creditors to Access and Update the Registry			
Autonomy of Secured Creditors to Access and Update the Registry	1	1	2
- (62 AND 63 AND 64 AND 65 AND 66 AND 67 AND 68)	0.9	0.9	1.8
- Bank verification of collateral registry records (69 AND 70)	0.1	0.1	0.2
Total Points	1	1	2

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR III—OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES

The scores for Pillar III indicators are calculated using the Normal Cumulative Density Function (CDF) transformation method on a scale of 0 to 100, where 0 and 100 represent the lowest and highest possible scores, respectively. The best and worst performers are identified based on the 5th and 95th percentiles of the collected data except for the time for new registration to be reflected in database which used established international standards.

PILLAR III—OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES	
Parameters	
Business Location	The parameter is used in cases where there may be several collateral registries in an economy (that is, federal systems). In case of multiple collateral registries, the one in the largest (most populous) city is considered.

3.1 LOANS

3.1.2 Operational Efficiency of Security Interest and Credit Data Update

71. Are there fees associated with the registration of security interests in the collateral registry? (Y/N; N – good practice)
72. Are the fees fixed in accordance with a public-available fee schedule? (Y/N)
73. Please specify the fees in local currency.
74. Is a newly registered security interest simultaneously reflected and retrievable in the system upon registration? (Y/N)
75. Is it retrievable within 1 calendar day from the date of registration? (Y/N)
76. Is it retrievable within 3 calendar days from the date of registration? (Y/N)
77. Please provide in calendar days the time it takes for a newly registered security interest to be reflected and retrievable in the system upon registration.

3.1. LOANS			
3.1.2 Operational Efficiency of Security Interest and Credit Data Update			
Indicators	FFP	SBP	Total Points
Operational Efficiency of Security Interest and Credit Data Update* - Time for new registration to be reflected in database (74 OR 75 OR 76 OR 77) - Fees associated with the registration of security interests (71 OR 72 AND 73) <i>*Respective scores for time to register security and cost to register a security interest, and time to include credit information (data obtained from the Credit Bureaus and Registries questionnaire, Pillar 3 - question 73) will be calculated using the Normal Cumulative Density Function (CDF) transformation method on a scale of 0 to 100, where 0 and 100 represent the lowest and highest possible scores, respectively. Average of these scores will be taken to obtain the overall score for the indicator</i>	100 (66.66%)	n/a	100 (66.66%)
Total Points for Subcategory 3.1.2	100**	n/a	100**

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent).

FFP = Firm Flexibility Point; SBP = Social Benefits Point.

**Subcategory shared with Credit Bureaus and Registries questionnaire.

E-PAYMENTS QUESTIONNAIRE

The tables that follow present all indicators (including their components, if applicable) under each pillar, with a reference to the corresponding question number in parenthesis. The questions are listed before each table for ease of reference.

For Y/N questions, the Y response accounts for the score and is considered as the good practice, unless otherwise indicated with the sign “Y/N; N – good practice”.

In the tables that follow, “AND” means all referenced questions must have a good practice response to obtain a score on the indicator.

In the tables that follow, “OR” means one or more referenced questions must have a good practice response to obtain a score on the indicator.

Certain questions are marked as “not scored,” which indicates that they do not impact the score in any way. The purpose of these questions is to further inform and refine the questions design for subsequent years of the rollout phase, as needed, as well as to substantiate and provide further information for the scored questions.

For questions that are scored for both bank and non-bank payment service providers (PSPs), the score will be equally divided between answers for the two kinds of PSPs.

PILLAR I–QUALITY OF REGULATIONS FOR ELECTRONIC PAYMENTS	
Parameters	
Business Location	The parameter is used in cases where regulations may not be applicable at a national level and vary across states or regions. For the economies where regulations differ across states, regulations for the largest (most populous) city are measured.
Type of Transactions	The parameter is used in cases where regulations are different across different types of transactions. Under Pillar I, domestic e-payment transactions are considered.

1.3 E-PAYMENTS

1. Do electronic payment (e-payments) methods exist in your economy? (Y/N) *(not scored)*

Do the following e-payment methods exist in your economy? (questions 2 through 7)

2. Internet and mobile banking, including direct debit transfer (Y/N) *(not scored)*

3. E-money and e-wallet, excluding mobile money (Y/N) *(not scored)*

4. Mobile money (Y/N) *(not scored)*

5. Debit cards (Y/N) *(not scored)*

6. Credit cards (Y/N) *(not scored)*

7. Are there laws/regulations regarding electronic payments in your country? (Y/N) *(not scored)*

1.3.1 Risk Management

8. Are there provisions in the regulatory framework that mandate external review of regulatory compliance by bank payment service providers? (Y/N)

Does the scope of the review of bank payment service providers cover: (questions 9 through 15)

9. Anti-money laundering/combating of financing of terrorism audit (Y/N)

10. IT (information technology) risk management review (Y/N)

11. Data protection and privacy review (Y/N)

12. Operational and security risk management review (Y/N)

13. Financial risk management review (Y/N)

14. Regulatory reporting review (evaluate whether regulatory reporting requirements are met in a timely manner) (Y/N)

15. Are there provisions in the regulatory framework that mandate external review of regulatory compliance by non-bank payment service providers? (Y/N)

Does the scope of the review of non-bank payment service providers cover: (questions 16 through 21)

16. Anti-money laundering/combating of financing of terrorism audit (Y/N)

17. IT (information technology) risk management review (Y/N)

18. Data protection and privacy review (Y/N)

19. Operational and security risk management review (Y/N)

20. Financial risk management review (Y/N)

21. Regulatory reporting review (evaluate whether regulatory reporting requirements are met in a timely manner) (Y/N)

22. Does the regulatory framework require the implementation of internal controls to safeguard the integrity, authenticity, and confidentiality of data and operating processes of bank payment service providers? (Y/N)

23. Does the regulatory framework require the implementation of internal controls to safeguard the integrity, authenticity, and confidentiality of data and operating processes of non-bank payment service providers? (Y/N)

24. Does the regulatory framework set cybersecurity requirements for bank payment service providers? (Y/N)

Instructions: The answer should be yes if the requirements are part of the payment service provider's licensing process.

25. Does the regulatory framework set cybersecurity requirements for non-bank payment service providers? (Y/N)

Instructions: The answer should be yes if the requirements are part of the payment service provider's licensing process.

26. Does the regulatory framework for e-payments require the development of contingency plans and business continuity procedures in the event of systems and technology failures for bank PSPs? (For example, backup site or process, cyber resilience framework) (Y/N)

Instructions: The answer should be yes if the requirements are part of the payment service provider's licensing process.

27. Does the regulatory framework for e-payments require the development of contingency plans and business continuity procedures in the event of systems and technology failures for non-bank PSPs? (For example, backup site or process, cyber resilience framework) (Y/N)

Instructions: The answer should be yes if the requirements are part of the payment service provider's licensing process.

28. Does the legal or regulatory framework require bank PSPs to guarantee customers' access to their funds (refers to funds placed with the PSP) on demand for withdrawal and payments subject to reasonable restrictions? (Y/N)

Instructions: Reasonable restrictions refer to exceptions including large amounts, time of day, holidays, geographic location, etc.

29. Does the legal or regulatory framework require non-bank PSPs to guarantee customers' access to their funds (refers to funds placed with the PSP) on demand for withdrawal and payments subject to reasonable restrictions? (Y/N)

30. Does the regulatory framework provide for customer usage limits (refers to maximum total daily amount of the transactions executed) for users of bank electronic payment services, directly or through a contractual relationship? (Y/N)

31. Does the regulatory framework provide for customer usage limits (refers to maximum total daily amount of the transactions executed) for users of non-bank electronic payment services, directly or through a contractual relationship? (Y/N)

1.3.2 Consumer Protection

32. Does the regulatory framework provide the bank payment service provider, directly or through contractual relationship, the right to limit the use of the payment instrument (for example, limiting the locations of use or the type of transactions) and the access to payment accounts in cases related to security or suspected unauthorized or fraudulent use?

32a. Yes, but only the use of the payment instrument

- 32b. Yes, but only the access to payment accounts
- 32c. Yes, for both
- 32d. No

33. Does the regulatory framework provide the non-bank payment service provider, directly or through contractual relationship, the right to limit the use of the payment instrument (for example, limiting the locations of use or the type of transactions) and the access to payment accounts in cases related to security or suspected unauthorized or fraudulent use?

- 33a. Yes, but only the use of the payment instrument
- 33b. Yes, but only the access to payment accounts
- 33c. Yes, for both
- 33d. No

34. For bank PSPs, does the regulatory framework establish the obligations of the payment service user in relation to payment instruments and personalized security credentials, directly or through contractual relationship? (Y/N)

For example, using the payment instrument in accordance with the terms of use, notifying the PSP of the loss, theft, misappropriation, or unauthorized use of the payment instrument, keeping personalized security credentials safe.

35. For non-bank PSPs, does the regulatory framework establish the obligations of the payment service user in relation to payment instruments and personalized security credentials, directly or through contractual relationship? (Y/N)

For example, using the payment instrument in accordance with the terms of use, notifying the PSP of the loss, theft, misappropriation or unauthorized use of the payment instrument, keeping personalized security credentials safe.

36. Is the bank payment service provider required to verify the identity of a payment service user (authentication) prior to the execution of payment transactions? (Y/N)

37. Is the non-bank payment service provider required to verify the identity of a payment service user (authentication) prior to the execution of payment transactions? (Y/N)

38. Does the regulatory framework require the bank payment service provider to allow cancellation or modification of payment transactions by the payer unilaterally up to the time it has been executed by the payer's payment service provider? (Y/N)

39. Does the regulatory framework require the non-bank payment service provider to allow cancellation or modification of payment transactions by the payer unilaterally up to the time it has been executed by the payer's payment service provider? (Y/N)

40. Does the regulatory framework include provisions that protect customer funds held with non-bank payment service providers? (Y/N)

41. Does the regulation require separation of funds of the customer from the funds of non-bank PSP? (Y/N)

42. Does the regulation require non-bank PSPs to deposit customer funds with the central bank? (Y/N)
43. Does the regulation prohibit the use of customer funds for purposes other than redeeming e-money and executing fund transfers? (Y/N)
44. Does the regulation require prudential supervision of the non-bank PSPs? (Y/N)
45. Does the regulation explicitly protect customer funds from the potential bankruptcy/insolvency of the non-bank PSP? (Y/N)
46. Does the regulation explicitly protect customer funds from the potential bankruptcy/insolvency of any bank or other institution in which the customers' funds are deposited/placed by the non-bank PSP? (Y/N)
47. Does the regulatory framework require insurance of customer funds held by non-bank payment service providers? (Y/N)

Please specify which of the following provisions are in the regulatory framework requiring insurance of customer funds held by non-bank payment service providers: (questions 48 through 51)

48. A deposit insurance fund that extends to non-bank PSPs (Y/N)
49. A deposit insurance fund that covers customer funds of non-bank PSPs deposited with commercial banks (Y/N)
50. A requirement of commercial insurance for customer funds held with non-bank PSPs (Y/N)
51. A customer guarantee fund available to non-bank PSPs (Y/N)
52. Does the regulatory framework for bank payment service providers require a notification about suspicious activity? (Y/N)
53. Does the regulatory framework for non-bank payment service providers require a notification about suspicious activity? (Y/N)
54. Does the regulatory framework for bank payment service providers require a rectification of unauthorized or incorrectly executed e-payment transactions? (Y/N)
55. Does the regulatory framework for non-bank payment service providers require a rectification of unauthorized or incorrectly executed e-payment transactions? (Y/N)
56. Does the regulatory framework include provisions on liability for fraud related to E-payments? (Y/N)
57. Does the regulatory framework define the bank payment service provider's liability for unauthorized payment transactions? (Y/N)

58. Does the regulatory framework define the non-bank payment service provider's liability for unauthorized payment transactions? (Y/N)

59. Does the regulatory framework set a maximum amount of the consumer's financial liability for unauthorized payment transactions, where the consumer did not act fraudulently? (Y/N)

Does the regulatory framework require the following from bank payment service providers:
(questions 60 through 65)

60. The disclosure of all fees for the use of e-payment (Y/N)

61. Notifying user about changes in fees (Y/N)

62. Disclosure of liability (Y/N)

63. Disclosure of the use of customer data (Y/N)

64. Written policies for complaints handling procedure and system (Y/N)

65. General terms of services (*for example, speed of processing, resolution time for any errors, etc.*) (Y/N)

Does the regulatory framework require the following from non-bank payment service providers:
(questions 66 through 71)

66. The disclosure of all fees for the use of e-payment (Y/N)

67. Notifying user about changes in fees (Y/N)

68. Disclosure of liability (Y/N)

69. Disclosure of the use of customer data (Y/N)

70. Written policies for complaints handling procedure and system (Y/N)

71. General terms of services (*for example, speed of processing, resolution time for any errors, etc.*) (Y/N)

72. Does the regulatory framework require bank payment service providers to make available a dispute resolution mechanism? (Y/N)

73. Does the regulatory framework require non-bank payment service providers to make available a dispute resolution mechanism? (Y/N)

74. Is there a time limit in which the payment/charge can be disputed with bank payment service providers? (Y/N)

75. Is there a time limit in which the payment/charge can be disputed with non-bank payment service providers? (Y/N)

76. Is the bank payment service provider required to acknowledge receipt of dispute notice? (Y/N)

77. Is the non-bank payment service provider required to acknowledge receipt of dispute notice? (Y/N)
78. Are bank payment service providers required to have an independent unit or a representative in charge of dispute resolution? (Y/N)
79. Are non-bank payment service providers required to have an independent unit or a representative in charge of dispute resolution? (Y/N)
80. Does the regulatory framework establish an independent governmental authority that parties can resort to in case the dispute was not resolved internally with the bank payment service provider? (Y/N)
81. Does the regulatory framework establish an independent governmental authority that parties can resort to in case the dispute was not resolved internally with the non-bank payment service provider? (Y/N)
82. In case a dispute is pending resolution with a bank payment service provider, is there a restriction in the law or regulation to continue collecting on undisputed transactions (*when applicable*)? (Y/N, N – good practice)
83. In case a dispute is pending resolution with a non-bank payment service provider, is there a restriction in the law or regulation to continue collecting on undisputed transactions (*when applicable*)? (Y/N, N – good practice)

1.3.3 Interoperability of Payment Systems and Promotion of Competition

84. How is the level and extent of interoperability of bank payment service providers characterized in the jurisdiction?

Note: This question refers to interoperability of PSPs within the economy and does not cover cross-border payments.

- 84a. A payer can make payment from his/her payment service provider to only payees with the same payment service provider
- 84b. A payer can make payment to payees in most payment service providers
- 84c. A payer can make a payment to payees in all payment service providers, including non-bank PSPs

85. How is the level and extent of interoperability of non-bank payment service providers characterized in the jurisdiction?

Note: This question refers to interoperability of PSPs within the economy and does not cover cross-border payments.

- 85a. A payer can make payment from his/her payment service provider to only payees with the same payment service provider
- 85b. A payer can make payment to payees in most payment service providers
- 85c. A payer can make a payment to payees in all payment service providers, including bank PSPs

Does the regulatory framework include fair competition provisions for the following? (questions 86 through 91)

Note: Examples of fair competition provisions include legal provisions that prohibit agreements with competitors about pricing, customers, market allocation and boycotts, or, in general, engaging in unfair or exclusionary conduct.

86. Electronic payment service providers (Y/N)

87. Payment systems (Y/N)

88. Instruments (Y/N)

89. Products (Y/N)

90. Business models (Y/N)

91. Channels (Y/N)

92. Does the regulatory framework grant new payment service providers, instruments, products, business models and channels equal access to the market as to the existing participants?

Note: Equal access refers to the possibility that new payment service providers start offering their services to users without restrictions (for example, lack of access to key payment systems, exclusivity contracts of some PSPs with merchants and agents etc.) among the other competitive service providers.

92a. Yes, there are provisions that directly grant equal access

92b. No, equal access is granted indirectly through the lack of restrictions

92c. No, there are restrictions/limitations in the framework denying equal access

93. Do the rules/procedures for registration and licensing apply for all new payment service providers, instruments, products, business models and channels, in a fair and proportionate manner and ensure a level playing field? (Y/N) (not scored)

94. Does the regulatory framework set functional requirements (types of functional requirements can be an external interface, transaction processing, authentication, authorization levels, technical standards, etc.) for payment service providers? (Y/N)

95. Are the functional requirements applied proportionately to all payment service providers? (Y/N) (not scored)

1.3 E-PAYMENTS			
1.3.1 Risk Management			
Indicators	FFP	SBP	Total Points
External Review and Internal Control	1	1	2
For bank PSP			
- External review of regulatory compliance of bank payment service providers (PSP) (8)	0.125	0.125	0.25
Scope of review for bank PSP			
- AML/CFT audit (9)	0.020	0.020	0.04

- IT risk management review (10)	0.020	0.020	0.04
- Data protection and privacy review (11)	0.020	0.020	0.04
- Operational and security risk management review (12)	0.020	0.020	0.04
- Financial risk management review (13)	0.020	0.020	0.04
- Regulatory reporting review (14)	0.020	0.020	0.04
Implementation of internal controls for bank PSP (22)	0.250	0.250	0.50
External Review and Internal Control			
For non-bank PSP			
- External review of regulatory compliance of non-bank payment service providers (PSP) (15)	0.125	0.125	0.25
Scope of review for non-bank PSP			
- AML/CFT audit (16)	0.020	0.020	0.04
- IT risk management review (17)	0.020	0.020	0.04
- Data protection and privacy review (18)	0.020	0.020	0.04
- Operational and security risk management review (19)	0.020	0.020	0.04
- Financial risk management review (20)	0.020	0.020	0.04
- Regulatory reporting review (21)	0.020	0.020	0.04
Implementation of internal controls for non-bank PSP (23)	0.250	0.250	0.50
Cybersecurity and Operational Risk			
- Requirement for cybersecurity for bank PSP (24)	1	1	2
- Requirement for cybersecurity for non-bank PSP (25)	0.25	0.25	0.5
- Requirement for a contingency plan for bank PSP (26)	0.25	0.25	0.5
- Requirement for a contingency plan for non-bank PSP (27)	0.25	0.25	0.5
Liquidity Risk			
- Requirements to ensure customers have access to funds for bank PSP (28)	1	1	2
- Requirements to ensure customers have access to funds for non-bank PSP (29)	0.25	0.25	0.5
- Customer usage limits for bank PSP (30)	0.25	0.25	0.5
- Customer usage limits for non-bank PSP (31)	0.25	0.25	0.5
Total Points	3	3	6
1.3.2 Consumer Protection			
Indicators	FFP	SBP	Total Points
Obligations of User and Payment Service Provider (PSP)			
- Limits on use of payment instrument and access to payment accounts in bank PSP (32)*	1	1	2
- Limits on use of payment instrument and access to payment accounts in non-bank PSP (33)*	0.167	0.167	0.33
- Obligations of user in relation to payment instrument and security credentials for bank PSP (34)	0.167	0.167	0.33
- Obligations of user in relation to payment instrument and security credentials for non-bank PSP (35)	0.167	0.167	0.33
- Bank PSP verifies the identity of a payment service user (authentication) prior to the execution of payment transaction (36)	0.167	0.167	0.33
- Non-bank PSP verifies the identity of a payment service user (authentication) prior to the execution of payment transaction (37)	0.167	0.167	0.33
<i>*A score of 0.167 is allotted if limits are for both payment instruments and payment accounts. A score of 0.08 is granted if limit is only for payment instruments or only for payment accounts</i>			
Cancellation, Protection of Funds and Liabilities			
- Allow for cancellation or modification of payment transaction by payer unilaterally up to processing time for bank PSP (38)	1	1	2
	0.062	0.062	0.125
	0.062	0.062	0.125

- Allow for cancellation or modification of payment transaction by payer unilaterally up to processing time for non-bank PSP (39)	0.062	0.062	0.125
- Protection of customer funds held with non-bank PSP (40)	0.062	0.062	0.125
Customer funds (41-46) *			
- Separation of customer funds in non-bank PSP (41)			
- Non-bank PSP to deposit customer funds with central bank (42)			
- Prohibit use of customer funds for purposes other than redeeming e-money and executing fund transfers for non-bank PSP (43)			
- Prudential supervision of non-bank PSP (44)			
- Protection of customer funds from bankruptcy/insolvency of non-bank PSP (45)			
- Protection of customer funds from bankruptcy/insolvency of any financial institution where said funds are held (46)	0.062	0.062	0.125
- Insurance requirements of customer funds held by non-bank PSP (47)	0.062	0.062	0.125
- Insurance of funds (48-51)*			
- Deposit insurance fund that extends to non-bank PSP (48)			
- Deposit insurance fund that covers customer of non-bank PSP deposited with banks (49)			
- Requirement for commercial insurance for customer funds held with non-bank PSP (50)			
- Customer guarantee funds for non-bank PSP (51)	0.062	0.062	0.125
- Requirement for notification about suspicious activity for bank PSP (52)	0.062	0.062	0.125
- Requirement for notification about suspicious activity for non-bank PSP (53)	0.062	0.062	0.125
- Requirement for notification about suspicious activity and to rectify unauthorized or incorrectly executed transactions for bank PSP (54)	0.062	0.062	0.125
- Requirement for notification about suspicious activity and to rectify unauthorized or incorrectly executed transactions for non-bank PSP (55)	0.125	0.125	0.250
- General provisions on liability for fraud (56)	0.062	0.062	0.125
- Bank PSP liability for unauthorized payments (57)	0.062	0.062	0.125
- Non-bank PSP liability for unauthorized payments (58)	0.125	0.125	0.250
- Payer's maximum amount of financial liability for unauthorized payment (59)			
<i>*The full score will be granted if any of the questions is answered as yes</i>			
Fee Disclosure and Change Notifications	1	1	2
For bank PSP			
- Disclosure of all fees for use of e-payment (60)	0.25	0.25	0.5
- Notify user about changes in fees (61)	0.25	0.25	0.5
For non-bank PSP			
- Disclosure of all fees for use of e-payment (66)	0.25	0.25	0.5
- Notify user about changes in fees (67)	0.25	0.25	0.5
Disclosure of Liability, Data Use, and Dispute Mechanisms	1	1	2
For bank PSP:			
- Disclosure of liability (62)	0.125	0.125	0.25
- Disclosure of use of customer data (63)	0.125	0.125	0.25
- Written policies for complaints handling procedures (64)	0.125	0.125	0.25
- General terms of services (65)	0.125	0.125	0.25

For non-bank PSP:			
- Disclosure of liability (68)	0.125	0.125	0.25
- Disclosure of use of customer data (69)	0.125	0.125	0.25
- Written policies for complaints handling procedures (70)	0.125	0.125	0.25
- General terms of services (71)	0.125	0.125	0.25
Disputing a Transaction	1	1	1
- Time limit in which payment can be disputed in bank PSP (74)	0.167	0.167	0.33
- Time limit in which payment can be disputed in non-bank PSP (75)	0.167	0.167	0.33
- Bank PSP to acknowledge receipt of dispute notice (76)	0.167	0.167	0.33
- Non-bank PSP to acknowledge receipt of dispute notice (77)	0.167	0.167	0.33
- Recipient continue collecting undisputed charges while a dispute is pending resolution in bank PSP (82)	0.167	0.167	0.33
- Recipient continue collecting undisputed charges while a dispute is pending resolution in non-bank PSP (83)	0.167	0.167	0.33
Availability of Dispute Mechanisms	1	1	2
- Bank PSP to have independent unit in charge of dispute resolution (78)	0.167	0.167	0.33
- Non-bank PSP to have independent unit in charge of dispute resolution (79)	0.167	0.167	0.33
- Requirement to make available dispute resolution mechanism in bank PSP (72)	0.167	0.167	0.33
- Requirement to make available dispute resolution mechanism in non-bank PSP (73)	0.167	0.167	0.33
- Availability of independent governmental authority as a resort for disputes that were not resolved internally of bank PSP (80)	0.167	0.167	0.33
- Availability of independent governmental authority as a resort for disputes that were not resolved internally of non-bank PSP (81)	0.167	0.167	0.33
Total Points	6	6	12
1.3.3 Interoperability of Payment Systems and Promotion of Competition			
Indicators	FFP	SBP	Total Points
Interoperability of Payment Systems	1	1	2
- Level and extent of interoperability characterized in the jurisdiction for bank PSP (84)	0.5	0.5	1
- Level and extent of interoperability characterized in the jurisdiction for non-bank PSP (85)	0.5	0.5	1
<i>A full score is allotted if interoperability is across all or most payment service providers (including non-bank PSPs). No points are allotted if interoperability is among same payment service providers</i>			
Fair Competition	1	1	2
- Fair competition provisions (86 to 91)*	1	1	2
<i>*Full score of 1 is allotted only if fair competition provisions are considered for all questions</i>			
Equal Access and Treatment of Different PSPs	1	1	2
- Providing new PSPs equal access to market as existing participants (92)*	0.5	0.5	1
- Functional requirements for PSP (94)	0.5	0.5	1
<i>*Score is allotted if equal access is either granted directly through provisions in the regulatory framework or indirectly through lack of restrictions</i>			
Total Points	3	3	6

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR III—OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES

The scores for Pillar III indicators are calculated using the Normal Cumulative Density Function (CDF) transformation method on a scale of 0 to 100, where 0 and 100 represent the lowest and highest possible scores, respectively. The best and worst performers are identified based on the 5th and 95th percentiles of the collected data.

Data for Pillar III on the Operational Efficiency of Receiving Financial Services are collected through firm-level surveys, using the following parameters:

PILLAR III—OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES	
Parameters	
Type of Transaction	Under Pillar III, commercial transactions are considered only (e.g., payments to government or payroll are not included).

3.2. E-PAYMENTS

3.2.1 Cost of e-Payments

1. **Cost to receive an e-payment:** As a percentage of a typical transaction, how much does it cost to accept payments?
2. **Cost to make an e-payment:** As a percentage of a typical transaction, how much does it cost to make payments?

3.2.2 Time to Receive e-Payments

3. **Time to receive an e-payment:** How many days does it take on average from when an order is placed until the money is received?

3.2.3 Usage Level of e-Payments

4. **Usage level of receiving an e-payment:** What percentage of total sales for a typical month does this establishment receive from its customers through electronic payments: that is, other than cash or check payments?
5. **Usage level of making an e-payment:** What percentage of the total payments that this establishment makes in a typical month is done through electronic payments that is, other than cash or check payments, excluding payments to government and payroll?

3.2 E-PAYMENTS			
3.2.1 Cost of e-Payments			
Indicators	FFP	SBP	Total Points
Cost of Receiving e-Payments (1)	100 (50%)	n/a	100 (50%)

Cost of Making e-Payment (2)	100 (50%)	n/a	100 (50%)
Total Points for Subcategory 3.2.1	100	n/a	100
3.2.2 Time to Receive e-Payments			
Indicators	FFP	SBP	Total Points
Time to Receive e-Payments (3)	100 (100%)	n/a	100 (100%)
Total Points for Subcategory 3.2.2	100	n/a	100
3.2.3 Usage Level of e-Payments			
Indicators	FFP	SBP	Total Points
Usage level of Receiving e-Payments (4)	100 (50%)	n/a	100 (50%)
Usage Level of Making e-Payments (5)	100 (50%)	n/a	100 (50%)
Total Points for Subcategory 3.2.3	100	n/a	100
Total Points for Category 3.2	100	n/a	100

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent).
FFP = Firm Flexibility Point; SBP = Social Benefits Point.

CREDIT BUREAUS AND REGISTRIES QUESTIONNAIRE

The tables that follow present all indicators (including their components, if applicable) under each pillar, with a reference to the corresponding question number in parenthesis. The questions are listed before each table for ease of reference.

For Y/N questions, the Y response accounts for the score and is considered as the good practice, unless otherwise indicated with the sign “Y/N; N – good practice”.

In the tables that follow, “AND” means all referenced questions must have a good practice response to obtain a score on the indicator.

In the tables that follow, “OR” means one or more referenced questions must have a good practice response to obtain a score on the indicator.

Certain questions are marked as “not scored,” which indicates that they do not impact the score in any way. The purpose of these questions is to further inform and refine the questions design for subsequent years of the rollout phase, as needed, as well as to substantiate and provide further information for the scored questions.

PILLAR II–ACCESSIBILITY OF INFORMATION IN CREDIT INFRASTRUCTURE

2.1 OPERATION OF CREDIT BUREAUS AND REGISTRIES

- 1. Is there a law or regulation that regulates the establishment and operation of credit reporting agency? (Y/N) *(not scored)***
- 2. Please list all credit bureaus and/or registries operating in your economy. *(not scored)***

For borrowers with credit references in the past 5 years.

For the next set of questions, consider credit references on repayment history from both regulated and non-regulated entities. Please provide the number of individuals and firms listed in the database of the credit reporting agency with at least 1 credit reference (positive or negative) from January 2, 2019, to January 1, 2024.

- 3. Number of Individuals - As of January 1, 2024 *(coverage rate)***
(List the number of individuals, NOT the number of credit references – an individual who has 4 loans would be counted as 1 individual even if there are 4 credit references listed for her in the database).
- 4. Number of Firms - As of January 1, 2024 *(coverage rate)***
(List the number of firms, NOT the number of credit references – a firm who has 4 loans would be counted as 1 firm even if there are 4 credit references listed for the firm in the database).

For borrowers without credit references.

Please provide the number of individuals and firms listed in the database of the credit bureau/registry, who had no borrowing history in the past 5 years, but for whom at least 1 lender requested a credit report from the credit reporting agency in the period between January 2, 2023, and January 1, 2024.

- 5. Number of Individuals - January 2, 2023 – January 1, 2024 *(coverage rate)***

(List the number of individuals, NOT the number of credit inquiries - An individual about whose credit history 3 lenders have inquired would be counted as 1 individual, even if there are 3 credit inquiries recorded in the database).

6. Number of Firms - January 2, 2023 – January 1, 2024 (coverage rate)

(List the number of firms, NOT the number of credit inquiries - A firm about whose credit history 3 lenders have inquired would be counted as 1 firm, even if there are 3 credit inquiries recorded in the database).

7. Please enter the date (month/year) of establishment (when the credit reporting agency was legally authorized to operate as a bureau or a registry) of the credit reporting agency. (use for cut-off date)

8. Please enter the date of the actual start of operations (when the Credit Reporting Agency started issuing credit reports). (use for cut-off date)

9. Are data on loans for individuals being collected from financial institutions? (Y/N) (not scored)
(The question refers to data on individuals and not on group of individuals).

10. Are data on loans for individuals being shared with financial institutions? (Y/N)
(The question refers to data on individuals and not on group of individuals).

11. Once requested, are data on original amount of loan for individuals shared with financial institutions?

- 11a. Always
- 11b. Only after a default
- 11c. Never

12. Once requested, are data on outstanding amount of loan for individuals shared with financial institutions?

- 12a. Always
- 12b. Only after a default
- 12c. Never

Which of the following data on loan payments of individuals are shared with Financial Institutions?
(questions 13 through 17)

13. On-time payments (Y/N)

14. Historical patterns of repayments (Y/N) (not scored)

15. Defaults or restructured debts (for example, number and amount of defaults or restructured debts) (Y/N)

16. Arrears or late payments (for example, number and amount of arrears or late payments) (Y/N)

17. Number of days a loan is overdue (Y/N) (not scored)

18. After how many days does your credit reporting agency define the late payments of individuals as arrears? (not directly scored - DV)

19. After how many days does your credit reporting agency define the late payments of individuals as defaults? (not directly scored - DV)

20. Are data on loans for firms being collected from financial institutions? (Y/N) *(not scored)*
21. Are data on loans for firms being shared with financial institutions? (Y/N)
22. Once requested, are data on original amount of loan for firms shared with financial institutions?
 22a. Always
 22b. Only after a default
 22c. Never
23. Once requested, are data on outstanding amount of loan for firms shared with financial institutions?
 23a. Always
 23b. Only after a default
 23c. Never

Which of the following data on loan payments of firms are shared with Financial Institutions?
 (questions 24 through 30)

24. On-time payments (Y/N)
25. Historical patterns of repayments (Y/N) *(not scored)*
26. Defaults or restructured debts *(for example number and amount of defaults or restructured debts)* (Y/N)
27. Arrears or late payments *(for example number and amount of arrears or late payments)* (Y/N)
28. Number of days a loan is overdue (Y/N) *(not scored)*
29. After how many days does your credit reporting agency define the late payments of individuals as arrears? *(not directly scored - DV)*
30. After how many days does your credit reporting agency define the late payments of individuals as default? *(not directly scored - DV)*

Which of the following institutions in your economy submit information to the credit reporting agency or retrieve information from it (or both)? (questions 31 through 40)

31. Financial Institutions
 31a. Submit information
 31b. Retrieve information
 31c. Both
 31d. No
32. Microfinance Institutions
 32a. Submit information
 32b. Retrieve information
 32c. Both
 32d. No
33. Cooperatives

- 33a. Submit information
- 33b. Retrieve information
- 33c. Both
- 33d. No

34. Retailers and Merchants

- 34a. Submit information
- 34b. Retrieve information
- 34c. Both
- 34d. No

35. Utility Companies

- 35a. Submit information
- 35b. Retrieve information
- 35c. Both
- 35d. No

36. Courts

- 36a. Submit information
- 36b. Retrieve information
- 36c. Both
- 36d. No

37. Tax companies

- 37a. Submit information
- 37b. Retrieve information
- 37c. Both
- 37d. No

38. Rental properties

- 38a. Submit information
- 38b. Retrieve information
- 38c. Both
- 38d. No

39. Internet and Mobile Phones companies

- 39a. Submit information
- 39b. Retrieve information
- 39c. Both
- 39d. No

40. E-commerce platforms

- 40a. Submit information
- 40b. Retrieve information
- 40c. Both
- 40d. No

41. Does the regulatory framework allow cross border credit information sharing? (Y/N) (*not scored*)

42. Does your credit reporting agency share credit information cross-border in practice? (Y/N)

43. Does the credit reporting agency use technical reporting codes or special reporting to identify crises-related data (e.g., financial, health, and climate related arrears)? (Y/N)

44. For how many years is positive data preserved in the database?

If positive data is preserved forever or until the borrowers exit the Credit Reporting Agency, please enter "99."

45. For how many years is positive data shared in credit reports?

If positive data is shared forever or until the borrowers exit the Credit Reporting Agency, please enter "99."

46. For how many years is negative data preserved in the database?

If negative data is preserved forever or until the borrowers exit the Credit Reporting Agency, please enter "99."

47. For how many years is negative data shared in credit reports?

If negative data is shared forever or until the borrowers exit the Credit Reporting Agency, please enter "99."

48. If you collect information on Default or Restructured Debts, after how long is this information erased from the credit report if repaid?

48a. Immediately

48b. Never

48c. After a certain period of time

49. Please specify the duration in years, when applicable.

50. If you collect information on Default or Restructured Debts, after how long is this information erased from the credit report if NOT repaid?

50a. Immediately

50b. Never

50c. After a certain period of time

51. Please specify the duration in years, when applicable.

52. If you collect information on Arrears or Late Payments, after how long is this information erased from the credit report if repaid?

52a. Immediately

52b. Never

52c. After a certain period of time

53. Please specify the duration in years, when applicable.

54. If you collect information on Arrears or Late Payments, after how long is this information erased from the credit report if NOT repaid?

54a. Immediately

54b. Never

54c. After a certain period of time

55. Please specify the duration in years, when applicable.

56. Please provide comments or additional details on whether there are different rules on the deletion of different types of information from the credit report. (not directly scored - DV)

If no comments need to be added, please enter "None".

57. What is the minimum loan size (in local currency) that is included in the database, if any?

If your credit reporting agency has no minimum loan requirement, please enter "0". If different minimum loan amounts apply to individuals and firms, please use the lesser amount.

58. Is a borrower's right to access their own credit data guaranteed by law or regulation? (Y/N)

59. Does the law or regulation establish the right of the borrower to request corrections of any mistakes in the data? (Y/N)

60. What is the cost in local currency for borrowers to access their data? Please enter the cost in local currency.

61. Can the borrower access their credit data online? (Y/N)

62. Does the law or regulation require a notification to the customer/borrower of negative information reported to the credit reporting agency? (Y/N)

63. Do banks and other financial institutions have online access to the data of the credit reporting agency? (Y/N)

Y → provide response to question 64.

64. By which means do banks and other financial institutions access the data of the credit reporting agency? (not scored)

64a. Through a web interface

64b. Through system-to-system connection

65. On what date did online access become available? Please indicate the approximate date (month/year). If it has been available since the start of operations of your credit reporting agency, please confirm so. (not scored)

65a. Date

65b. Available since the start of operations

66. Does your credit reporting agency provide credit scores as a value-added service to banks and other financial institutions? (Y/N)

67. When did your credit reporting agency start providing the credit scoring service? (DATE MM/YYYY) (not scored)

68. If the Credit Reporting Agency offers credit scores, does its website include explanations on how to interpret a credit score and what elements can affect a borrower's score? (not scored)

68a. Yes, explanations on how to interpret a credit score only

68b. Yes, explanation on what elements can affect a borrower's score only

68c. Yes, both

68d. No

69. Do banks in your economy review credit information from the Credit Reporting Agency upon deciding on a loan application? (Y/N)

70. If yes, how often do the banks use the credit information obtained from credit bureaus or registries before deciding on a loan application?

70a. Always

70b. Sometimes

70c. Rarely

2.1 OPERATION OF CREDIT BUREAUS AND REGISTRIES			
2.1.1 Data Coverage			
Indicators	FFP	SBP	Total Points
Data Coverage	1	1	2
- Data on firms and individuals are shared (10 AND 21)*	0.40	0.40	0.80
- Data from alternative sources are shared in addition to data from financial institutions (31 to 40)**	0.40	0.40	0.80
- Cross-border information sharing (42)	0.10	0.10	0.20
- Crisis reporting (43)	0.10	0.10	0.20
<i>*A full score is granted if responses are “yes” for both borrowers</i> <i>** In addition to financial institutions (Private commercial banks, Public commercial banks or Public development banks), data from 4 out the 9 alternative sources (Microfinance institutions, Cooperatives, Retailers and merchants, Utility companies, Court, Taxes, Rental data, Internet, mobile phones and E-Commerce platforms) are shared</i>			
Total Points	1	1	2
2.1.2 Types of Data Shared			
Types of Data Shared	1	1	2
- Both positive credit information and negative information are shared (11 to 13 AND 15 AND 16 AND 22 to 24 AND 26 AND 27)*	0.33	0.33	0.66
- At least two years of historical data are shared (44 to 55)**	0.33	0.33	0.66
- Data on loan amounts below 1% of income per capita are shared (57)***	0.33	0.33	0.66
<i>* The coding rule for positive info: must provide on-time payments AND either original or outstanding loan amount</i> <i>The coding rule for negative info: must provide BOTH defaults/cancelled debts AND arrears/late payments</i> <i>If the agency distributes info for both firms and individuals, positive and negative data must be provided for both to get full point</i> <i>** At least two years of historical data are shared. Credit bureaus and registries that erase data on defaults as soon as they are repaid or distribute negative information more than 10 years after defaults are repaid receive a score of 0 for this component</i> <i>*** Minimum loan amount must be lower than 1% of GNI per capita to obtain a score on this question</i>			
Total Points	1	1	2
2.1.3 Additional Services and Borrower’s Access to Information			
Additional Services and Borrower’s Access to Information	1	1	2
- By law, borrowers have the right to access their data in the largest credit reporting agency (58 to 61)* OR	0.30 OR	0.30 OR	0.60 OR
- Notification of negative information (62)	0.15	0.15	0.30

* If by law, borrowers have the right to access their data (access is inexpensive, online and borrowers have the right to request fixing the data) in the credit bureau or registry in the economy, half of the point is granted. Another half point is granted if law or regulation requires a notification to the customer/borrower of negative information reported) Cost must be lower than 1% of GNI per capita to obtain a score on this data point			
- Banks and other financial institutions have online access to credit information (63)	0.30	0.30	0.60
- Credit reporting agency offers credit scores as a value-added service (66)	0.30	0.30	0.60
- Borrower's credit information is always verified in practice (69 AND 70a.) OR	0.10 OR	0.10 OR	0.20 OR
- Borrower's credit information is sometimes verified in practice (69 AND 70b.)	0.05	0.05	0.10
Total Points	1	1	2

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

If the credit bureau or registry is not operational or covers less than 5 percent of the adult population (age 15 to 64), the score is 0. If the bureau or registry is operational but does not distribute a credit report by the cut-off date for B-READY, the score is also 0. If there are two or more credit bureaus (registries), the bureau (registry) with the highest coverage rate of the working-age population will be considered (scored).

PILLAR III—OPERATIONAL EFFICIENCY OF RECEIVING FINANCIAL SERVICES

The scores for Pillar III indicators are calculated using the Normal Cumulative Density Function (CDF) transformation method on a scale of 0 to 100, where 0 and 100 represent the lowest and highest possible scores, respectively. The best and worst performers for the time it takes for information to be reflected in a credit report database are identified according to the thresholds established by international standards.

3.1 LOANS

3.1.2 Operational Efficiency of Security Interest and Credit Data Update

71. Does the regulatory framework require that the reported credit information be reflected in the database within a certain time? (Y/N) (not scored)

72. What is the timeliness requirement in calendar days? (not scored)

73. How many calendar days does it take in practice from the moment the information is submitted to the Credit Reporting Agency for it to be reflected in the credit report?

3.1. LOANS			
3.1.2 Operational Efficiency of Security Interest and Credit Data Update			
Indicators	FFP	SBP	Total Points
Operational Efficiency of Security Interest and Credit Data Update* - Time for credit information to be reflected in credit report from the moment credit reporting agency received such information (73) <i>*Respective scores for time to register a security interest and cost to register a security interest (data obtained from the Secured Transactions</i>	100 (33.33%)	n/a	100 (33.33%)

<i>and Collateral Registries questionnaire, question 71 to 76), and time to include credit information will be calculated using the Normal Cumulative Density Function (CDF) transformation method on a scale of 0 to 100, where 0 and 100 represent the lowest and highest possible scores, respectively. Average of these scores will be taken to obtain the overall score for the indicator</i>			
Total Points for Subcategory 3.1.2	100**	n/a	100**

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent).
FFP = Firm Flexibility Point; SBP = Social Benefits Point.

***Subcategory shared with Secured Transactions and Collateral Registries questionnaire.*