CERISE+SPTF

DRAFT VERSION

DFS STANDARDS **ASSESSMENT GUIDE**

Step-by-step guidance to assess implementation of the management standards for ***responsible*** digital financial services

Version 1 - March 2025

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DFS Standards
Management Standards for the Responsible Provision of Digital Financial Services
I
Customer-Centric Strategy
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Committed Leadership
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Introduction

The management standards for the responsible provision of digital financial services ("DFS Standards") contain the global inclusive finance sector's best understanding of good management practices by financial service providers (FSPs) to avoid harming customers and to create benefits for them from using digital financial services. Cerise+SPTF developed the DFS Standards over the course of three years, with a rigorous and collaborative process that involved document review, expert interviews, debate and discussion via global working group meetings, and field testing. Having first published the DFS Standards in 2024, Cerise+SPTF plans to update them regularly to ensure that they continue to reflect best practice.

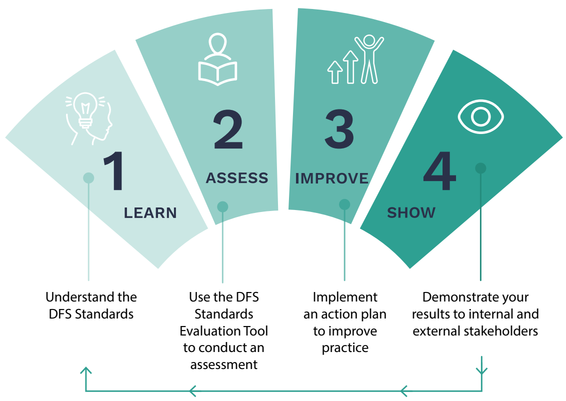
The DFS Standards Assessment Guide helps users of the DFS Standards Evaluation Tool to conduct accurate evaluations. Each section of the audit guide contains three types of information:

- An explanation of the rationale for each management practice included in the DFS Standards
- Specific scoring guidance explaining the criteria for an assessor to use to determine whether to score a "yes," "partially," "no," or "not applicable" for each practice
- Recommendations of sources to consult to find the information needed to score each practice

The DFS Standards Evaluation Tool is a very rich and detailed resource. An evaluation results often reveal several areas for improvement. Often, an FSP not to know where to begin to address gaps. The answer is that there is no one right place. Each FSP's own priorities, resources, and context also inform this decision. However, three common choices are to start with relatively simple and inexpensive changes ("quick wins"), or to address the gaps where the need for improvement is most urgent, or to think sequentially about what needs to be in place first (e.g., buying certain software, or building new expertise within staff) before other actions are possible.

No matter which areas most interest an FSP, strengthening performance has four basic stages:

The Four Stages to Provide DFS Services Responsibly



This is an iterative process.

In addition to the DFS Standards Assessment Guide, Cerise+SPTF maintains on online resource center that contains a variety of tools, research papers, case studies, training videos, and other resources that collectively can help FSPs to learn, assess, and improve.

We love to hear from you, so please do not hesitate to email us to ask questions or to share your experiences: info@sptfnetwork.org.

Sincerely,
The Cerise+SPTF team

Dimension I

Customer-Centric Strategy

Dimension I of the DFS Standards focuses on a customer-centric strategy. Starting with strategy is important because the first step to achieving good performance is defining what "good" performance is, and then developing a strategy to achieve it. Integrating a customer-centric focus into the strategy is also important, given the increasing recognition of two important truths:

- Better customer outcomes strengthen the overall sustainability of the business;
- Monitoring customer outcomes is fundamental to customer protection, because it informs financial service providers about which of their customers have experienced harm from using financial services.

Therefore "good" performance must include creating some type of benefits for customers.

Dimension 1 uses the term "customer-centric goals." This means the specific benefits that the financial service provider (hereafter, the "provider") expects its products and services to create for customers. Note that each financial service provider (the "provider") sets its own customer-centric goals. Many different types of benefits for customers are possible. For example, some goals may be to help customers reach their savings goals, or to give them loans that help them invest in their businesses, or allow them to transfer money safely and efficiently. The essential step is for the provider to define its own "customer-centric goals," in line with its priorities, capacity, and resource availability.

In addition to stating that provider should define a customer-centric strategy, Dimension 1 also states that a provider should determine what specific data to monitor to understand how well it is implementing its strategy, and that the provider must collect these data in a way that ensures accuracy, analyze them, use these data to guide decisions.

Dimension I has two standards:

- **Standard I.A:** The provider has a strategy to achieve its customer-centric goals. [F1]
- **Standard I.B:** The provider collects, analyzes, and reports data that are specific to its customer-centric goals.

Standard

I.A THE PROVIDER HAS A STRATEGY TO ACHIEVE ITS CUSTOMER-CENTRIC GOALS. [F1][1]

A provider's strategy should specify its target customers and customer-centric goals, and describe how it will use products and services to achieve these goals. The provider must also define indicators and targets to measure its progress toward its customer-centric goals. The provider should associate each goal with at least one measurable target to make it more operational. For example, one of a provider's customer-centric goals is to enable its customers to transfer money safely and efficiently, it might select a target that at least 95% of its customers state they have never lost funds while using the provider's money transfer services.

The reason for a provider to define in its strategy specifically what segment of the population it is trying to reach with its financial services, and what benefits its products should create for customers, is that this is the basis for many other important decisions that the provider will make. For example, the strategy determines what expenses to approve in the budget, how to define job responsibilities, whom to hire or promote, and what products and services to offer.

Below please find guidance on which essential practices fall under standard I.A and how to score their associated indicators and details.

Standard I.A has two essential practices:

- **Essential Practice I.A.1:** The strategy specifies the provider's target customers, customer-centric goals, and how the provider will achieve those goals.
- **Essential Practice I.A.2:** The strategy defines indicators and targets to measure the provider's progress toward customer-centric goals.

[1] [F1] "Customer-centric goals," also called "social goals," refer to the specific benefits that the financial service provider expects customers to gain from using financial services. For example, customers may be able to use financial services to save their money in a safe place, or to make payments securely, or to invest in their businesses, or to use insurance to mitigate their exposure to shocks.

Essential Practice		**Indicators** / *Details*	
I.A.1	**THE STRATEGY SPECIFIES THE PROVIDER'S TARGET CUSTOMERS, CUSTOMER-CENTRIC GOALS, AND HOW THE PROVIDER WILL ACHIEVE THOSE GOALS.**	**I.A.1.1**	**The strategy defines the demographic and socioeconomic characteristics of target customers.**

Different segments of customers face different obstacles and have different needs. For example, income levels, gender, location (rural/urban), age brackets, and literacy level, all affect the types of products, services, and delivery channels that are best suited to a customer segment.

Scoring guidance

- Yes: The provider's strategy mentions its customer segmentation approach with specific demographic and/or socioeconomic characteristics of the customer segments it wants to serve and if the board and senior management have a clear and consistent understanding of this.
- Partially: The strategy mentions at least basic elements of customer segmentation with at least one characteristic of each customer segment the provider wishes to serve (e.g., "economically-active,"), but does not detail fully its target customer segments. Also score "partially" if the provider has documents other than the strategy that mention target customer segments or the characteristics of customers it would like to serve, but the strategy itself does NOT mention them. Also score partially if the strategy mentions the specific customer segments that the provider wishes but most or all members of the board and management are unaware of this.
- No: The strategy lacks basic elements of customer segmentation with no or unclear demographic and/or socioeconomic characteristics of the customers the provider seeks to serve, or if board / senior management cannot share their view on this.
- To verify consistency among answers within the global evaluation of the provider's performance, compare the scoring of the indicators and details associated with essential practice I.A.1 to the scores and comments for the indicators and details under essential practice II.B.1 ("The provider includes customer-centric goals in its operational plan and the CEO/ Managing Director holds senior managers accountable for achieving targets.")

Sources of information

- Strategic plan / Business plan / provider's website / board member/ CEO interviews

I.A.1.2 **The provider defines a "do no harm" strategy that articulates how it will mitigate the risks to customers connected to the use of its products and services:**

I.A.1.2.1 Negative effects on customers and their households
I.A.1.2.2 Human rights violations
I.A.1.2.3 Corruption and bribery

Providing access to financial products and services can harm customers. This is especially true if providers do not implement customer protection practices and focus solely on profit, but even providers who acknowledge a moral obligation not to harm customers, and even sincerely seek to for their financial products to be beneficial to customers, can create unintentional harm. To mitigate the risk of unintended negative consequences from financial services, the provider should define in its strategy the protective measures it can implement to protect customers from negative outcomes. This indicator and its details focus specifically on negative effects to either the customer or his or her household. This could be from debt stress, from one person using funds another borrowed, from gender-based violence, from loss of income or assets, and from child labor to help repay a loan or run a business, among other possibilities. This indicator also requires providers to consider whether the financial services they offer could lead to human rights violations, corruption, or bribery, and mitigate those risks.

Scoring guidance

For each subject in the details:

- Yes: The strategy mentions protecting the customer or household from harm and defines how the provider is taking action to do so. The board and senior management must also have a clear and consistent understanding of this. At minimum, the provider should have a customer protection policy and a code of conduct to that staff, managers, and board members must adhere to.
- Partially: The strategy does not, or not sufficiently, define how the provider takes measures to mitigate the risk of harming customers or their households, but the provider does implement activities that specifically either seek information from customers on harm they might have experienced or mitigate the risk of customer harm (e.g., training staff on customer protection, ethical behaviour and rules against corruption in the code of conduct, or seeking customer feedback specifically on whether the use of financial services has created stress in their household or had any other adverse effects, obstacles customers have faced, and whether their financial activities expose them to abuse of human rights.
- No: The strategy does not or very lightly discusses how to avoid harming customers and the provider does not implement activities to reduce the risk of customers' experiencing harm. Also score "no" if board / senior management cannot explain any specific ways in which the provider's strategy mitigates the risk of inadvertent negative consequences for customers.

Sources of information

- Strategic plan
- Board minutes
- Reports on customer complaints
- Code of conduct and related trainings
- Customer satisfaction surveys, data from the complaints mechanism
- Customer outcomes data (positive and negative)
- Board member interviews
- Interviews with the CEO or other members of senior management

I.A.1.3 **The strategy identifies cybersecurity risks connected to its digital financial services, identifies practices to mitigate and respond to such risks, and specifies the roles and responsibilities of the board of directors and management. [F2][2] [F3][3]**

Regardless of national regulation, providers should have strategy to address the threat of cyber-criminality. The strategy should begin with an understanding of the primary sources of risk, which requires ongoing vigilance as the nature and sophistication of cybersecurity threats are ever evolving. The strategy must also identify how the provider will ensure the security of customer data given the specific nature of the risk, and define the responsibilities of the different departments within the organization, including at the level of board members and management.

Scoring guidance

- Yes: The provider (1) has a written strategy about how it safeguards its data, (2) the strategy defines the roles and responsibilities of board and management regarding cybersecurity (3) board members and management are aware of their specific responsibilities.
- Partially: The three requirements are not met fully or if there is a strategy in place for only some products or channels (e.g., security levels are adequate for the website but not an app), or if cybersecurity procedures are in place but there is no strategy.
- No: The provider has no written strategy and/or the board and staff are not aware of the strategy.

Sources of information

- Strategic plan
- Board minutes
- Operational manuals
- Contracts with partners that provide cybersecurity services
- Interviews with IT department, board, and management.

[2] [F2] "Cybersecurity" is the protection from threat of all elements of information systems, including internet-connected networks, devices, applications, and data.
[3] [F3] This manual uses the phrase "financial services" to mean products, services, and channels.

I.A.1.4 **The strategy identifies external fraud risks connected to its digital financial services, identifies practices to mitigate and respond to such risks, and specifies the roles and responsibilities of the board of directors and management. [F4]**[4]

This indicator focuses on external fraud as opposed to internal fraud, which would be illicit behavior by employees. External fraud is perpetrated by a person or entities outside of the organization. Fraud is prevalent in digital financial services, making a strategy to combat it necessary to customer protection. For the strategy to be effective, the financial service provider needs to understand clearly what types of fraud are perpetrated in its market. This work will be ongoing, as fraud schemes are ever-evolving. With the knowledge of what specific types of fraud DFS customers are exposed to, then the provider can determine which actions to take to mitigate fraud risk. It must also decide how it is going to help victims of fraud. And finally, its fraud strategy must specify who is responsible for what. Likely multiple departments will have to work together, with leadership from the board of directors, for the financial service provider to implement its strategy effectively.

Scoring guidance

- Yes: The provider has a strategy document that specifies (1) a process to identify external fraud risks related to the digital financial services, including referring to research on current fraud trends/best practices and findings from thorough IT risk assessments, and to develop plans to mitigate and respond to such external fraud risks, and (2) specifies in job description of board and management the roles and responsibilities related to external fraud risks (3) for any partnership agreement, the provider must have policies or partner selection criteria to ensure only qualified institutions (for example, those certified by ISO[5]), meaning they have robust and secured technology platforms, are selected. The strategy is evidenced by a document, a board discussion of the document and at least one board discussion related to a identification, mitigation or response to external fraud risks.
- Partially: The provider does not have a formal document, but all the above elements can be found in at least one board discussion related to external fraud risks.
- No: The provider does not have a formal document and there is no evidence of a board discussion covering the above elements.
- N/A: Cannot score N/A.

Sources of information

- Fraud strategy document
- Board roles and responsibilities document
- Job descriptions
- Interviews with the information technology (IT) team
- (as applicable) Partnership contract with a partner that helps implement the fraud strategy

[4] [F4] "External fraud" is fraud perpetrated by actors who are neither employed nor contracted by the financial service provider. Fraud is a wrongful or criminal deception intended to result in financial or personal gain.
[5] International Organization for Standardizatio

I.A.1.5 **The strategy for partners specifies the following: customer protection risks connected to its digital services, practices to mitigate such risks, indicators to measure success, and board and management roles and responsibilities. [F5][6]**

Not every partner performs the same function for the provider, and therefore the work of different partners will be related to different specific customer protections risks. For example, some partners have access to private customer data, and for this reason it is important to verify this partner's cybersecurity and data privacy protection practices. Other partners may focus only on sales, and for these partners the major customer protection concern is avoidance of aggressive sales. For partners that work on debt collection, a primary concern is fair and respectful treatment of the customer. Because of the wide variety of partnerships, the DFS Standards do not attempt to define them all. Instead, this indicator asks the provider to consider which customer protection risks are associated with the services provided by each of its partners, and to have a strategy to ensure that this partner shares the provider's commitment to customer protection and has in place the requisite practices to mitigate customer protection risks in the partner's area(s) of activity.

Scoring guidance

- Yes: The provider has a strategy document that specifies (1) a process to identify risks related to partnering on a given function, including research in existing public documentation, and to develop plans to mitigate such risks, and (2) specifies board and management roles and responsibilities. The strategy is evidenced by a document, a board discussion of the document and at least one board discussion related to a specific partnership, related risks and their mitigation.
- Partially: The provider does not have a formal document, but all the above elements can be found in at least one board discussion related to a specific partnership.
- No: The provider does not have a formal document and there is no evidence of a board discussion covering the above elements.
- N/A: The provider does not have partnerships.

Sources of information

- Strategy document on partnerships
- Partnership agreement, including clauses on what actions would constitute a violation of customer protection and lead to sanctions or a dissolution of the contract
- Board of directors meeting minutes
- Indicators of success agreed upon by the provider and its partner, related to customer protection

[6] [F5] Partner is any person or legal entity, other than employees, that are contracted by the provider to develop financial services or facilitate transactions and other services for customers according to the terms of the provider.

Essential Practice	Indicators / *Details*

I.A.2 THE STRATEGY DEFINES INDICATORS AND TARGETS TO MEASURE THE PROVIDER'S PROGRESS TOWARD CUSTOMER-CENTRIC GOALS.

I.A.2.1 The provider has at least one measurable indicator for each customer-centric goal.

To hold itself accountable to its customer-centric goals, the provider must collect specific quantitative and qualitative data, including customer outcomes data, to monitor the provider's performance specifically related to the provider's financial products and services are beneficial to customers in some way.

Scoring guidance

- Yes: The provider has defined at least one measurable indicator for each of the customer-centric goals that the provider seeks to achieve, as defined in its strategy.
  - For example, if one of the provider's customer-centric goals is that customers have access to loans in a timely fashion, then one indicator could be the percent of customers who say they are satisfied with the amount of time that the provider takes to process a loan application and disburse a loan. [Note: If the provider also wants to set targets for each goal, that is encouraged but not required by this indicator. There is a separate indicator on targets, which is included in the full SPI tool but NOT included in the DFS Standards Evaluation Tool. An example of a target is, "At least 95% of customers are satisfied with the loan disbursement delay."]
- Partially: The provider has defined at least one measurable indicator for some but not all of its customer-centric goals.
- No: The provider has not defined any indicators to use for monitoring whether it is achieving its customer-centric goals, OR if the provider has defined only a vague indicator (e.g., overall satisfaction rate) rather than indicators adapted to its specific goals.

Note: For consistency, if the provider scores no for EP 1.A.1, meaning it does not define its social goals, then it should also score no for EP 1.A.2.

Sources of information

- Business plan/strategic document/ operational plan
- Management information system (MIS)
- Customer surveys
- Annual report
- Social performance dashboards reviewed by the board of directors
- Social performance dashboards reviewed by management

Standard

I.B THE PROVIDER COLLECTS, ANALYZES, AND REPORTS DATA THAT ARE SPECIFIC TO ITS CUSTOMER-CENTRIC GOALS.

A provider does not know whether its products are creating benefits for customers unless it collects and analyses data about the positive or negative outcomes that customers have experienced from using financial services. Typically, providers monitor output data, such as numbers of accounts or transaction data, such as loan repayments or savings deposits. These data can look satisfactory – meaning data such as on number of customers and timeliness of loan repayments may be fine – even when customers are experiencing negative outcomes. Transactional data give information about outreach and access only, not outcomes, which are behavioral changes, changes in assets, and changes in perception (e.g., feeling safer, less stressed, more hopeful for the future). Below are some examples of outcomes-related questions:

- Do the use of financial and non-financial services help customers to manage their household budgets and their family businesses better?
- Do customers save more thanks to the provider?
- Are customers better able to educate their children?
- Can customers seize economic opportunities to grow their businesses?
- Have customers improved their housing conditions?
- Do customers have better health care, or better health, than before?
- Do customers spend less time on banking because financial services are now closer to them and / or more efficient?
- Can customers accomplish financial activities (e.g., sending money to a family member) more rapidly and safely than before?
- Conversely, are customers worse off in any way because they have used the provider's financial services?

When considering how customers have benefited, or not, pay attention to negative outcomes. This is a particular risk in the case of loans. For example, over-indebtedness has many negative consequences, including but not limited to eating less to save money for loan repayments, reducing the use of health care services, and taking children out of school in order to meet loan repayment obligations, and losing household or business assets that had been pledged as collateral. But any digital financial service has some risk, notably in exposing customers to risks of fraud and cyber-criminality, as well as lack of privacy of their personal financial data.

Furthermore, analyze the data by customer segment. It is certainly possible that some segments (e.g., urban, male, middle-aged, customers who take out loans) may have different outcomes from other customer segments (e.g., customers who use payment services but do not take loans, women, young people).

Once the provider is aware of customer outcomes, it can use that information to improve its products/services and distribution channels Ongoing and high-quality customer data collection and analysis gives managers the information needed to make informed decisions and track progress toward customer-centric goals.

This standard has 1 essential practice:

- **Essential Practice I.B.1:** The provider collects data on outcomes for customers and their households.

Essential Practice		Indicators / *Details*	
I.B.1	**THE PROVIDER COLLECTS DATA ON OUTCOMES FOR CUSTOMERS AND THEIR HOUSEHOLDS.**	**I.B.1.1**	**The provider collects data on an ongoing basis to measure whether it is achieving its customer-centric goals.**

I.B.1.1.1 The provider collects quantitative data that measures both positive and negative changes for customers and their households. Minimum frequency: annually

I.B.1.1.2 The provider collects qualitative data that measures both positive and negative changes for customers and their households. Minimum frequency: annually

Quantitative data and qualitative data both have unique value but also limitations. It is relatively easy to verify the accuracy of quantitative data, and it is much easier to aggregate quantitative data for analysis, but quantitative data tell you only what is happening, not why. When collecting both quantitative and qualitative customer outcome data, and analyzing both positive and negative changes, the provider gains the most insight about customers' experiences, and is able to know with more confidence whether it is achieving its customer-centric goals, as well as what steps to take to address any weaknesses that the data reveal.

Scoring guidance

- Yes: The provider collects data consistently, and at least annually, a range of both quantitative and qualitative customer outcomes data, including also analysis of negative changes. The quality of data collection and data entry is assured by regular internal control/operations and audit checks.
- Partially: Any of the following are true:
  - The provider does not collect customer outcomes data annually, but does analyze systematically the data it has on its customers' financial transactions based on previous outcomes surveys to continue and look for trends that might indicate whether certain customer segments are having better or worse outcomes.
  - The provider collects consistently and regularly either quantitative or qualitative data on customer outcomes, but not both.
  - The provider collects some data on outcomes, but the data it collects is insufficient to understand whether customers have experienced positive or negative changes to their quality of life.
  - The provider has collected both quantitative and qualitative outcomes data on customers but did so as an isolated activity. It does not do this on an annual basis.
- No: The provider does not collect any data on customer outcomes consistently and/or regularly (at least annually).

Note: Collecting data on outputs (e.g., number of loans provided, PAR, outreach, and so forth) does NOT constitute customer outcomes data.

Sources of information

- MIS
- Customer surveys and narrative reports
- Loan application forms that include questions on customer outcomes
- Focus group discussions with customers and customer exit interviews
- Annual reports

I.B.1.2 **The provider keeps an inventory of the customer data it collects and, for each type of data, identifies both the purpose for collecting it and the level of protection it requires. (Note: this can be called having a "Data Registry.") [F6][7] [F7][8]**

Implementing this indicator is important to data privacy. First, providers should not be collecting data that they do not need. Secondly, among the types of data that providers do need to gather and store, some are more sensitive (e.g., customer's address) than others (e.g., date of loan application). For the more sensitive data, the provider must note how much protection such data require. This can range from limiting the number of people who have access to the data, to limiting the number of people who may edit the data field, to rules about the minimum level of security of the data system used to house the information.

Scoring guidance

- Yes: The provider implements all of the following activities: a) keeps an inventory of all the data it collects, which can be an electronic file or database and does not have to be a printed document; b) The provider reviews this inventory at least annually and updates it as needed; c) The inventory lists both the purpose for collecting the data and how the data are protected.
- Partially: Some but not all of the above actions are implemented. For example, the assessor may find that that everyone is aware of the reasons for which they collect each piece of data but there is no policy or record (electronic or written) about how the provider uses each piece of data or what the rules are for who may see it and how it is protected.
- No: The provider does not do this.
- N/A: Cannot score N/A. This practice is relevant to every DFS provider

Sources of information

- MIS
- Interviews with the IT team

[7] [F6] Customer data refers to Personal Identifiable Information (PII), meaning any information related to an identified or identifiable individual. Examples include name, address, telephone, credit score, and income estimate.
[8] [F7] For more information on a Data Registry, see article 30 of GDPR, "Records of processing activities" (https://gdpr-info.eu/art-30-gdpr/).

Dimension II

Committed Leadership

A customer-centric strategy is strong only if the board of directors and senior management understand and uphold it. In order for an organization to embed customer-centric goals into its overall performance, the governing bodies and senior leadership must build them into the organization's plans and accountability structures. The governance and senior management should be clear, committed and incentivized to achieve the provider's customer-centric goals. Dimension II lays out the key practices related to the board and senior management's responsibilities, and how they make consider customer outcomes when making strategic and operational decisions, thus holding the provider accountable to achieving its customer-centric goals.

- **Standard II.A:** Members of the board of directors hold management accountable for achieving the provider's customer-centric goals.
- **Standard II.B:** Senior management is responsible for implementing the provider's strategy for achieving its customer-centric goals.

Standard

II.A MEMBERS OF THE BOARD OF DIRECTORS HOLD MANAGEMENT ACCOUNTABLE FOR ACHIEVING THE PROVIDER'S CUSTOMER-CENTRIC GOALS.

The board of directors or governing bodies should use data on customer protection, customer-centric goals, and customer outcomes, to inform the provider's strategy and hold the senior management accountable for achieving the provider's customer-centric goals.

This standard has 3 essential practices:

- **Essential Practice II.A.1:** The provider trains board members on their social performance management responsibilities.
- **Essential Practice II.A.2:** The board makes strategic decisions based on social and financial data.
- **Essential Practice II.A.3:** Board oversight of senior management is aligned with the provider's customer-centric goals.

Note: There are providers where the founding shareholder is also (still) the managing director. These cases are delicate to audit from a governance viewpoint as one person is wearing two strategic hats. In this case, it is good governance practice for the other board members, who do not have operational functions, to decide alone – meaning, in absence of the CEO – everything related to the CEO, including but not limited to his or her annual performance evaluation and renumeration. In cases where the CEO is not only on the board but also the lead person responsible for board monitoring of achievement of the provider's customer-centric strategy, it is important that the deputy CEO or another senior manager assumes lead responsibility for the customer-centric strategy at the senior management level.

Essential Practice	Indicators / Details

II.A.1 THE PROVIDER TRAINS BOARD MEMBERS ON THEIR SOCIAL PERFORMANCE MANAGEMENT RESPONSIBILITIES.

Each board member must understand the provider's customer-centric goals and the role the board should play in managing social performance. It is a misperception that social performance management (SPM) is a lofty abstraction that is not necessary for board members' day-to-day work. In fact, effective boards need to understand what SPM is and how it both strengthens the sustainability of the provider and makes financial services more likely to be beneficial to customers, regardless of the customer segment to which they belong.

A board orientation to SPM should include a discussion of the importance of SPM, with a particular focus on how it mitigates risk, thereby benefiting the provider as well as customers.[1] The board orientation should also discuss the provider's social strategy in detail noting board members' specific responsibilities related to holding the provider accountable to implementing its strategy.[2] Finally, the training should provide updates on local requirements (e.g., regulation; national Codes of Conduct) and international initiatives (e.g., the DFS Standards) that can guide the provider's SPM strategy and operational activities.

II.A.1.1 During new member orientation or subsequent training, the provider trains each board member on customer protection.

Scoring guidance

- Yes: Every board member is trained at least once, score a yes. There is no requirement about length of the training, so it could be one hour or three days. But it cannot be passively sharing materials with board members for them to read on their own time. A trainer needs to deliver the information to board members.
- Partially: Some board members but not all get trained. This means if a whole board gets trained, then some people rotate off and new people join, if those new people are not trained, score partially.
- No: The provider does not train its board members on customer protection.
- N/A: Cannot score N/A. The organization might not necessarily have a board, but whatever entity oversees the performance of the CEO / Executive Director needs to receive this training.

Source of Information

- Board member terms of reference
- Board member agreement
- Board member training materials

[1] Note that the terms "balanced performance management" and "responsible finance" may be more palatable than "SPM," though they mean the same thing, for financially minded board members. For more tips on discussing SPM with your board, see this brief, "Suggested Talking Points on the Benefits of SPM."
[2] See here for the brief, "Social Performance Management Board Committee : Terms of Reference Example"

Essential Practice	Indicators / Details

II.A.2 THE BOARD MAKES STRATEGIC DECISIONS BASED ON SOCIAL AND FINANCIAL DATA.

Many boards view their role as primarily financial, and as such, they focus on corporate oversight and fiduciary responsibilities. However, this attitude creates a gap between the provider's purpose (benefiting customers) and the board's management priorities. The board should adopt a balanced approach to social and financial performance management by reviewing each decision in light of how it will affect customers. To achieve this balance, the board must:

- *Have ongoing access to social performance data [Note: The term "social performance data" encompasses what the social strategy is, what customer protection and customer-centric practices should be in place, what products and services customers are using, and what outcomes they are experiencing];*
- *Use this information to make decisions; and*
- *Understand how social and financial performance can reinforce one another.*

Note that the board should adopt a balanced approach to financial and social performance management, using both information to make informed strategic decisions. The first priority is to focus on customer protection as the minimum "Do No Harm" policy under the board's responsibility. But the board also has a role in holding the provider accountable to its customer-centric goals. In all decisions, the board's priorities should be consistent with the social strategy.

II.A.2.1 The board uses the following data, provided by management, to monitor customer protection.

II.A.2.1.1 Analysis of the risk of customer over-indebtedness. Minimum frequency: annually
II.A.2.1.2 Analysis of customer dissatisfaction: rates of customer dormancy and drop-out, results of exit surveys, and customer complaints. Minimum frequency: annually
II.A.2.1.3 Interest rates and whether they are responsible. Minimum frequency: annually
II.A.2.1.4 Reports on the provider's systems for data privacy and security, particularly any attacks, failures or breaches. Minimum frequency quarterly.
II.A.2.1.5 Reports on any fraud or corruption, including extorsion and bribery. Minimum frequency: quarterly.
II.A.2.1.6 Malfunctioning of digital channels that led to customers experiencing loss of access, loss of funds, or data breaches. Minimum frequency: quarterly.

Scoring guidance

- Yes: The provider meets two conditions: a) the board is provided with reports, with at minimum the frequency mentioned in the details above, with accurate data (as checked by internal control and audit) on the level of customer protection in the given management area, and b) there is evidence that the board discusses these data and uses the information to inform its decisions..

  - › Specific guidance for detail II.A.2.16: Score yes if management analysis of incidents is provided to the board, at least quarterly. Digital channels include card-based, telephone-based (SMS, USSD, voice), app-based, web-based or any other digitally enabled service delivery (deposit, withdraw, transfer, pay funds) and service management (apply, consult, update, close account). Analysis summarizes trends in types of incidents, the number (count), amount (money), frequency, duration (if relevant), channel, partner (if relevant), and customer impact (narrative). Incident reports include channels managed by the provider as well as channels managed by partners. Management analysis includes actions taken or proposed changes, if board approval required.
- Partially: Customer protection data is not fully accurate, irregular, not fully complete, not fully analyzed or not fully discussed for decision-making by the board.
  - › Specific guidance for detail II.A.2.16: Score partially if reports are provided less than quarterly. If management analysis does not contain consistent information from report to report. If analysis does not contain at least 50% of information listed above. If analysis does not include channels managed by partners.
- No: The board is not informed, is informed orally, or is informed via narratives that do not provide systematic, comparable analysis.
- N/A: Cannot score N/A.

Sources of information

- Board minutes
- Any reports or dashboards on social performance submitted to the board
- Interviews with board members
- Interviews with CEO/managing director and internal audit manager

II.A.2.2 **The board uses the following data, provided by management, to monitor the provider's customer-centric strategy:**

II.A.2.2.1 The provider's most recent customer protection assessment or social audit. Minimum frequency: every three years.
II.A.2.2.2 How profits are allocated, and whether profit allocation is aligned with the provider's strategy to create benefits for customers. Minimum frequency: annually

The board's priorities should be consistent with the provider's customer-centric strategy. The board should adopt a balanced approach to financial and social performance management to make strategic decisions.

Scoring guidance

- Yes: The board (1) is provided with regular and timely (at least 1 week prior to board meetings), updated, complete, and well-analyzed data allowing for monitoring effectively the customer-centric strategy and (2) is making the necessary efforts to study the information received and use it to inform decisions.
  - For II.A.2.2.2, to score 'yes' requires, in addition to the above conditions, that the board has included how profits can be used to benefit customers or their local communities as part of its discussion of its last annual profit allocation.
- Partially: One of the above two conditions are not fully met (i.e., no such data is provided to the board, or the board does not use those data to inform decisions) or both conditions are somewhat but not fully implemented.
- No: Both of the above two conditions are met very poorly or not at all.

Sources of information

- Board minutes
- Any social and environmental performance management (SEPM) reports submitted to the board
- Interviews with board members
- Interviews with CEO/managing director and Internal Audit manager

II.A.2.3 The board uses the following data, provided by management, to monitor decent work conditions for employees:

II.A.2.3.1 Employee turnover rate, by gender. Minimum frequency: annually
II.A.2.3.2 Analysis of employee satisfaction surveys. Minimum frequency: every two years.

Employee turnover rate is an indication of employees' (dis)satisfaction. It is a potential proxy for decent work conditions. The provider should monitor turnover and understand the reasons for employee exit by analyzing employee exit surveys/interview responses. Analyzing turnover by gender can help identify conditions in the workplace that discriminate against women or create a difficult or hostile environment for them.

Scoring guidance

- Yes: The board is provided for decision-making with (1) at least annual staff turnover data and analysis, consistent, broken down by at least gender, and (2) with at least every 2 years statistically representative staff satisfaction reports/analysis broken down by at least gender.

- Partially: The above two conditions are not fully met.
  - For II.A.2.3.1, score 'partially' or 'no', if the employee turnover rate has not been discussed in the last 12 months or the results were not analyzed by gender or were not shared with employees.
  - For II.A.2.3.2, score 'partially' or 'no', if an employee satisfaction survey has been done in the last 2 years or the results were not analyzed, or analyzed but not segmented by gender, or were not shared with employees.
- No: The above two conditions are largely not met.

Sources of information

- Board minutes, incl. the staff turnover/ staff satisfaction reports submitted to the board
- Staff turnover analysis, staff exit survey reports
- HR policy
- Employee satisfaction survey and report
- Employees interviews
- HR manager interview

II.A.2.4

The board takes corrective action when it identifies risks to customers, risks to employees, or when the provider is not achieving its customer-centric goals.

The board's oversight role means that it is responsible for taking action when the providers products are harming customers or are not creating benefits for them. It is the board's responsibility to keep the provider on track to implement its customer-centric strategy.

Scoring guidance

- Yes: The provider fulfills either of the following two conditions: a) the provider took concrete and substantive corrective action at least once over the past two years. Examples of "concrete and substantive" actions are new products that align with customer demand, changes in products terms and conditions and/or staff incentives, and organizational trainings; b) no corrective action was needed as the provider has implemented its social strategy AND has evidence that its products are creating benefits for customers.
- Partially: The board took insufficient corrective action to mitigate risks to customers and employees or to meeting customer-centric goals.
- No: The board has not consistently identified risks to customers and employees for the past two years, and/or has not taken corrective action for the past two years, and the provider has not been achieving its customer-centric goals.

Sources of information

- Board minutes
- Any SEPM reports submitted to the board
- Interviews with board members
- Interviews with CEO/Managing Director and Internal Audit manager
- Outcomes data
- Complaints data
- Data on customer exits and/or dormancy

Essential Practice	Indicators / *Details*

II.A.3 BOARD OVERSIGHT OF SENIOR MANAGEMENT IS ALIGNED WITH THE PROVIDER'S CUSTOMER-CENTRIC GOALS.

II.A.3.1 The board calculates the difference between the average annual compensation of executives and entry-level employees and is able to justify any ratio higher than 25:1. Minimum frequency: annually

The board should oversee the CEO/Managing Director's compensation. If compensation is part-incentive-based, the CEO (and other executives) should be incentivized on both social and financial performance criteria (and maybe also environmental performance criteria). The board should review annually the compensation of the CEO and other senior executives (e.g., managers of operations, finance, human resources, information technology, and internal audit) to check whether it is comparable to other providers with similar social commitments. The board should also calculate annually the difference between the average annual compensation of executives and the most junior staff. If the ratio is higher than 25:1, the board needs to justify the reason and confirm that it is in line with its values and customer-centric strategy.

Scoring guidance

- Yes: (1) the board oversees that the executive compensation is calculated at least annually and either (2a) the executive compensation is no more than 25 times the salary of a junior field staff or (2b) a formal evaluation exists that analyzes and presents a justification for the difference in pay that exceeds the 25:1 ratio.
- Partially: The board has at some point reviewed the salaries of senior executives but it does not do it every year, or if the ratio of the salary of the highest paid and lowest paid employee exceeds 25:1 and the analysis and justification of these salaries is weak.
- No: The executive compensation has not been calculated over the past three years or the executive compensation is more than 25 times the salary of a junior field staff without any justification.

Sources of information

- Incentives policy
- Board minutes
- Performance evaluation forms (filled in)
- Interviews with HR
- Interviews with board
- Interviews with the CEO/Managing Director

Standard

II.B SENIOR MANAGEMENT IS RESPONSIBLE FOR IMPLEMENTING THE PROVIDER'S STRATEGY FOR ACHIEVING ITS CUSTOMER-CENTRIC GOALS.

Essential Practice	Indicators / *Details*

II.B.1 THE PROVIDER INCLUDES CUSTOMER-CENTRIC GOALS IN ITS OPERATIONAL PLAN AND THE CEO/MANAGING DIRECTOR HOLDS SENIOR MANAGERS ACCOUNTABLE FOR ACHIEVING TARGETS.

As described in Dimension I, the customer-centric strategy should define who the provider's target customers are, what benefits the provider's products should create for customers ("customer-centric goals), and how the provider will achieve these goals. Dimension I also states that for each specific goal, the provider should define at least one indicator to use to monitor whether customers are experiencing that specific benefit. It is also good practice to set a target. So for example, if the benefit it that customers have easy access to loan capital, then one indicator may be asking customers if they are satisfied with the amount of time it takes for the provider to receive loan applications and disburse funds. And a target might be that at least 95% of customers say they are satisfied.

To achieve its customer-centric goals, the provider must not only create a strategy, but also integrate its goals and targets in its business plans, shareholder agreements, new product proposals, and all other documents that define its activities. For example, if a provider were considering pursuing a more aggressive growth strategy, senior management and the board would need to consider not only the financial implications, but the effects on staff and customers. Will the strategy help achieve the provider's goal of increasing financial inclusion for unbanked people? Will it place additional strain on busy staff? Will customers experience aggressive sales and/or worse customer service?

II.B.1.1 The provider includes its customer-centric goals and targets in the business plan or operational plan.

Scoring guidance

- Yes: All customer-centric goals and their corresponding targets are included in the business or annual operational plan. For example, if the provider requires a review of all business plans/contracts/strategies/operational decisions with a customer-centric lens before they are finalized, considering how the action would affect customers, employees, and the provider's ability to achieve its customer-centric goals, then score 'yes.'
- Partially: Only some customer-centric goals and their corresponding targets are included in the business or annual operational plan.
- No: None of the customer-centric goals and their corresponding targets are included in the business or annual operational plan.

Note: It should not be possible to score well on II.B.1.1 if the provider did not score well on I.A.1.1 or I.A.2.1

Sources of information

- Strategy/Business plan
- Annual Operational plans
- Interviews with CEO/Managing Director

Essential Practice	Indicators / *Details*
II.B.2 MANAGEMENT MAKES STRATEGIC AND OPERATIONAL DECISIONS BASED ON SOCIAL AND FINANCIAL DATA.	**II.B.2.1 Senior management analyzes the following data and assesses risks:**

II.B.2.1.1 Customer protection risks. At minimum, this includes analysis of over-indebtedness, unfair treatment, lack of transparency, insufficient security of customer data, complaints, fraud, and corruption and bribery. Minimum frequency: monthly
II.B.2.1.2 Analysis of decent work conditions. At minimum, this includes health and safety, compensation and benefits, and working conditions. Minimum frequency: annually.
II.B.2.1.3 Malfunctioning of digital channels that led to customers experiencing loss of access, loss of funds, or data breaches. Minimum frequency: monthly
II.B.2.1.4 Partner performance as stipulated in the partner contracts and service level agreements. Minimum frequency: monthly

In order for management to mitigate customer protection risk, address harms to both customers and employees in a timely fashion, and make decisions that reinforce practices that are creating benefits for customers while adjusting practices that are not, management must have ongoing access to data that monitor customer and employee experiences. This includes data on how customers are experiencing partners' products and services.

Internal audit and risk management/internal control should integrate social performance criteria into their regular activities. In addition, external assessments (e.g., audits, ratings, certifications) that analyze customer protection risks and customer outcomes are useful.

Scoring guidance

- Detail II.B.2.1.1
  - › Yes: Senior management analyzes customer protection risks systematically and at minimum with the regularity listed in the details above. Management should have access to internal or external detailed assessments of customer protection risks and harms experienced,

including at minimum data from customer complaints and customer satisfaction surveys, and preferably also including data on customer outcomes, both positive and negative. The provider must also demonstrate that management uses those data to address risks or negative outcomes.
 - Partially: Senior management analyses customer protection risks, but either not systematically, or with reports that have minimal detail, or not with the frequency listed in the detail.
 - No: Senior management does not analyze customer protection risks.
 - N/A: Cannot score N/A.

- Detail II.B.2.1.2
  - Yes: Senior management analyses the decent work conditions systematically and with the frequency listed in the detail above. At minimum, the data that the provider consults must include an employee satisfaction survey.
  - Partially: Senior management analyzes decent work conditions, but either not systematically, or with reports that have minimal detail, or not with the frequency listed in the detail.
  - No: Senior management does not analyze decent work conditions.
  - N/A: Cannot score N/A.

- Detail II.B.2.1.3
  - Yes: Incident reports and underlying data are available on an on-going basis (realtime or daily). Digital channels include card-based, telephone-based (SMS, USSD, voice), app-based, web-based or any other digitally enabled service delivery (deposit, withdraw, transfer, pay funds) and service management (apply, consult, update, close account). Incident reports include by type, the number (count), amount (money), frequency, duration (if relevant), channel, partner (if relevant), and customer impact (narrative). Incident reports include channels managed by the provider as well as channels managed by partners. There should be evidence of management discussions / engagement on the incidents, on the risks assessed, and on how to prevent future incidents. These discussions and analysis should reference service level agreements with partners and customers.
  - Partially: If reports are provided less than weekly. If incident reports do not contain consistent information from report to report. If incident reports do not contain at least 50% of information listed above. If incident reports do not include channels managed by partners.
  - No: If management is not informed, is informed orally, or is informed via narratives that do not provide systematic, comparable data on incidents.
  - N/A: Cannot score N/A.

- Detail II.B.2.1.4
  - Yes: Senior management reviews partner performance. Reviews are

evidenced through standard reports such SLA compliance reports, partner KPI reports, or other partner review reports (sources include mystery shopping, complaints monitoring, site visits, etc.). These reviews include service level compliance, and compliance with consumer protection and code of conduct provision of the agreement. In addition, discussions are documented and include any risks or poor performance, impacts on the provider's customers, and corrective actions proposed.

› Partially: Senior management reviews are evidenced by meeting minutes, but there are no partner review reports available.
› No: There is no documentation (reports, meeting minutes) of partner contract reviews.
› N/A: The provider does not have partnerships

Sources of information

- Management reports
- Reports to board
- Interviews with CEO/Managing Director
- Interviews with internal audit and risk management/internal control
- Incident reports for challenges with digital delivery channels
- Interviews with the head of HR
- Partner review reports
- Complaints reports
- Employee satisfaction survey results

II.B.2.2 Internal audit and/or risk management integrates the following criteria into ongoing monitoring activities:

II.B.2.2.1 Customer repayment capacity, loan approval analysis, prevention of aggressive sales
II.B.2.2.2 Transparency to customers
II.B.2.2.3 Compliance with code of conduct; prevention of fraud and corruption
II.B.2.2.4 Collateral seizing and appropriate debt collection practices
II.B.2.2.5 Customer data misuse and fraud
II.B.2.2.6 Complaints handling, including review of a sample of cases

It is important that customer protection risks are integrated into the control and internal audit frameworks. These risks are more challenging to spot and quantify than 'ordinary' financial and operational risks. Effective risk mitigation is key for implementing the customer-centric strategy, as it is closely related to the provider's ability to create benefits for customers and avoid harming them.

Scoring guidance

- Yes: The provider has fully integrated monitoring of customer protection risks into the control and internal audit frameworks at, at minimum, two institutional levels – within daily operations and within the Internal Audit responsibilities. Often, integration will required formal check-lists or questionnaires on customer protection criteria, plus internal audits are shared with management.
- Partially: The monitoring of customer protection risks are integrated only rudimentarily into the control and internal audit frameworks. For example, monitoring happens but haphazardly, or not for all aspects of customer protection, or there is no feedback from customers, or inconsistent or incomplete reporting to management.
- No: The monitoring of customer protection risks has not (yet) been integrated into the control and internal audit activities or if it is not reported to management.
- N/A: Cannot score N/A.

Sources of information

- Audit/monitoring check-lists of customer protection risks,
- Reports by operations / risk management and internal audit
- Minutes of board (quarterly),
- Minutes from senior manager meetings (monthly)
- Interviews with internal audit and operational control / risk department
- Customer focus groups (optional)

II.B.2.3 Management takes corrective action when it identifies risks to customers, risks to employees, or when the provider is not achieving its customer-centric goals

The senior management is responsible, under the supervision of the board, for taking action when targets for customer-centric goals are not being met.

Scoring guidance

- Yes: Senior management took concrete, recent, major corrective action in response to identified customer protection risks or negative customer outcomes. Score also 'yes', if no corrective action was needed as the provider is fully achieving its customer-centric goals, but senior management regularly assesses the monitoring and audit reports on social performance and customer protection risks.
- Partially: Senior management took only minor/insufficient corrective action in response of identified social performance and customer protection risks.
- No: Senior management does not take any corrective action despite clearly identified negative customer outcomes and/or customer protection risks.

Sources of information

- Management report
- Interviews with senior managers, incl. Internal Audit manager
- Outcomes data
- Complaints data

Dimension III

Customer-Centric Products and Services

Customer-centered design means thinking through how financial and non-financial services help target customers to manage their financial activities and grow their income-generating activities and, as a result, to improve their well-being. Designing customer centric products/services and distribution channels requires in-depth understanding about the financial needs, preferences, and product use of each type of customer The financial service provider (the "provider") should design products and services to reduce barriers to financial access as well as to help customers achieve financial goals like coping with risk and emergencies, investing in opportunities, making payments safely and efficiently, and smoothing income, meaning that even if the customer's income streams are volatile, he or she has enough funds to at least cover basic expenses throughout the year.

This dimension has two standards:

- **Standard III.A:** The provider collects and analyzes data to understand customers' needs.
- **Standard III.B:** The provider's products, services, and channels benefit customers.

Standard

III.A THE PROVIDER COLLECTS AND ANALYZES DATA TO UNDERSTAND CUSTOMERS' NEEDS

This standard has three essential practices:

- **Essential Practice III.A.1:** The provider conducts market research and pilot testing.
- **Essential Practice III.A.2:** The provider uses data to identify patterns of financial behavior by customer segment.
- **Essential Practice III.A.3:** The provider collects feedback on customers' experiences using the provider's financial services.

These standards beyond "do no harm," which is the purpose of customer protection, and instead focus on understanding the needs and preferences of different types of customers so that products and services are actually beneficial to them.

Essential Practice	Indicators / *Details*

III.A.1 THE PROVIDER CONDUCTS MARKET RESEARCH AND PILOT TESTING.

III.A.1.1 Before introducing new products, services, or delivery channels, the provider conducts market research that includes gathering the following data about its target customers:

III.A.1.1.1 Analysis of market share, market saturation, and potential market
III.A.1.1.2 Customer profile data, including gender, age, location (urban/rural), and poverty/income level
III.A.1.1.3 Data on customers' needs, goals, and any obstacles to using financial services

Market research gives the provider a deeper understanding of customers' needs, preferences, goals and any obstacles they face to using financial products/services and their distribution channels. Note that while traditional market research starts with a provider's products and services (current or potential) and investigates whether customers like or dislike them, customer-centric market research starts with the customer, not the product. This means first understanding the lives of the target customers, and then designing or modifying products to satisfy their needs and priorities and help them achieve their goals.

The provider can use multiple sources for customer data, including customer and field staff interviews, focus groups, surveys, field observations of target customer behavior, participatory rapid appraisal, and data mining of the management information system (MIS). Market research should include non-customer members of the target customer segments, and it should seek to identify whether the design of the products/services and their distribution channels unintentionally prevents certain people from accessing them.

Scoring guidance

- Detail III.A.1.1.1
    - Yes: The provider is analyzing thoroughly the potential market for new products/services by assessing the current market share and expected competition in all locations/regions where it intends to introduce the new products/services.
    - Partially: The provider is analyzing only rudimentarily the potential market for new products/services by relying on its last annual operational planning exercise without additional primary and secondary data collection, incl. the analysis of competitors.
    - No: The provider is not carrying out potential market analysis for new products/services by just relying on informal discussions with branch managers and staff.

- Detail III.A.1.1.2
  - Yes: The provider gathers demographic and socioeconomic data about customers, about current and potential, in order to facilitate segmented analysis. Common segmentations are gender, age groups, location (urban/rural), and income(poverty) level. Segmenting analysis by gender is mandatory. However, the other segmentation groups are optional, not mandatory, depending on whom the provider is serving.
  - Partially: The provider gathers limited or ad hoc data on customer profiles, or gathers such data for existing customers but excludes non-customers.
  - No: The provider does not gather data that would allow it to conduct segmented analyses of its market research results.

- Detail III.A.1.1.3
  - Yes: The provider is designing new products/services based on in-depth research (covering customers and non-customers) on customer needs and preferences for financial and non-financial products, customer lifecycle goals, and obstacles in using financial services.
  - Partially: The provider is designing new products/services based on limited customer research (by excluding non-customers) like ad hoc customer surveys and/or on customer needs and preferences for financial services only.
  - No: The provider does not base its design of new product products/ services on customer research.

Sources of information

- Market and customer research reports
- Product term sheets or product prototype descriptions
- Interviews with marketing/ product development
- Interviews with operations

III.A.1.2 **The provider collects feedback on pilot products from partners that interact directly with the provider's customers.**

This indicator acknowledges that customer-facing partners that work on pilot testing may have good insight on what customers do or do not like about the design of the pilot financial product or delivery channel. If a partner does not interact with customers, for example if this partner helps the provider to store its data securely, then this indicator would not apply. But if the partner does interact with customers – for example, cash-in/cash-out agents, or people who do sales, or trainers that teach customers to use a new app – then the partner is likely to have insight. When assessing this indicator, it is important to understand the business model and the delivery mechanisms to understand the employee types and partners involved with the provider's customers.

Scoring guidance

- Yes: The provider has a defined process (check the product note manual, market research or customer service manual) to actively seek feedback on customer experiences through multiple channels to understand the product design failures and the barriers to adoption and accessibility, apart from general feedback on UX design and convenience to navigate the digital platform (mobile application). Check the sample reports from the past or template to collect feedback:
- Employees: Provider gathers information on customers' experiences from front line employees, customer service departments (complaint mechanisms, etc.).
- Partners: Only if partners are directly engaged with customers.
- Partially: The provider gathers feedback on customers' experiences from employees and/or partners, but the system is not formalized.
- No: The provider does not collect feedback on customers' experiences.
- N/A: The provider does not have partners.

Sources of information

- Market and customer research reports
- Reports from pilot testing
- Any documentation of conversations with partners
- Interviews with senior management

Essential Practice	Indicators / *Details*

III.A.2 THE PROVIDER USES DATA TO IDENTIFY PATTERNS OF FINANCIAL BEHAVIOR BY CUSTOMER SEGMENT.

III.A.2.1 The provider analyzes product use (types and frequency) by demographic and socioeconomic segments of its customers.

When studying financial behavior, consider both product uptake, meaning who opened an account or signed up to use a product, and product usage, meaning the actual transactions that customers make. Uptake is an early indication of product suitability, but usage is a better indicator of how valuable products are to customers. Transactional data on product usage can give important insights into financial behavior and uncover unmet needs or opportunities and barriers. Low usage should prompt the provider to investigate the reasons that customers are not using the products over time. Transactional data should be analyzed by demographic and socioeconomic segments, as it is unlikely that all customer segments are using products in the same way. Segment customer data for all products, not just credit.

Scoring guidance

- Yes: The provider does both of the following: a) analyzes product uptake and usage for all its products, and b) segments this analysis by the customer

segments that are relevant to its business, such as gender, location, age groups, formal literacy level, income/poverty level, and sector.
- Partially: The provider partially meets the above two conditions, such as analyzing usage of loan products only, or doing either rudimentary or no customer segmentation.
- No: The provider is analyzing the usage of loan products occasionally, but without any customer segmentation.

Sources of information

- Interviews with marketing/ product development
- Interviews with operations
- Any relevant analytical report used for product development or in marketing

Essential Practice	Indicators / *Details*

III.A.3 THE PROVIDER COLLECTS FEEDBACK ON CUSTOMERS' EXPERIENCES USING THE PROVIDER'S FINANCIAL SERVICES.

Collecting customer feedback on their experiences using financial services is essential to customer protection as well as to learning how to make products more beneficial to customers. Data show that not every customer who has a problem files a complaint. Therefore, to understand the challenges, as well as negative or positive outcomes that customers experience, the provider has to seek this input pro-actively from customers. A customer satisfaction survey may fill this role but it does not necessarily do so. If the survey has open ended questions such as, "Have you ever faced a challenge in using financial products?" or "Has using these products had a positive or negative effect on your well-being – please explain how," or "Do you have a financial need that the products we currently offer does not meet?" then the survey can provide holistic insight. If instead the survey has a very narrow focus, for example asking, "Did you receive the loan amount you requested?" Or "Did staff treat you with respect?" then the survey provides insight into only those aspects of using financial services while missing others. Preferably, providers will use multiple methods for collecting feedback on customers' experiences, such as satisfaction surveys, focus group discussions, complaints data, dormancy rates or exit rates (Note that while it is normal for a certain percentage of customers to leave, a high incidence of exits or inactive customers can indicate dissatisfaction), and outcomes surveys, which may be standalone or embedded in other tools such as a loan renewal application form. Furthermore, both employees and partners that engage directly with customers frequently have insights into customers' challenges, needs, and experiences, and are therefore another rich source of information. Finally, segmenting the data, for example by product or region or gender, can help management focus its attention more precisely on problem areas.

III.A.3.1 The provider conducts customer satisfaction surveys. Minimum frequency: every other year.

Scoring guidance

- Yes: The provider meets the following conditions: a) has conducted a customer satisfaction survey in the past 24 months; b) the survey has at least one question that is open-ended enough to allow customers to provide feedback on any type of challenge they have faced or unmet need that they have; c) the provider surveyed at minimum a representative sample of customers.

- Partially: Some but not all of the above conditions were met, or the provider implemented all of them, but only partially (e.g., does surveys, but less frequently than every two years).
- No: The provider meets none of the conditions listed in the guidance for a score of 'yes.'
- N/A: It is not allowed to score N/A

Sources of information

- Customer satisfaction survey questionnaires and reports on the findings
- Interviews with marketing/ product development
- Interviews with operations
- Interviews with customers
- Interviews with staff who interact directly with customers

III.A.3.2 **The provider conducts interviews with dormant and/or exiting customers to look for evidence of product design failures.**

Scoring guidance

- Yes: 1) the provider is conducting customer drop-out or exit surveys and calculating customer retention rates regularly as an established practice to identify product design failures and 2) has used the results for corrective action to improve its current products/services and their distribution channels and to design new products/services more customer-centric.
- Partially: The provider is conducting customer drop-out or exit surveys and calculating customer retention rates regularly to identify product design failures, but has not used the results to improve its products/services and their distribution channels.
- No: The provider is not conducting customer drop-out or exit surveys to identify product design failures.

Sources of information

- Customer drop-out survey methodology, questionnaires, and reports on the findings
- Customer complaint reports
- Customer satisfaction and / or exit survey methodology, questionnaires, and reports on the findings
- Interviews with marketing/ product development
- Interviews with operations
- Reports on interviews with exiting or dormant customers

III.A.3.3 **The provider gathers feedback on customers' experiences from the following sources:**

III.A.3.3.1 Employees
III.A.3.3.2 Partners

Scoring guidance (for details III.A.3.3.1 and III.A.3.3.2)

- Yes: The provider has a defined process to actively seek feedback on customer experiences through multiple channels to understand the product design failures and the barriers to adoption and accessibility, apart from general feedback on UX design and convenience to navigate the digital platform (mobile application).
  - For employees, the relevant people to ask are those who interact with customers, for example those in sales, customer service, or anyone who handles complaints.
  - For partners, consult only partners who directly engage with customers.
- Partially: The provider gathers feedback on customers' experiences from employees and/or partners, but the system is not formalized.
- No: The provider does not collect feedback on customers' experiences.
- N/A: The assessor may score "N/A" for III.A.3.3.2 if the provider does not have employees or partners that engage directly with customers.

Sources of information

- Product manual
- Market research
- Customer service manual
- Reports on pilot test results

Standard

III.B THE PROVIDER'S PRODUCTS, SERVICES, AND CHANNELS BENEFIT CUSTOMERS.

This standard has three essential practices:

- **Essential Practice III.B.1:** The provider uses insights from customer data to design products, services, and delivery channels.
- **Essential Practice III.B.2** The provider removes barriers that prevent access to financial products and services.
- **Essential Practice III.B.3:** The provider's financial services protect customers from harm.
- **Essential Practice III.B.4:** The provider's financial services help customers reduce their vulnerability to shock and smooth consumption.
- **Essential Practice III.B.5:** The provider monitors the performance of its algorithms to ensure inclusion and equity for customers.
- **Essential Practice III.B.6:** The provider mitigates external fraud risk and assists customers who are victims of fraud.

Essential Practice	Indicators / *Details*

III.B.1 THE PROVIDER USES INSIGHTS FROM CUSTOMER DATA TO DESIGN PRODUCTS, SERVICES, AND DELIVERY CHANNELS.

This essential practice requires the provider to use data collected on customer needs, preferences, and obstacles, as well as satisfaction, product uptake and usage, and outcomes, either positive or negative, to inform decisions regarding the design and improvement of products and services to benefit customers.

III.B.1.1 The provider designs new products, services (financial and non-financial), and delivery channels using insights from market and pilot studies, customer feedback, and customer outcomes data.

Scoring guidance

- Yes: The provider designs new products, services and distribution channels based systematically on representative customer feedback gathered through different customer feedback systems, like market and pilot studies, customer satisfaction, customer outcomes, and complaints.
- Partially: The provider designs new products, services and distribution channels while using some feedback, but an incomplete or insufficiently detailed set of data. For example, the provider may use market research to inform product design, but lack feedback from customers on their experiences or outcomes once they used the product, or if the provider gets this feedback from only certain types of customers rather than a representative sample of feedback from all major customer segments.
- No: The provider designs new products, services and their distribution channels without guidance from customer feedback.

Sources of information

- Product fact sheets
- Interviews with marketing/ product development
- Interviews with operations
- Interview with customer service
- Product development policy/manual (if the organization has one)
- Product suitability policy (if the organization has one)

III.B.1.2 The provider modifies its existing products and services in response to customers' needs, feedback, and outcomes.

Scoring guidance

- Yes: The provider (1) is modifying existing products/services and their distribution channels based systematically on representative customer feedback gathered through different customer feedback systems, like market and pilot studies, customer satisfaction, customer outcomes, complaints, etc. and (2) at least one concrete and documented example exists.

- Partially: The provider is modifying existing products, services and their distribution channels using some customer feedback, but the data set is incomplete, insufficiently detailed, or not-representative of all customer segments.
- No: The provider is modifying existing products, services and their distribution channels without insights from customer feedback.

Sources of information

- Product fact sheets
- Interviews with marketing/ product development
- Interviews with operations
- Interview with customer service
- Product development policy/manual (if the organization has one)
- Product suitability policy (if the organization has one)

Essential Practice	Indicators / *Details*

III.B.2 THE PROVIDER REMOVES BARRIERS THAT PREVENT ACCESS TO FINANCIAL PRODUCTS AND SERVICES.

Unsuitable products and delivery channels create barriers that prevent access. Examples of design features that are ill-adapted to customers' needs, and therefore inhibit use of financial services, are loan sizes that do not match the customers need, loan reimbursement schedules that do not match customer income flows, distribution channels that are not convenient for customers or that they do not know how to use, product terms that are too complicated for target customers to understand, and collateral requirements that customers are unable to meet. Additionally, customers may find it difficult to access saving products that have high or strict requirements in terms of initial deposit, maintaining a minimum balance, account management fees, withdrawal fees, or other conditions limiting withdrawals. Privacy concerns also affect use, heightened by digital channels where perhaps more than one person has access to the same electronic device. The levels of literacy, digital literacy, and financial capability of customers also affect their ability to use financial products.

III.B.2.1 **The provider offers loan sizes and loan terms that are suited to the customer's repayment capacity, considering financial transactions, cash flow, and/or business type.**

Scoring guidance

- Yes: A wide range of different loan terms (like size, tenor, repayment schedule, repayment modes, grace period, type and scope of collateral requirements, pre-payment conditions, etc.) for each loan product leads to loans tailor-made to the specific needs of each borrower.
- Partially: Loans fit only partially the specific needs of each borrower because of limited choices of loan terms available and/or the provider has limited capacity for, or devotes limited time to, analyzing customers' cash flows.
- No: The provider offers standardized loan products with no or little

different loan terms to adjust to the specific needs of each borrower, or if the provider does not analyze customers' repayment capacities or cash flows.

Note: The assessor should verify the consistency of the score for III.B.2.1 with the scores for III.B.3.1 (on repayments schedules) and III.B.3.2 (on collateral requirements).

Sources of information

- Strategy/business plan
- Product policy and operational manuals
- Product fact sheets and descriptions
- Interviews with operations manager
- Interviews with marketing/ product development
- Interview with CEO
- Customer interviews, incl. focus groups (optional)

III.B.2.2 If the provider offers savings, it sets minimum requirements and withdrawal conditions that are compatible with the cash flows of the target customers.

Scoring guidance

- Yes: There are no limiting conditions on minimum balance, minimum transaction size, various fees, withdrawal conditions and so forth. This would apply in the case of (1) a minimum account balance of 1 USD equivalent, (2) no minimum transaction size, (3) no fees for transactions, account balance queries, and payment receipts, (4) no withdrawal restrictions (except higher deposit interest rates forgone for term deposits), and (5) a maximum account opening and closure fee of 1 USD equivalent.
- Partially: There are some limiting conditions on minimum balance, minimum transaction size, various fees, withdrawal conditions and so forth. For instance, there are minimum account balances of 2 or more USD equivalent or minimum transaction sizes or any fees for transactions, account balance queries, and payment receipts or withdrawals restricted to one per month.
- No: There are strongly limiting conditions on minimum balance, minimum transaction size, various fees, withdrawal conditions and so forth.
- N/A: The provider does not offer savings, current or deposit accounts, regardless of whether the provider has regulatory approval to offer such accounts.

Sources of information

- Deposit fact sheets, saving product description / brochure / marketing material

Essential Practice	Indicators / Details
III.B.3 THE PROVIDER'S FINANCIAL SERVICES PROTECT CUSTOMERS FROM HARM.	*Providers should mitigate the risk that their financial services will harm customers. Many of the common negative outcomes are linked to over-indebtedness, including stress, loss of productive assets, food reduction, pulling children out of school, making children work, fights in the household, despair for the future. In some cases, loans also impose foreign exchange fluctuation risks on customers, who would suffer from a currency devaluation. In addition to loans, other types of financial products also carry risks. For example, customers may use financial services incorrectly because they lack capacity. This is common in insurance, where customers have a policy but do not know how to file or claim or even when they are eligible to do so. And in the digital space, technology can malfunction or hackers can steal data. Digital finance also typically involves partners, such as agents that provide cash-in/cash-out services, or partners that collect overdue loans. These partners may engage in a variety of harmful behaviors toward customers.*

III.B.3.1 For loans of at least three months' duration, the provider tailors repayment schedules to the customer's cash flows and type of business.

Some loans are of such short duration that the question of cash flows and repayment schedules is not relevant. But for a loan of at least three months' duration, repayment schedules should match the cash flows of target customers and their activities to facilitate repayment. For example, a farmer will have a different cash flow from a customer who has a retail shop.

Scoring guidance

- Yes: The provider tailors the loan repayment schedule on a cash flow analysis of the business and the household. It is acceptable to use alternative data as a proxy for cash flow, as long as those data provide information on the financial activities of the customer.
- Partially: The provider determines the loan repayment schedule according to a limited cash flow analysis that does not capture all main household and business expenses and/or the seasonality of incomes.
- No: The loan repayment schedule is standardized without being determined by a minimum level of cash flow analysis.
- N/A: The provider does not make loans with a duration of at least three months.

Note: The assessor should harmonize the score of this indicator with the score of This indicator should be scored in line with 4.A.1.2.

Sources of information

- Product factsheets and brochures
- Interviews with marketing/ product development
- Interviews with operations
- Interviews with field staff
- Interview with MIS department
- Samples of repayment schedules for each loan product
- Credit manual/loan approval process and loan evaluation forms

III.B.3.2 **If the provider has collateral or guarantor requirements, these requirements do not create severe hardship for customers.**

III.B.3.2.1 The provider has a list of assets that cannot be pledged as collateral, which includes items that would create severe hardship or significant loss of income earning ability for the customer.
III.B.3.2.2 The provider bases collateral valuation on a verifiable market price/ resale value. A second-level approver confirms the collateral valuation.
III.B.3.2.3 The minimum requirement for the value of collateral does not exceed two times the loan amount, and cash collateral does not exceed 20% of the loan amount.
III.B.3.2.4 If the provider collects title documents or puts a lien on property, it returns the title to the customer or releases the lien once the loan is repaid.

Scoring guidance

- Detail III.B.3.2.1
  - Yes: The provider is enforcing a formal policy in the form of a list of assets that cannot be pledged as collateral, including items that would create severe hardship (e.g. the residence of the borrower and her/his household members) or significant loss of income-earning capabilities (e.g. production equipment and machinery, livestock, etc.). Score also 'yes', if the provider does not pledge any physical assets as collateral.
  - Partially: The provider does not pledge certain assets as collateral that would create severe social and economic hardship for the borrower and her/his household members, but does not have a formal policy with a list of assets that cannot be pledged as collateral.
  - No: The provider lacks a formal policy not to pledge certain assets as collateral that would create severe social and economic hardship for the borrower and her/his household members.
  - N/A: The provider uses only group guarantee as collateral, and does not use physical collateral/assets or cash collateral.

- Detail III.B.3.2.2
  - Yes: The collateral valuation is based on a verifiable market price/resale value which is verified by the credit committee or a second level approval. Score also 'yes', if the provider does not pledge any physical assets as collateral.
  - Partially: The collateral valuation is based on an estimated resale value, but not on a verifiable market price with little to no verification by the credit committee or a second level approval.
  - No: The collateral valuation is based on the guesswork of the loan officer and the credit committee without reference to a verifiable market price/resale value.
  - N/A: The provider uses only group guarantee as collateral, and does not use physical collateral/assets or cash collateral.

- Detail III.B.3.2.3
  - Yes: (1) the minimum value of collateral does not exceed two times the loan amount and (2) cash collateral does not exceed 20% of the loan amount.
  - Partially: One of the two above conditions are not fulfilled.
  - No: Both of the two above conditions are not fulfilled.
  - N/A: The provider uses only group guarantee as collateral, and does not use physical collateral/assets or cash collateral.

- Detail III.B.3.2.4
  - Yes: The provider returns all collected title documents to the customer right away upon loan repayment. Score also 'yes', if the provider does not pledge any physical assets as collateral.
  - Partially: The provider does not return all collected title documents to the customer right away upon loan repayment.
  - No: The provider does not return all collected title documents to the customer upon loan repayment.
  - N/A: The provider uses only group guarantee as collateral, and does not use physical collateral/assets or cash collateral.

Sources of information

- Product factsheets and brochures
- Credit Policy and Operation manual(s)
- Interviews with operations
- Interviews with loan officers
- Interviews with legal department
- Customer interviews, incl. focus groups (optional)

III.B.3.3 **If the provider lends in hard currency, it informs customers of the foreign exchange risk using cost scenarios. The provider can also justify the decision not to lend in local currency.**

Scoring guidance

- Yes: The provider (1) offers foreign currency loans only to borrowers who generate a significant part of their income in the same foreign currency (as they are exporting goods and/or services) and (2) explains these borrowers the foreign exchange risk using cost scenarios.
- Partially: The provider only meets one of the above two conditions fully.
- No: The provider does not meet both of the above two conditions.
- N/A: The provider offers loans in local currency only even it is may borrow in foreign currency.

Sources of information

- Credit manual
- Product factsheets and brochures
- Interviews with operations manager
- Interviews with financial manager
- Customer interviews, incl. focus groups (optional)

III.B.3.4 **If the customer business is related to sectors known to have high social risks, the provider conducts additional due diligence to mitigate risk.**

The social risks associated with providers can remain low partly due to the limited size of the operation and the industry sector. However, in some cases customers may be involved with handling dangerous substances such as pesticides that can pose health or environmental risks, or they may work in sectors subject to health risks or child / forced labor / human trafficking. In these cases, additional due diligence is important to mitigate risk.

Scoring guidance

- Yes: The provider (1) is conducting due diligences for high social risks sectors to identify risk mitigation measures and (2) incentivizing customers from high social risks sectors to apply such risk mitigation measures and monitoring them if and how they apply these measures.
- Partially: The provider is incentivizing customers from high social risks sectors to apply some risk mitigation measures, but not on a formal, systematic and regular basis or without monitoring the customers if and how they apply these measures.
- No: The provider is lending to customers from high social risks sectors, but is not incentivizing them to apply any risk mitigation measure.
- N/A: The providing is not lending to any high social risks sector.

Sources of information

- Classification of risks for the provider's portfolio
- Credit Policy & Operational manual(s)
- Interviews with operations, with loan officers

III.B.3.5 If the provider offers voluntary insurance, it assesses the value of insurance products to customers.

III.B.3.5.1 The provider analyzes data on product use: product uptake, claims ratio, renewal rate, and coverage ratio.
III.B.3.5.2 The provider analyzes data on how it processes claims: claims rejection ratio, average time for claim's resolution, reasons for rejection of claims, reasons for lapses in coverage.
III.B.3.5.3 The provider analyzes data on customer experience with insurance: demographics of those covered, complaints, customer satisfaction.
III.B.3.5.4 If the claims ratio for life insurance is below 60%, the provider asks the insurance provider to justify the reason.

Scoring guidance

- Detail III.B.3.5.1
  - Yes: The provider (1) is analyzing regularly (at least annually) the customer value of each voluntary insurance product facilitated/ offered by calculating the following insurance performance indicators: product update, claims ratio, renewable rate, and coverage ratio and (2) is negotiating with the underwriter for better terms when the customer value is below an acceptable level.
  - Partially: The provider is not meeting fully the two above-mentioned conditions. For instance, the provider is calculating just some insurance performance indicators and not regularly and/or does not negotiate with the underwriter for better terms when the customer value is below an acceptable level.
  - No: The provider does not meet both of the two above-mentioned conditions.
  - N/A: The provider does not facilitate/offer any voluntary insurance product, regardless of whether the provider is offering compulsory group insurance cover to selected customer segments (like credit life plus for all borrowers with loan amounts up to a certain amount).

- Detail III.B.3.5.2
  - Yes: The provider (1) is analyzing regularly (at least annually) the claims process in terms of: claims rejection ratio, claims rejection ratio, average time for claim' resolution, reasons for rejection of claims, and reasons for lapses in coverage and (2) is negotiating with

the underwriter for a more customer-centric claims process when customer value is below an acceptable level.
- Partially: The provider is not meeting fully the two above-mentioned conditions. For instance, the provider is evaluating the claims process only partially and not regularly and/or does not negotiate with the underwriter for a more customer-centric claims process if customer value is below an acceptable level.
- No: The provider does not meet both of the two above-mentioned conditions.
- N/A: The provider does not facilitate/offer any voluntary insurance product, regardless of whether the provider is offering compulsory group insurance cover to selected customer segments.

- Detail III.B.3.5.3
  - Score 'yes' if the provider segments its analysis of product uptake, usage (i.e., filing claims, receiving payouts or having claims rejected), and satisfaction, by the principal customer segments
  - Score 'partially' if the provider does not meet fully the above-mentioned conditions.
  - Score 'no' if the provider does not meet both of the above-mentioned conditions.
  - Score 'N/A' if the provider does not facilitate/offer any voluntary insurance product, regardless of whether the provider is offering compulsory group insurance cover to selected customer segments.

- Detail III.B.3.5.4
  - Yes: The provider (1) is monitoring annually the claim ratios of each life insurance product and (2) is negotiating with the underwriter for lower life insurance premiums when the claims ratio is below 60%.
  - Partially: The provider is not meeting fully the two above-mentioned conditions. For instance, the provider is not monitoring the claim ratios of all life insurance products and not regularly and/or does not negotiate with the underwriter for lower life insurance premiums when the claims ratio is below 60%.
  - No: The provider does not meet both of the two above-mentioned conditions.
  - N/A: The provider does not facilitate/offer any voluntary insurance product, regardless of whether the provider is offering compulsory group insurance cover to selected customer segments.

Sources of information

- Interview with the department in charge of the insurance products, and, if possible, with the project manager of the underwriter
- Insurance monitoring reports
- Interview with customers on their insurance experience

III.B.3.6 **The provider asks customers if they have encountered any challenges with partners. Minimum frequency: annually.**

There are many different types of partners. For the purposes of this indicator, the assessor must make a distinction between partners that do not interact with customers and those that do. The most common example is agents that offer cash-in and cash-out services to the customers of the provider, but there are other examples of partners, including those that do sales, those who collect loan repayments, and insurance providers. This indicator focuses on providers that work directly with customers. The provider has a responsibility to ensure that these types of partners do not violate customer protection principles

Scoring guidance

- Yes: if the provider (1) is monitoring regularly (at least annually) that all its partners are complying with customer protection principles that are relevant to the services that the partner is providing to customers, and (2) is addressing problems as needed. For example, when the provider uses agents with cash-out functions, it is monitoring agent liquidity regularly (at least monthly on a sample basis) to ensure sufficient liquidity at all times for its customers. Another example is that if the provider partners with an insurance company, it verifies that customers are satisfied with the insurance provider's claims decisions and customer service.
- Partially: if the provider does not comply fully with the above-mentioned conditions.
- No: The provider does not meet the two above-mentioned conditions.
- N/A: The provider does not work with a partner.

III.B.3.7 **The provider monitors malfunctions of digital channels, such as extended outage or processing delays, on an ongoing basis, and has mechanisms to address problems as needed:**

Digital channels are all channels that rely on technology to deliver a service (e.g., instance, payment cards, money transfers, digital loans, online banking websites, and apps).

Scoring guidance

- Yes: The provider (1) is monitoring constantly the well-functioning of all transactions via its digital distribution channels and (2) has mechanisms in place to address transaction errors swiftly (like not or incorrectly completed transactions, funds sent to a receiver who could not cash out the funds within a given time, etc.).
- Partially: The provider is not meeting fully the two above-mentioned conditions. For instance, the provider is not monitoring timely transaction

errors and/or does not detect all types of transaction errors or cannot address all transaction errors swiftly.

- No: The provider does not meet both of the two above-mentioned conditions.
- N/A: The provider does not offer digital distribution channels to its customers.

Sources of information

- Interview with operations
- Interview with IT department
- Interview with customers who are using digital distribution channels

Essential Practice	**Indicators** / *Details*

III.B.4 THE PROVIDER'S FINANCIAL SERVICES HELP CUSTOMERS REDUCE THEIR VULNERABILITY TO SHOCK AND SMOOTH CONSUMPTION.

III.B.4.1 The provider offers products and services that help customers maintain stable levels of expenditure despite income fluctuation or emergencies. Select all that apply:

III.B.4.1.1 Emergency loans
III.B.4.1.2 Savings with an easy withdrawal process
III.B.4.1.3 Voluntary insurance

Maintaining stable levels of expenditure despite income fluctuation or emergencies means that customers are able to pay for basic needs such as housing, utilities, education for their children, and food, even in times where their cash flow is low or they face unexpected expenses due to shocks such as sickness, flood, or drought. Both financial and non-financial services can help customers to cope with these situations. For example, loans, including emergency loans or rescheduling loans, may help, as do savings, insurance, payments, remittances, and training, which can strengthen customers' capacities to prevent risk (e.g., health education) or cope with risk (e.g., building financial skills). Note that the provider may offer some products and services like insurance, mobile money transfer, and non-financial services indirectly through partners.

Scoring guidance

- Detail III.B.4.1.1
  - Yes: The provider offers an emergency loan product at free or concessional interest rate to all customers who suffer from different types of an emergency, incl. an unexpected loss of income.
  - Partially: The provider offers an emergency loan product to some customer segments only and to a specific type of an emergency only (e.g. a health emergency).

- No: The provider does not offer any emergency loan product.
- N/A: Loans are not one of the financial services offered by the provider.

- Detail III.B.4.1.2
  - Yes: The provider offers deposit/savings services with an easy and very fast unconditional withdrawal process.
  - Partially: The provider allows customers to withdraw their savings easier and faster in the case of an emergency.
  - No: The provider does not offer deposit/savings services with an easy and fast withdrawal process in the case of an emergency.
  - N/A: The provider does not offer any deposit/savings services, regardless of whether it has regulatory approval to offer deposit/savings services.

- Detail III.B.4.1.3
  - Yes: The provider facilitates/offers one or more voluntary insurance products of high customer value that help customers to cope with emergencies, such as an affordable hospital cash insurance or voluntary top-ups of group life insurance covers to cover the spouse additionally.
  - Partially: The provider facilitates/offers one or more voluntary insurance products of medium customer value that help customers to cope somewhat with emergencies.
  - No: The provider facilitates/offers one or more voluntary insurance products of very low customer value that do not help customers to cope with emergencies. For instance, they carry many exclusions, come with cumbersome claims procedures, or are not affordable for the customers.
  - N/A: The provider does not facilitate/offer any voluntary insurance products, regardless of whether the provider is offering compulsory group insurance to selected customer segments.

Sources of information

- Credit policy & operations manual(s)
- Other product policy & operations manual(s) for deposit and insurance products
- Customer satisfaction surveys
- Market research reports
- Interviews with operations manager
- Interviews with marketing/ product development manager
- Customer interviews, incl. focus groups (optional)

Essential Practice	Indicators / *Details*

III.B.5 THE PROVIDER MONITORS THE PERFORMANCE OF ITS ALGORITHMS TO ENSURE INCLUSION AND EQUITY FOR CUSTOMERS.

This essential practice applies only to algorithms used to make decisions about loan applications. It includes algorithms used for decision support (e.g. credit scoring) that are then validated by a human, as well as those that lead to automated decisions.

The inclusion element refers to the possibility that algorithms may be biased, or algorithms may be perpetuating a bias that already existed. For example, a algorithm biased algorithm may give preferential treatment to customers who pay utility bills regularly and on time via their phones. In fact, customers in rural areas may not be able to transact with as much regularity as those in urban areas due to outages or infrastructure insufficiency. This would lead to rural customers having less regular utility payments via mobile apps, and therefore being less likely to be approved by the algorithm, even when the person in the rural area was creditworthy. An example of an algorithm perpetuating an existing bias is when loan officers, for example, tended to make loans more to men than women, because of an unconscious expectation that men are better at managing finances than women. If an algorithm uses existing data to make loan decisions on repeat customers, then the algorithm would continue to make more loans to men than to women because the data that the algorithm uses are biased by the original decisions made by humans. Similarly, the equity element of this essential practice refers to the possibility that either the algorithm itself, or the data that the algorithm uses, may have biases that lead to customers with comparable capacities to repay nonetheless receiving different sized loans. In all cases, the indicators that fall under this essential practice simply ask the provider to analyze who is applying for a loan versus who is getting approved, and for what amounts, by customer segment, to monitor for exclusion or inequitable decisions.

III.B.5.1 The provider analyzes loan algorithm results by customer segment to compare approved customers with the applicant pool and reviews against the provider's strategy.

Scoring guidance

- Yes: The provider conducts an analysis of the results of the algorithm compared with the intended outcomes. The analysis compares the composition of the applicant pool, by customer segment, with the composition of the customers approved by the algorithm. The analysis seeks to identify any significant difference between the two that is not in line with the provider's strategy. The 'intended outcomes' could come from market statistics (e.g. percentage of the population that is in the provider's target group, percentage of that population that has applied for a loan, etc.) or from a manual analysis of a sample set of applications that seeks to identify any bias in the outcomes of the algorithm. The analysis is also conducted at the launch of an algorithm for a product, as well as on an on-going basis, no less than annually. For machine learning algorithms or others that adapt iteratively based on the data analyzed, this analysis is conducted more frequently. The analysis is documented and includes source data, summary analysis, findings, and if relevant proposed changes to the algorithm or other appropriate actions to resolve the issue.

- Partially: The provider carries out the analysis, but only at launch. Alternately, the provider reviews results from the algorithm periodically, but does not have a dataset to compare it to (e.g., market statistics, or data analyses done manually to compare with the algorithm's decisions). Or, the provider does this analysis, but not by customer segment. Or, someone does this analysis but there is no evidence that management has reviewed it.
- No: The provider does not carry out this analysis, or the provider cites general market statistics with no formal review of the algorithm against such statistics.
- N/A: The provider does not use algorithms to make loan decisions.

III.B.5.2 **The provider analyzes loan amounts approved by customers with similar financial profiles.**

Scoring guidance

- Yes: The provider conducts an analysis of the results of the algorithm compared with the intended outcomes. Financial profiles could rely on various data, such as economic activity, cash flow analysis, or transactions data. The analysis described in the indicator compares the loan amount proposed by the algorithm with a loan amount determined via a manual or alternate (non-algorithmic) approach. The segmentation in the analysis is done based on customers of similar economic profiles The 'intended outcomes' could come from market statistics (e.g., percentage of the population that is in the provider's target group, percentage of that population that has applied for a loan, etc.) or from a manual analysis of a sample set of applications that seeks to identify any bias in the outcomes of the algorithm. The analysis is also conducted at the launch of an algorithm for a product, as well as on an on-going basis, no less than annually. For machine learning algorithms or others that adapt iteratively based on the data analyzed, this analysis is conducted more frequently. The analysis is documented and includes source data, summary analysis, findings, and if relevant proposed changes to the algorithm or other appropriate actions to resolve the issue.
- Partially: The provider carries out the analysis, but only at launch. Alternately, the provider reviews results from the algorithm, but does not have a formal comparison set Or, the provider does this analysis, but not by customer segment. Or, someone does this analysis but there is no evidence that management has reviewed it.
- No: The provider does not carry out this analysis, or the provider cites general market statistics with no formal review of the algorithm against such statistics.
- N/A: The provider does not use algorithms to make loan decisions.

Sources of information

- Analysis of algorithm results
- Interviews with those that make or review credit decisions
- Interviews with management

Essential Practice	Indicators / *Details*

III.B.6 THE PROVIDER MITIGATES EXTERNAL FRAUD RISK AND ASSISTS CUSTOMERS WHO ARE VICTIMS OF FRAUD.

This essential practice and its associated indicators focus on external fraud risk. This means fraud perpetrated by sources outside of / separate from the provider. It is different from internal fraud, which is fraudulent activities by employees. Employee fraud is covered elsewhere in the DFS Standards, in the indicators and details that relate to preventing or addressing corruption and bribery (see I.A.1.2.3, II.A.2.1.5, and II.B.2.1.1)

External fraud is a huge risk in digital finance. Providers have an obligation both to mitigate the risk and to help customers who were fraud victims. Dimension I includes the management practice that the provider should have a strategy to combat fraud (see I.A.1.4). Here in Dimension III, the management practices focus on three complementary areas of activity: a) understanding what the prominent fraud risks are in the market; b) taking action to mitigate that risk; c) restoring funds to customers who were fraud victims, unless it is a case of customer negligence. Having a response mechanism for restoration of lost funds to customers who were victims of fraud is important, so that their trust in the digital financial system is not lost.

III.B.6.1 The provider assesses fraud risk by researching external fraud trends and analyzing customer feedback, to identify the fraud risk in the market.

Scoring guidance

- Yes: The provider conducts an analysis to ensure it mitigates external fraud risk and assists customers who are victims of fraud by doing the following (1) conducts research or refers to publicly available research on current fraud trends and mitigations and (2) reviews customer feedback, including via the complaints mechanism, to identify new types of fraud experienced by customers. The analysis is documented along with supporting data/ information and the risk mitigation strategy is proposed to avoid future occurrence of such events.
- Partially: The provider has either of the two above-mentioned processes.
- No: The provider does not have any process to identify external fraud risks and there is no evidence of a board discussion covering the above elements.
- N/A: Cannot score N/A.

III.B.6.2 The provider mitigates external fraud risk on an ongoing basis, through at minimum the following activities:

III.B.6.2.1 Investing in technologies and building internal capacity necessary to mitigate fraud.

III.B.6.2.2 Analyzing data, including customer complaints data, to identify suspicious activity.

III.B.6.2.3 Informing customers using at minimum two different channels, on how to protect themselves from fraud and how to report suspected fraud to the provider.

Scoring guidance

- Detail III.B.6.2.1
  - Yes: The provider mitigates external by investing that technologies to ensure the lending platform is highly secured for any customer level transactions and can flag in real time suspicious transactions
  - Partially: The provider has taken some action to invest in fraud-prevention technologies, but the effort is incomplete (e.g., the technology is not functional yet, or there is little evidence that it flags suspicious transactions, or it can work with only some products)
  - No: The provider has not implemented any of the actions required to score a 'yes.'
  - N/A: Cannot score N/A.

- Detail III.B.6.2.2
  - Yes: The provider analyzes data, both from customer complaints or feedback and from publicly available sources, related to a wide range of fraud sources including but not limited to agents, QR code issues, fraudulent notifications or requests, and wrong transfers, to identify suspicious activity. The analysis should be done actively by a dedicated team and not the IT or technology team.
  - Partially: The provider analyzes data, but does not have a dedicated team other than the IT or technology team.
  - No: The provider does not analyze data of customer complaints data to identify suspicious activity and there is no dedicated team to analyze the data and information.
  - N/A: Cannot score N/A.

- Detail III.B.6.2.3
  - Yes: The provider informs customers on (1) how to protect themselves from external fraud, using at least two different channels (e.g., FAQs, e-learning modules in the mobile application, SMS messaages) (2) how to report suspected fraud to the provider.
  - Partially: The provider uses only one channel to inform customers on how to protect themselves from fraud, or only some customers receive this information, or the provider gives only partial information (e.g., tells customers how to report fraud but not now to prevent it).
  - No: The provider does not make any attempt to inform customers on how to protect from external fraud and how to report suspected fraud to the provider.
  - N/A: Cannot score N/A.

Sources of information

- Strategy – read the section on strategy to prevent fraud
- Interviews with the IT team
- Interviews with customer care and/or the complaints team
- Complaints data
- Reports / research on publicly available data on fraud that the provider had read

Scoring guidance

- Yes: The provider conducts an analysis to ensure it mitigates external fraud risk and assists customers who are victims of fraud by doing the following (1) conducts research or refers to publicly available research on current fraud trends and mitigations and (2) reviews customer feedback, including via the complaints mechanism, to identify new types of fraud experienced by customers. The analysis is documented along with supporting data/ information and the risk mitigation strategy is proposed to avoid future occurrence of such events.
- Partially: The provider has either of the two above-mentioned processes.
- No: The provider does not have any process to identify external fraud risks and there is no evidence of a board discussion covering the above elements.
- N/A: Cannot score N/A.

III.B.6.3 The provider informs and assists customers in case of external fraud:

III.B.6.3.1 The provider communicates to customers when it identifies suspected fraudulent activity. Timeframe: For digital communication channels: within 24 hours of when the provider becomes aware of the problem; for physical communication channels: within 7 days.
III.B.6.3.2 The provider begins to investigate a fraud within 24 hours of it being reported by a customer.
III.B.6.3.3 The provider restores lost funds to customers who were victims of fraud within one month, unless the provider can prove customer negligence.

Scoring guidance

- Detail III.B.6.3.1
  Note: This detail applies to cases when the customer is unaware of the possible fraud, while the provider is the one who identified the suspicious activity.
  - Yes: The provider has a policy that, once it becomes aware of any suspected fraudulent activity, (1) it informs customers within 24 hours (in case of digital financial services – pure digital) OR (2) it informs customers within 7 days in case of phygital model (physical + digital) or outreach is remote and spread in rural areas, where there is no

infrastructure to support technology. Note that the timeframes apply starting when the provider becomes AWARE of the fraud, which could be a different day or week from when the fraud occurred. But once the provider is aware of the problem, then it has either one day (for digital customers) or one week (for customers it serves in person) to notify the customer.

› Partially: Customers have been informed of suspected fraudulent activity but there is no policy, or the customer was informed but not in a timely fashion, as defined ablve.

› No: The provider does not have a policy for customer notification, nor does it consistently notify customers of suspected fraudulent activity.

› N/A: Cannot score N/A.

- Detail III.B.6.3.2

  Note: This detail applies to cases where the customer is the first person aware of the possible fraud, and it is the customer who notifies the provider about this problem.

  › Yes: The provider has a policy to assist and begin the investigation of any fraud that has been reported by the customer within 24 hours of the incident being reported by a customer. Note that rule for the 24 hours applies to working days, so if the customer reports it on a Friday and the provider responds on a Monday, that DOES qualify as within 24 hours, because neither weekend day is a working day. Note also that the focus is on beginning the investigation of any fraud reported by customer within 24 hours and not about resolution of the fraud issues within that time frame. Resolution may take longer, but the investigation can begin with 24 working hours of the initial notification of fraud.

  › Partially: The provider begins investigations of fraud sometimes within 24 hours of receiving notification of it, but sometimes later, or the provider does respond in practice, but does not have a policy about its obligation to respond in a timely fashion.

  › No: The provider does not respond within 24 hours to most or all notifications by customers that they have been fraud victims, and thee provider lacks a policy stating it should begin within 24 hours of the working day any investigation on fraud that been reported by customer.

  › N/A: Cannot score N/A.

- Detail III.B.6.3.3

  › Yes: The provider has a policy that it will restore lost funds to customers who experienced fraud, provided that the customer was not negligent, with a deadline of no more than one month from the start of the fraud investigation. The provider must also have a process to investigate the fraud origin, and preferably will report it to the proper authorities if it discovers the source of the fraud, and the provider should have a process to determine if the customer has been negligent, meaning the customer engaged in behaviors that the provider specifically educated the customer NOT to do.

- Partially: The provider has a policy on restoring funds but it does not comply with the one month timeframe, or the provider is inconsistent about when it restores funds, sometimes doing so and sometimes not even when the customer was not negligent.
- No: The provider does not have any policy or mechanism to restore lost funds to customers, to investigate sources of fraud, or to determine if the customer was negligent in a way that exposed him or her to fraud.
- NA: Cannot score N/A.

Sources of information

- Strategy and policy documents on fraud prevention and response
- Board minutes, especially from sub committees of board like the Internal Audit Committee
- Interviews with the internal audit team

Dimension IV

Customer Protection

Customer protection is the minimum standard for all responsible financial service providers ("FSPs" or "providers"). Regardless of whether the provider has goals related to environmental performance management, and/or making financial services beneficial to customers, or the provider has a strategy focused solely on financial profitability, all providers have a moral obligation to minimize the risk that the financial services they offer make customers worse off. The standards in Dimension IV focus on this, identifying practices and systems a provider can implement to prevent harm to its customers from using financial services.

Important note: the Customer Protection[1] (CP) Standards that are used for CP assessments and certifications are not limited to this dimension, but are spread across other dimensions of the Universal Standards as well. Please refer to the Client Protection Standards Manual to see a full list.

Dimension IV has five standards:

- **Standard IV.A:** The provider does not overindebt customers.
- **Standard IV.B:** The provider gives customers clear and timely information to support customer decision making.
- **Standard IV.C:** The provider enforces fair and respectful treatment of customers.
- **Standard IV.D:** The provider secures customer data and informs customers about their data rights.
- **Standard IV.E:** The provider receives and resolves customer complaints.

Standard

IV.A THE PROVIDER DOES NOT OVERINDEBT CUSTOMERS.

Providers are responsible for making loan decisions that provide an appropriate amount of credit to each customer, such that customers can repay without becoming over-indebted. In addition, since unpredictable shocks change people's cash flows, provider's must also monitor debt repayment on an ongoing basis, to be aware if debt is creating customer stress, and to respond to this in a way that helps customer face challenges and avoid default without having to take an action (e.g., withdraw a child from school, sell a productive asset) that makes them worse off than they were before. Finally, providers can participate in efforts to improve market-level credit risk management (such as credit information sharing/reporting).

Standard IV.A has 2 essential practices:

- **Essential practice IV.A.1:** The provider makes loan decisions based on a customer's repayment capacity.
- **Essential practice IV.A.2:** The provider monitors the market and responds to heightened over-indebtedness risk.

Essential Practice	Indicators / *Details*

IV.A.1 THE PROVIDER MAKES LOAN DECISIONS BASED ON A CUSTOMER'S REPAYMENT CAPACITY.

IV.A.1.1 The provider's loan approval includes the following elements, unless the provider is using alternative data to understand repayment capacity and the loan size is less than 20% of GNI per capita. [F8][2]

IV.A.1.1.1 The percentage of a borrower's surplus income [F9][3] that can be applied to debt service, including existing debt both from the provider and from other lenders, may not be higher than 70%.

IV.A.1.1.2 Loan approval decisions that are supported by automated analysis are made by at least one person. Otherwise, loan approval decisions are made by at least two people, one of whom does not interact directly with the customer.

IV.A.1.1.3 If a credit bureau exists, the provider reports customer data to credit bureaus and uses credit reports in the approval process for loans.

IV.A.1.1.4 If the provider offers group loans, either the provider or fellow group members conduct due diligence for each group member.

Providers should have policies that define each step in in the credit approval and oversight processes that help prevent customer over-indebtedness. Loan collateral/guarantees (cash deposits, assets, joint liability, co-signers, or salaries) should not substitute for good repayment capacity analysis. Note that this indicator does NOT apply to loan worth less than 20% of GNI per capita, or if the provider is using alternative data to understand repayment capacity. For those types of loans, see indicator IV.A.1.2. Below are notes specific to each detail under IV.A.1.1:

- IV.A.1.1.1: Note that if the borrower is using less than 70% of his or her surplus income to repay debt, this is even better. 70% is the maximum allowable, but everything under that is also allowable and even preferable.
- IV.A.1.1.2: The phrase "supported by automated analysis" means that an algorithm may make a recommendation about whether to approve a loan application, and/or the amount of credit to offer, but a person still reviews the initial decision made by the algorithm and then either approves it or does not approve it. If the provider does not use a digital loan application process, then the second sentence of this detail applies, meaning at minimum two different people participate in credit decisions.
- IV.A.1.1.3: If a credit bureau exists but the data are incomplete or unreliable, still the provider should be reporting to the credit bureau, in order to strengthen that infrastructure, and it should receive reports from the credit bureau, so it has access to whatever information the credit bureau can supply. However, if the report by the credit bureau is incomplete or inaccurate, then the provider can use other sources of information too to inform its loan decisions.
- IV.A.1.1.4: This detail applies to traditional rather than digital credit providers.

[2] [F8] = "Alternative data" refers to any data, financial or otherwise, other than the income, expense and debt service data used in traditional repayment capacity analysis, that the provider uses to assess creditworthiness.
[3] [F9] = "Surplus income" refers to the funds that remain available for the borrower to spend after she has paid all necessary business expenses and basic household expenses (e.g., home, food, health, education), as well as taxes, if applicable.

Scoring guidance

Notes: For each detail, in addition to the criteria listed below, a 'yes' score requires a written policy for the process in question, full comprehension of this polWicy by the relevant staff, and compliance by staff with the policy, as verified by the assessor by analyzing a sample of loans approved for current customers.

- Detail IV.A.1.1.1
  - Yes: The loan policy includes an explicit ceiling (in percentage) of the customer's monthly surplus income that can be used for debt service (the installment amount). The ceiling is no higher than 70%, and may be lower than that. The provider must have analyzed the customer's household and business cash flow to understand the customer's surplus income.
  - Partially: The provider partially but does not fully meet the conditions for a score of 'yes,' as described above. For instance, the written loan policy does not mention a ceiling for the customer's monthly surplus income that can be used for debt service OR there is limited staff comprehension of the loan policy OR the sample of loans that the assessor reviews do not comply fully with the loan policy.
  - No: The provider does not meet any of the above conditions. This includes cases where there is a loan policy and this policy does specify the ceiling (in percentage) of the customer's monthly surplus income that can be used for debt service, but this ceiling exceeds 70%.
  - N/A: The provider does not offer loans.

- Detail IV.A.1.1.2
  - Yes: The provider fully meets the conditions in the detail, with a written loan policy that comprises at least a 'four-eye' loan approval process if no part of the decision is automated, or in the case of an automated loan approval process, an effective control mechanism to verify the quality of the entered data and the data used for the loan approval, including checking by at least one person on at least a sample of decisions to make sure the decisions are aligned with the provider's criteria for loan eligibility.
  - Partially: The provider partially but does not fully meet the conditions for a score of 'yes,' as described above. For instance, the written loan policy does not mention an at least 'four-eye' loan approval or no effective data control mechanism in the case of an automated loan approval process or the sample loan approvals does not comply fully with the loan policy.
  - No: The provider does not meet any of the above conditions.
  - N/A: The provider does not offer loans.

- Detail IV.A.1.1.3
  - **Note:** Consider whether to score a yes, no, or partially on this indicator only in cases where a credit bureau exists AND the credit bureau has sufficient data to inform the provider about the level of indebtedness, or past loan repayment behavior, of a potential customer. If the country does not have a credit bureau, score N/A. If the country has a credit bureau but the credit bureau does not have sufficient data to inform loan decisions, then the provider should report to the credit bureau but does not necessarily need to use data from the credit bureau in its loan decisions.
  - Yes: The provider reports customer data to the credit bureau. If the credit bureau has sufficient information, meaning data on customers' outstanding loans and past repayment behavior that are accurate, complete, and updated, then the provider uses data from credit reports in the loan approval process. The provider has a written loan policy that requires (1) the consistent use of credit bureau data for each loan approval and (2) the regular reporting on its borrowers' loans and payments to the credit bureau. If the credit bureau does not have sufficient data, but the provider does report its own data to the credit bureau, then score 'yes' even if the provider does not use credit bureau data to inform decisions about loans. This is because using incomplete or inaccurate information from a credit bureau is not useful in mitigating the risk of over-indebtedness. This may happen if not all types of financial service providers report to the credit bureau, or the credit bureau collects information less frequently (e.g., monthly) than customers take out loans (e.g., loans with a duration of one or two weeks). Note that if there are several entities providing credit reports, the provider does not have to request reports fro all of them, but the assessor should analyze whether the report(s) that the provider is using cover(s) the adequate market and risks.
  - Partially: The provider partially but does not fully meet the conditions for a score of 'yes,' as described above. For instance, the loan policy does not mention the use of credit bureau data for each loan approval, or the credit staff does not fully understand the importance of using credit bureau data consistently, or the sample of loan approvals reviewed by the assessor does not comply fully with the loan policy, or the provider reports its data only sporadically to the credit bureau.
  - No: The provider neither reports to the credit bureau nor uses credit bureau data for loan approval, even though the country does have a credit bureau and it has sufficient data to inform the provider about the level of indebtedness, or past loan repayment behavior, of a potential customer.
  - N/A: The provider does not offer loans OR if the provider offers loans but the country has no credit bureau

- Detail IV.A.1.1.4
  - Yes: The provider has a written loan policy that requires a loan due diligence for each group borrower for loan approval to be carried out by either the provider or a fellow group borrower. Such individual repayment capacity analysis can be less formal and detailed than for individual borrowers.
  - Partially: The provider partially but does not fully meet the conditions for a score of 'yes,' as described above. For instance, the loan policy does not mention the use of a loan due diligence for each borrower or the credit staff or the fellow group borrowers do not fully understand how to analyze the loan repayment capacity of a single group borrower or the sample loan approvals do not comply fully with the loan policy.
  - No: Neither the provider nor a fellow group borrower is analyzing the loan repayment capacity of each group borrower for loan approval.
  - N/A: The provider does not offer group loans.

Sources of information

- Loan Policy & Procedures manual(s), loan approval process
- Loan process documents, customer repayment capacity evaluation forms
- Interviews with credit staff at various levels of the organization such as loan officer, branch manager, regional manager, Head of Credit/Operations (verifying whether the credit policy is understood and what controls the provider uses to make sure that staff follow it)
- Credit bureau process and its data accurateness.
- [If applicable] Branch/field observations - attending customer loan evaluation visits and Credit Committees to see the content of discussions
- [If applicable] Training materials, circulars, handouts etc.

IV.A.1.2 **The provider conducts a cash flow analysis to evaluate repayment capacity that includes the following elements, unless the provider is using alternative data to understand repayment capacity and the loan size is less than 20% of GNI per capita:**

IV.A.1.2.1 Income, expenses, and debt services related to business and family, and any other sources of revenue, including informal sources.
IV.A.1.2.2 No use of guarantees, guarantor income, collateral and/or insurance coverage as proxies for repayment capacity or as the main basis for loan approval.

Note: If the loan size is less than 20% of GNI per capita, the DFS Standards do not require the provider to conduct a cash flow analysis. Instead, providers may use alternative data to inform decisions about whether to make a loan and in what amount. See indicator IV.A.1.3

For loans with a value of 20% of GNI per capita or higher, credit staff should assess customer repayment capacity for every loan cycle, using a cash flow analysis and review of current indebtedness (formal and informal). Even when the provider makes automated loan decisions, a cash flow analysis is important if the loan is worth at least 20% of GNI per capita, because verifying that the loan amount does not surpass the customer's ability to repay is critical to the prevention of over-indebtedness.

The cash flow analysis should apply conservative criteria in projecting income, not underestimate or omit expenses, consider both formal and informal debt, and account for seasonality of cash flows. If the provider offers group loans and group members conduct due diligence, then the provider must train groups at minimum annually on how to conduct due diligence. Note that for group loans without group guarantees, the provider should carry out a repayment capacity analysis for each borrower.

Scoring guidance

For each detail, a 'yes' score requires (1) a written loan policy on how to conduct cash-flow analyses to appraise loan repayment capacity compatible with IV.A.1.2, (2) full comprehension of the loan policy by the staff concerned, and (3) auditor verified compliance of the sample loan approvals with the loan policy.

- Detail IV.A.1.2.1
  - Yes: The provider fully meets the conditions in the detail, with a written loan policy that requires (1) a cash-flow analysis to consider income, expenses and (formal and informal) debt service related to business and family/household and (2) a new cash-flow analysis at each loan cycle.
  - Partially: The provider partially, but does not fully, meet the conditions for a score of 'yes,' as described above. For instance, the written loan policy does not spell out consistently how to conduct a cash-flow analysis or it does not require a cash-flow analysis for each loan cycle or there is limited staff comprehension of the loan policy, or the sample loan approvals do not comply fully with the loan policy.
  - No: The provider does not meet any of the above conditions.
  - N/A: The provider does not make loans with a value of at least 20% of GNI per capita.

- Detail IV.A.1.2.2
  - Yes: The provider fully meets the conditions in the detail, with a written loan policy that stipulates that loan collateral and/or insurance coverage cannot replace the cash-flow based repayment capacity analysis as the main basis for loan approval.

  - Partially: The provider partially, but does not fully, meet the conditions for a score of 'yes,' as described above. For instance, the written loan policy does not mention a ceiling for the customer's monthly surplus income that can be used for debt service or limited staff comprehension of the loan policy, or the sample loan approvals do not comply fully with the loan policy.
  - No: The provider does not meet any of the above conditions.
  - N/A: The provider does not make loans with a value of at least 20% of GNI per capita or if the provider does not require any type of loan collateral.

Sources of information

- Loan Policy & Procedures manual(s) and any additional materials that describe how to conduct a cash flow analysis and/or evaluate repayment capacity, and how guarantors and collateral are used.
- Interview with loan officers to verify their understanding of the repayment capacity analysis and the source of information.
- Review a sample of loan files to verify the cash-flow analysis and the weight given to collateral and guarantees.
- (If applicable) Branch/field observation –
  - attending repayment capacity evaluation visits at the customer in 2-3 branches,
  - attend Credit Committees in 2-3 branches to understand how guarantees weigh in loan decision-making.

IV.A.1.3 **In cases where the provider uses alternative data to assess the size of loan for which a customer is eligible, the provider analyzes some type of financial transactions data. [F8][4] [F10][5]**

This indicator applies only when the loan size is less than 20% of GNI per capita. In this case, because the loan is relatively small, the DFS Standards allow the provider to forgo a cash flow analysis when deciding what is the right size loan to make. However, it remains important to analyze what size loan is appropriate for each customer. If the loan size is too large, it can lead to over-indebtedness, stress, and negative coping mechanisms, as well as default. Therefore, the DFS Standards require the provider to examine some type of financial transactions data (e.g., paying a utility bill, purchasing airtime minutes for a cell phone), as these do give insight into a customer's level of income and cash flows. If the provider assesses a potential customer's creditworthiness using other, non-financial data that it has about the customer (e.g., how many phone calls she makes late at night, or how many contacts she has saved in her telephone, or whether she lives in neighborhood X or Y), it is not responsible practice.

[4] [F8] = "Alternative data" refers to any data, financial or otherwise, other than the income, expense and debt service data used in traditional repayment capacity analysis, that the provider uses to assess creditworthiness.
[5] [F10] = Financial transactions data: PAR, average loan size, loan repayments, deposits, and withdrawals, purchases, transfers)

Scoring guidance

- Yes: The provider analyzes at least one type of financial transactions data, in addition to alternative data, to determine customers' loan sizes.
- Partially: The provider partially, but does not fully, meet the conditions for a score of 'yes,' as described above.
- No: No financial transactions data is analyzed in addition to alternative data.
- N/A: The provider does not make loans based on alternative data.

Sources of information

- Loan Policy & Procedures manual(s)
- Any additional materials that describe how the provider makes loan decisions
- Interviews with staff involved in the loan approval and disbursement process
- If relevant, information on the algorithm that the provider uses to make loan decisions

IV.A.1.4 **The provider's policy on loan prepayment specifies the conditions under which it is acceptable for customers to pay a loan early in order to take a new loan.**

IV.A.1.4.1 When the customer applies to prepay and get another loan, the provider specifies a time period and/or percentage of the active loan's principle that the customer must repay before being eligible for a new loan.
IV.A.1.4.2 When the customer is taking another loan immediately after prepayment, the provider conducts a new cash flow analysis, unless the provider is using alternative data to understand repayment capacity and the loan size is less than 20% of GNI per capita.

Prepayment refers to the payment of the full outstanding amount of a loan before the end of the loan term, such as a customer who has a 12-month loan term but wants to repay it in full by the 8th month. The provider should accept this, if the customer can repay her/his debt without refinancing it with a new loan. If the provider allows early repayment, it should not obligate the customer to repay all the interest she would have paid if she had held the loan for the full period of the loan term.

Note that the prepayment of a loan and the simultaneous taking of another loan can be a sign of debt stress from the customer and can lead to over-indebtedness. For this reason, some providers require a waiting period between the prepayment of one loan and the disbursement of a subsequent loan, in order to help reduce the use of new loans to pay off existing loans.

Scoring guidance

- Detail IV.A.1.4.1
  - Yes: The provider meets the following conditions: (1) has a written loan policy to specify the conditions under which customers can repay early to take a new loan, and this policy specifies either a non-zero amount of time that must elapse after the customer has prepaid the initial loan, before she can be eligible for her next loan, or the percentage of the active loan's principle that the customer must repay before being eligible for a new loan; (2) full comprehension of the loan policy by the staff concerned, and (3) auditor verified compliance of the sample loan approvals with the loan policy.
  - Partially: The provider meets only partially the conditions for a score of 'yes.' For example, there is no written policy but in practice the staff seem to follow certain understood rules about a cooling off period or a percentage of the active loan's principal to be repaid prior to prepayment, or staff have some but limited comprehension of the loan policy, or the sample loan approvals do not comply fully with the loan policy.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: It is not possible to score 'N/A.' If the provider does not allow loan prepayments, it nonetheless has a policy about them. In this case, the provider has specified the conditions under which a prepayment is allowed, and those conditions are "never." A provider that does not allow prepayments would thus score 'yes' on this indicator.

- Detail IV.A.1.4.2
  - Yes: The provider meets the following conditions: (1) has a written loan policy that requires a new cash-flow analysis if a new loan is taken immediately after prepayment, unless the provider is using alternative data to understand repayment capacity and the loan size is less than 20% of GNI per capita; (2) full comprehension of this policy by the staff concerned, and (3) auditor verified compliance with this loan policy on a sample of approved loans for customers that had prepaid a loan and then taken another.
  - Partially: The provider meets only partially the conditions for a score of 'yes.' For instance, the written loan policy does not require a new cash-flow analysis for all new loans taken immediately after prepayment or limited staff comprehension of the loan policy or the sample loan approvals do not comply fully with the loan policy.
  - No: The provider does not meet the conditions for a score of 'yes.'
  - N/A: It is not possible to score 'N/A.' See the explanation under detail IV.A.1.4.1.

Sources of information

- Loan Policy & procedures manual(s)
- Interviews with staff involved in the loan approval and disbursement process
- Prepayment policy and/or credit renewal policy / refinancing policy.
- Review of a random sample of loan files for customers who have prepaid and immediately renewed / refinanced their loans.

Essential Practice	Indicators / *Details*

IV.A.2 THE PROVIDER MONITORS THE MARKET AND RESPONDS TO HEIGHTENED OVER-INDEBTEDNESS RISK.

Over-indebtedness is not an absolute level of debt. Instead, it refers to a situation where a customer has to make unacceptable sacrifices in order to repay a loan. Each provider may decide for itself what data to track to monitor over-indebtedness risk, but common indicators are PAR, late payments, rescheduled loans, refinanced loans, customer stress, prepayment followed immediately by a request for a new, larger loan, and multiple borrowing. Senior management should monitor the portfolio for potential over-indebtedness problems by analyzing, at least monthly, the data on over-indebtedness.

The provider's risk management department and/or the internal audit department should verify compliance, on a regular basis, with credit policies and systems to prevent over-indebtedness, including reducing the risk that loan repayments are a burden to customers. Depending on the type data analyzed by the provider in its credit decisions, this monitoring may include verifying that either staff or algorithms execute accurate repayment capacity analysis, that the provider is checking each potential loan customer's credit history, and monitoring whether customer stress and/or PAR is below or above the level that the provider deems acceptable. In cases where the provider interacts with customers in person, it is also important to visit a representative sample of customers each year and conduct customer interviews, to crosscheck the provider's compliance with its own credit policies.

Pay particular attention to products, channels, or customer segments with high PAR or high customer stress, or where other risk factors are present, such as high customer exit rates, cases of multiple borrowing, or renewals after early repayment.

IV.A.2.1 Senior management monitors the following indicators to identify over-indebtedness risk:

IV.A.2.1.1 *Portfolio quality by channel, product, and customer segment, including customers whose loan renewal decisions are automated. Minimum frequency: monthly.*

IV.A.2.1.2 *Restructured,[6] rescheduled,[7] or refinanced[8] loans. Minimum frequency: monthly*

[6] Restructured loan: A loan is considered restructured when the lender makes significant changes to the terms of the loan agreement to help the borrower manage repayment difficulties. These changes could involve modifying the repayment schedule (can be on temporary basis only), reducing the interest rate, extending the loan tenure, or even waiving part of the principal or interest.
[7] Rescheduled loan: A loan whose term has been modified to permit a new repayment schedule, to either lengthen or postpone the originally scheduled installments. A loan is rescheduled when the repayment timeline is adjusted without altering other core terms like the interest rate or the amount due. This usually happens when the borrower faces temporary cash flow problems but is not in severe financial distress.
[8] Refinanced loans are loans that are disbursed to enable repayment of prior loans for which the customer was unable to pay the scheduled installments. Refinancing comes usually with a higher amount than the outstanding previous loan due, to allow the customer to relaunch its business with a fresh start.

IV.A.2.1.3 Customer stress level by channel, product, and customer segment, including customers whose loan renewal decisions are automated. Minimum frequency: annually

Scoring guidance

- Detail IV.A.2.1.1
  - Yes: Senior management reviews portfolio quality data by channel (e.g., via the app, via the website), product (mortgage loan, motorcycle loan, business loan), and customer demographic segment (e.g., men vs. women, rural vs. urban) if it has demographic data available, and (2) discusses the data and trends at management meetings, and (3) using this information for decision-making.
  - Partially: The provider meets only partially the conditions for a score of 'yes.' For instance, the provider monitors portfolio quality, but not by product, by channel, and by customer segment (if it has customer demographic data available), or portfolio quality data and trends are discussed only informally, or the provider makes decisions to address issues related to PAR with significant delays.
  - No: The provider does not meet the conditions for a score of 'yes.'
  - N/A: The provider does not offer loans.

- Detail IV.A.2.1.2 (should be consistent with IV.C.3.2)
  - Yes: (1) The management information system (MIS) produces automatic monthly reports on the status of restructured, rescheduled, or refinanced loans and (2) senior and branch management make decisions based upon analysis of these reports.
  - Partially: The provider meets only partially the conditions for a score of 'yes.' For instance, portfolio quality is monitored by channel but not and product, or the MIS cannot produce monthly automated reports on restructured, rescheduled, or refinanced loans but there is evidence that management discusses them informally, or the provider makes decisions to address issues related to restructured, rescheduled, or refinanced loans with significant delays.
  - No: The MIS cannot produce monthly automated reports on the status of restructured, rescheduled, and refinanced loans OR the MIS can produce such reports but there is no evidence that management reviews these data.
  - N/A: The provider does not offer loans OR the provider does not restructure, reschedule, or refinance loans

- Detail IV.A.2.1.3
  - Yes: The provider gathers data on customer stress via any existing feedback channel (e.g., customer satisfaction survey, survey after end of loan cycle, exit survey). The provider gathers this data at minimum, annually, and broken out by channel, product and customer segment.

Customers surveyed include those whose loan renewal decisions are automated. Customer stress questions will include, at minimum, a question on whether loan repayments were ever stressful or burdensome and will, ideally, include a follow-up question to detail how that stress or burden was manifested (e.g., sell an asset, reduce necessary expenses like meals, health care or education. The provider documents and revies the analysis.

› Partially: The provider gathers data on customer stress only from customers who have late payments or the data are gathered less than annually.
› No: The provider does not gather data on customer stress or does so only anecdotally.
› N/A: Score 'N/A' if the provider does not offer loans. Otherwise, it is not allowed to score 'N/A.'

Sources of information

- The loan policy on restructuring/rescheduling/refinancing.
- Interviews with the leadership team and staff that manage credit decisions. Verify that they share the same understanding of the policy on loan rescheduling, restructuring, and refinancing. Also ask what steps, if any, have been taken by management to address any concerns raised by the analysis of portfolio quality or customer stress.
- Interviews with the data analysis or business intelligence staff who analyze the data on restructured, rescheduled, and refinanced loans.
- The portfolio monitoring reports generated for management / MIS reports on restructured, rescheduled, and refinanced loans.
- The loan policy & procedures manual(s) (or other document) that contains the institutional definition of customer over-indebtedness.
- Data on customer stress (e.g., from a survey, from an application form)
- IV.A.1.1.4: This detail applies to traditional rather than digital credit providers.

IV.A.2.2 **The provider defines performance levels that trigger additional internal monitoring and response in the following areas:**

IV.A.2.2.1 - Portfolio at risk
IV.A.2.2.2 - Customer stress.

The provider should define thresholds for PAR and for customer stress levels that prompt closer oversight from the departments Operations, Risk Management, and Internal Audit, as exceeding these thresholds may be warning signs of customer over-indebtedness. Responses by the provider can include reduced growth targets, more conservative loan approval criteria, and adjustments to staff incentives, among other possibilities. Note that determining the appropriate PAR threshold requires a nuanced analysis. Average PAR levels may differ significantly by country and even by region within a country. For example, 5% PAR levels are considered acceptable and even healthy in some markets, whereas a 1% PAR can be common in others.

Scoring guidance

- Detail IV.A.2.2.1
  - Yes: The provider has defined PAR levels which trigger (1) additional monitoring, (2) investigations of the causes of the high PAR, and (3) responses to resolve rising PAR.
  - Partially: The provider implements some but not all of the actions required for a 'yes,' as described above
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: The provider does not offer loans. Otherwise, it is not allowed to score 'N/A.'

- Detail IV.A.2.2.2
  - Yes: The provider 1) has a clearly defined level of customer stress past which additional monitoring take place and 2) can provide evidence that management review customer stress levels and, if it ever surpassed the threshold, responded to rising customer stress level, and 3) the response from management addressed the problem, meaning it both identified the origin of the problem and implemented a solution.
  - Partially: The provider does not have defined levels of customer stress that trigger action, but does monitor customer stress and take action when customer stress is analyzed as "high" and when customer stress levels rise.
  - No: The provider does not monitor customer stress levels.
  - N/A: The provider does not offer loans. Otherwise, it is not allowed to score 'N/A.'

Sources of information

- Loan Policy & Procedural manual(s) or a memo or circular from management that defines the PAR and customer stress thresholds that trigger additional monitoring, more in-depth analysis, and follow-up actions.
- Interviews with the internal audit, risk management, and /or operations teams.Ask what steps, if any, have been taken by management to address any concerns raised by the analysis of portfolio quality or customer stress.
- Data on customer stress (e.g., from a survey, from an application form)

IV.A.2.3 **If the provider's total credit risk has averaged more than 10% during any quarter in the past three years, the provider has taken corrective measures.**

The **total credit risk** is the sum of three ratios: PAR 30, 12 sliding-months write-offs, and restructured/rescheduled/refinanced loans. See below for the formulas to calculate each ratio:

- PAR 30 ratio = portfolio at risk (30 days) / gross loan portfolio
- 12 sliding-months write-off ratio = value of loans written off in the previous 12 months / average gross loan portfolio
- Restructured/rescheduled/refinanced loans ratio = Value of all restructured/ rescheduled/refinanced loans NOT in the PAR 30 loans / gross loan portfolio

The sum of these three ratios should not exceed 10%, except in times of crisis, in which case the provider must explain the crisis that justifies the high credit risk.

If total credit risk has averaged more than 10% during any quarter in the past three years, the provider should put in place corrective measures to reverse the trend. In the case of declining portfolio quality linked to customer non-repayment, consider whether one or more of the following corrective measures is appropriate:

- Conduct a portfolio audit to understand the issues;
- Reinforce compliance, internal controls, and or internal audits on lending practices;
- Reinforce training of staff on repayment capacity analysis;
- Redesign algorithm that makes or supports loan decisions;
- Reduce amount of lending until the PAR can be brought under control; and/or
- Increase measures to monitor context risks, understand customer situations that can impact delinquency (e.g., economic/environmental/public health crises, political unrest, cultural support for non-repayment generated by anger against lenders).

Scoring guidance

- If the provider monitors its credit risk level and credit risk has been more than 10% in any quarter for the last three years, then score this indicator as follows:
  - Yes: Management has (1) monitored credit risk levels at least monthly and (2) implemented corrective actions for at least the past two consecutive quarters to adequately reduce it.
  - Partially: The provider meets only partially the requirements for a 'yes.' For instance, management has monitored credit risk levels less frequently than monthly, or its corrective actions were not adequate, or corrective actions lasted for less than the past two consecutive quarters.
  - No: Management has not implemented any corrective actions.
- No: If the provider does not monitor its credit risk level.
- N/A: The provider had less than 10% credit risk in every quarter for the last 3 years.

Sources of information

- Reports that calculate credit risk on a quarterly basis, using the above definition (or the auditor's own calculation, if reports are not available).

Standard

IV.B THE PROVIDER GIVES CUSTOMERS CLEAR AND TIMELY INFORMATION TO SUPPORT CUSTOMER DECISION MAKING.

Providers communicate clear, sufficient, and timely information on product terms and conditions in a manner and language that customers can understand, and verify that customers have understood the information. This is essential so that customers can make informed decisions.

This standard has three essential practices:

- **Essential practice IV.B.1:** The provider communicates information about its financial services using simple language and accessible channels.
- **Essential practice IV.B.2:** The provider communicates comprehensive information about terms, conditions, and pricing before customers sign a contract to use financial services.
- **Essential practice IV.B.3:** The provider communicates with customers about all activity on their accounts.

Essential Practice	Indicators / Details

IV.B.1 THE PROVIDER COMMUNICATES INFORMATION ABOUT ITS FINANCIAL SERVICES USING SIMPLE LANGUAGE AND ACCESSIBLE CHANNELS.

Providers communicate information through a variety of channels, from information on websites or in applications to advertisements to printed materials such as posters displayed in agent locations. Providers also have channels that customers may use to communicate with the provider, such as a call center or an email account. Regardless of the channel, the provider must communicate in a way that facilitates customer reception and comprehension of the information.

IV.B.1.1 The provider communicates in simple and local languages.

If the country is very linguistically diverse (e.g., India, Guatemala, Kenya), the provider should address linguistic diversity in a pro-customer way such as by staff that speak local languages and, if the local language is written, by using those local languages for written information as well, for example on the website or on posters in agent locations. If the provider's customer base includes illiterate populations or people with low literacy levels, then the provider should have specific procedures for communicating with these customers in a way they understand. For example, the provider may train its employees on how to communicate contract terms and conditions with low literacy / illiterate customers. The provider may also offer recordings of key information in various local languages. Customers should always have an option to receive oral product explanations, such as via a customer call center.

In addition to communicating in a language that customers speak, the provider should also use the simplest language possible to convey the product information. Terms and conditions disclosed using technical legal terms, for example, are difficult to understand.

Scoring guidance

- Yes: The provider's marketing materials, either written (e.g., text on the website, text on posters) or oral (e.g., radio advertisements), as well as all of its contracts and related documentation for financial products (e.g., key facts documents) are expressed in (1) simple language, and (2) local languages, when applicable, and (3) oral language, when required.
- Partially: The provider meets only partially the requirements for a 'yes.' For instance, contracts and/or Key Facts Documents are in complex language that is difficult for customers to understand.
- No: The provider does not meet the conditions for a score of 'yes.'
- N/A: A score of 'N/A' is not allowed.

Sources of information

- Observations: observe/listen to loan disbursement meetings; visit agents or other points of sale (POS), if applicable. Additionally, listen to how staff talk to customers and answer their questions to ensure that the oral communications also meet these criteria.

- Interviews with staff on how most customers receive their product information and check all channels through which the provider communicates to verify that the information shares is in fact it is easily available to the public, in a language the customer speaks, and sufficiently complete and up-to-date.
- Interview a random sample of customers.
- Read all publicly available product descriptions (e.g., brochures, flyers, website, phone apps, accounts on social media).
- If some customers of the provider are low literacy or illiterate:
  - Read the provider's policy on communicating with low literacy/ illiterate customers.
  - Review the training the provider gives its employees on how to disclose information to low literacy/illiterate customers.
- If the provider uses digital communication channels (e.g. website or App), request information on what percentage of the customers have access to those digital channels. Note that some customers may have limited access to the Internet, and in these cases, disclosing information over the Internet is ineffective.

IV.B.1.2 **The provider offers a free channel for customers to reach a live person to discuss any question, comment, or complaint. The channel operates at minimum 8 hours a day 5 days a week.**

Customers should have the option to ask the provider questions so that they can make informed decisions. The channel for customers to ask questions can be a phone line to speak with the staff or a digital channel, such as an email. The provider might offer leaflets or online Q&A information to cover most of the expected questions from customers, but this does not replace the customer's right to ask direct questions to staff. Note that a chatbot, while useful in many cases, is not always sufficient, as sometimes the customer requires discussion with a human to understand and respond to the customer's specific question.

Scoring guidance

- Yes: The provider Score 'yes', if the provider offers to all customers (1) a channel to reach a live person, though this person may respond orally (e.g., via a call center) or in written form (e.g., via an email), and (2) the prodder makes this channel available at least 8 hours a day, 5 days a week, and (3) the customer is able to get a reply from the person within a reasonable time frame. For phone calls, this means not being on hold longer than 15 minutes. For written queries, this means receiving a response within 24 hours. Note that a line established for receiving complaints IS sufficient, as long as the person receiving and responding to the communication via this channel is also able to answer questions.

- Partially: The provider meets only partially the requirements for a 'yes.' For instance, the provider has a channel customers can use to communicate with a live person, but the channel is available less frequently than 8 hours a day, 5 days a week. Or, the channel is available but the person does not get a response in a timely fashion.
- No: The provider does not meet any of the conditions for a score of 'yes.' Note that a chatbot does not meet the requirement of reaching a live person, even though some chatbots are sophisticated enough to respond to most customer queries. But, customers who do not find the chatbot sufficient must have a way to reach a live person.
- N/A: It is not allowed to score 'N/A.'

Sources of information

- Interviews with call center staff
- Interviews with staff that respond to written questions (e.g., via a social media account, an App, or an email)
- Listen to recordings of call center calls
- Listen to recordings of calls to the complaints line
- Review of written responses to customer questions
- Interviews with a sample of customers, to ask if they've ever asked a question and how that experience was

IV.B.1.3 The provider publishes basic product information, including pricing, digitally and in physical locations. [F11][9]

The provider should make the main characteristics of its products (e.g., loan term, minimum and maximum amount, price, and product description) freely and easily available to the public in digital or physical locations where customers are likely to seek this information (e.g., website, poster at an agent location, SMS messages, app notifications) so that potential customers can make informed decisions about whether or a product suits their needs. The provider should be aware of which channels customers use most. For example, if only 5% of the country's population has access to the internet, then the website cannot be the only location where the provider publishes basic product information. Likewise, the app may contain clear and detailed information, but it is not a sufficient channel for information if only 3% of customers have downloaded it.

Scoring guidance

- Yes: The provider publishes clear and sufficient basic product information, meaning at minimum the price, key terms, and the product description, and this information is up-to-date, via the digital and / or physical locations where customers are likely to look for product information.

[9] [F11]: "Basic product information" encompasses the price and a description of the product.

- Partially: The provider meets only partially the requirements for a 'yes.'
- No: The provider does not meet the conditions for a score of 'yes.' For example, information shared publicly is neither sufficient, nor accurate, nor clear, or product information is contradictory on different communication channels.
- N/A: It is not allowed to score 'N/A.'

Sources of information

- Review data posted at agent locations or other points of sale
- Website
- App
- Social media accounts (e.g., Facebook)
- (If applicable) listen to how staff talk to customers and answer their questions to ensure that the oral communications also meet the criteria for clear and sufficient communication of information.
- (If possible) Interview with random sample of customers.
- All publicly available advertisements or product descriptions: brochures, flyers, posters, radio advertisements

Note: If the provider uses digital communication channels (e.g., website, app, Facebook), ascertain what percentage of the customers have access to those digital channels.

IV.B.1.4 If the provider offers payment, cash-in, or cash-out services through a partner, it verifies that the partner publishes basic product information digitally and in physical locations. [F11][10]

A partner refers to any person or legal entity, other than employees, that are contracted by the provider to develop financial services or facilitate transactions and other services for customers according to the terms of the provider. An agent, or an agent network, offering payment and/or cash-in, cash-out services is one type of partner.

In some models, the financial services provider does not, or does not exclusively, interact directly with its customers, but instead contracts with a partner to offer services such as payments, cash-in, and cash-out transactions. In these cases, the partner must provide the customers with the same level of product information, as transparently, as the provider itself would do. The provider should monitor whether its partners publish comprehensive, clear, and accurate basic product information, in digital and/or physical locations, depending on how this partner communicates with customers.

One form of monitoring is to visit locations where partners serve customers. But, this is not mandatory. It is also possible to monitor how well partners

[10] [F11]: "Basic product information" encompasses the price and a description of the product.

communicate basic product information to customers by asking customers about their experiences with the partners.

Scoring guidance

- Yes: The provider publishes clear and sufficient basic product information, meaning at minimum the price, key terms, and the product description, and this information is up-to-date, via the digital and / or physical locations where customers are likely to look for product information. (1) specifics in its contracts with its partners who offer payments, cash-in, or cash-out services what basic product information the partner must publish on the channels that it uses to communicate with customers, and what constitutes clear and complete information, and how to offer the information at the right time and (2) the provider monitors, for example via its internal audit or customer services departments, whether partners comply with the terms of the contract related to communication of basic product information.
- Partially: The provider meets only partially the requirements for a 'yes.' For example, the contract with the provider does not specify requirements for how to communicate basic product information, but in practice such communication does happen, at least with some partners. Or, the contract does specify requirements for how the partner will communicate basic product information, but the provider does not monitor whether the partner complies with the requirements in practice, or the monitoring is irregular and not comprehensive for all partners.
- No: The provider does not meet any of the conditions for a score of 'yes.'.
- N/A: The provider does not contract with partners to offer payment, cash-in, or cash-out services to customers.

Sources of information

- Any policy documents or contracts that govern the relationship between the provider and its partners
- Reports from in-person monitoring of partners by the provider
- Surveys of customers exploring the customers' experiences with partners
- Field observations of partners' interactions with customers.
- Interviews with staff that monitor partner performance
- Examples of produce information shared in channels the partner controls, for example, posters at a cash-in cash-out / payment agent location

Essential Practice	**Indicators** / *Details*

IV.B.2 THE PROVIDER COMMUNICATES COMPREHENSIVE INFORMATION ABOUT TERMS, CONDITIONS, AND PRICING BEFORE CUSTOMERS SIGN A CONTRACT TO USE FINANCIAL SERVICES

When customers understand the products that they are buying and using, they are more likely to use them successfully. Transparency is therefore vital for customer protection. It is also critical to the financial stability of the provider, because a customer's complete understanding of loan prices, terms, and conditions, before he or she makes a decision to take out a loan, reduces the risk of loan defaults.

At the moment when a customer is making a decision about whether to buy and use a financial product, it is therefore particularly important for the provider to communicate all relevant information about the product. To achieve this, the provider should at minimum do the following:

- *Write product contracts in simple language. Do not use fine print. Avoid using technical language if possible, though in some cases technical language is required by law.*
- *Writes the "Key Facts"*[11] *document for each product in simple language.*
- *For loans with a group guarantee or a guarantor, define member and/or guarantor obligations clearly, and communicate these to group members and guarantors in a way they can understand.*
- *If the loan has a variable rate and/or is denominated in a currency different from the main currency of the customer's source of income (e.g., the customer earns income in pesos and the loan is in U.S.$), clearly explain pricing and cost scenarios to the customer, including a pessimistic scenario in which exchange rates change and the loan is not worth as much money.*
- *For customers using payment or cash-in, cash-out services (e.g., money transfers, bill payments, airtime top-up, deposits, and withdrawals), make sure that the documentation that lists all fees, terms, taxes, and cancellation conditions is also available at any point-of-sale location where the customer transacts.*

The customers must receive comprehensive and clear information before they make a decision, and in some cases sign a contract, to use a financial product. The provider must give customers as much time as they desire to review the information prior to deciding whether to use a product. In practice, this means giving customers all relevant information at least 24 hours prior when the customer will decide whether to use a product (e.g., to sign a loan contract, to open a savings account). This gives customers enough time to compare options, to ask questions, and to reflect on whether the product is suited to their needs. Customers must also feel able to decline a product without hassle or pressure.

IV.B.2.1 The provider verifies that customers who are signing a contract to use financial services have understood the terms and conditions. The provider conducts this analysis by customer segment.

Research shows that even when providers have done what they think is an adequate job of disclosing product information, customers may not have understood some or even any of that information. For this reason, disclosure alone is insufficient to ensure transparency. In addition to disclosing information using simple language, using a language that the customer speaks, and through channels to which the

[10] A "Key Facts" document explains all of the key information about the prices, terms, and conditions of a financial product, as well as any rules related to access or use.

customer has access, nonetheless the provider must also verify whether customers have understood key product information. Such verification can occur through a variety of methods, but most often is accomplished via customer surveys.

Scoring guidance

- Yes: The provider conducts a post signature survey (via SMS, phone call, in app message or other means), or uses an annual customer satisfaction survey conducted on a representative sample of customer, or conducts focus group discussions, to validate that customer have understood the terms and conditions of the contract. The results must allow for analysis by customer segment.
- Partially: The provider meets only partially the requirements for a 'yes.' For example, the provider conducts a survey, but cannot analyze the data by customer segment. Or, the provider has done a survey and did segment the analysis, but the survey was done only once or less frequently than at least once a year, or on a non-representative sample of customers.
- No: The provider does not verify whether customers have understood key product information.
- N/A: Cannot score N/A.

Sources of information

- Customer surveys
- Focus groups
- Complaints data (e.g., complaining about a hidden fee)
- Interviews with a sample of customers

IV.B.2.2 The provider informs borrowers in writing, using simple, local language, of key facts related to taking out a loan before borrowers sign a contract. The key facts include at minimum the following information:

- *Total loan amount*
- *Fees*
- *Repayment schedule with principal and interest amounts, number, and due dates of all repayment installments*
- *Grace period*
- *Mandatory savings / mobile wallet amount*
- *Automatic account debiting mechanisms*
- *Linked products*
- *Member or guarantor obligations*
- *Collateral requirements and seizing procedures*
- *Consequences of late payment and default*[12]
- *Prepayment conditions: whether it is possible and how it affects the cost*[13]
- *Whether terms and conditions can change over time and how that would affect customers*

[12] "Consequences of late payment" refers to the penalties customers would pay, as well as the actions the provider would take if the customer does not repay the loan on time (e.g., phone call, visit after x days…).
[13] "Prepayment conditions" and "how it affects the cost" refers to any penalties customers would pay if they repaid their loan earlier than prescribed in the loan repayment schedule as documented in the loan contract.

The loan contract should be written in the language that the customers speak and should be as short and simple as possible given the legal requirements of the country. The contract should be filled in completely with all of the information listed in the indicator above, so that the customer can fully understand her/his obligations and make informed choices. The customer should receive a copy of the contract signed by both sides for her/his record.

Scoring guidance

- Yes: All borrowers receive a loan contract that contains all of the information listed in the indicator above.
- Partially: The provider meets only partially the requirements for a 'yes.' For example, the provider does give customers a contract, but it is missing some of the information listed in the indicator above. Or, the provider gives some customer segments, but not all, their loan contracts. Or, only some customers have easy access to their respective loan contract, or can understand it easily.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: The provider does not offer loans.

Sources of information

- The loan contract for each of the FSP's main products.
- Review a random sample of contracts for each type of loan to verify which of the nine above-listed information is shared uniformly.
- Interviews with loan officers
- Interview with customers

IV.B.2.3 **Loan contracts are available in the major local languages and include the following information, as applicable to the product:**

- Total loan amount
- Fees
- Repayment schedule with principal and interest amounts, number, and due dates of all repayment installments
- Grace period
- Mandatory savings / mobile wallet amount
- Automatic account debiting mechanisms
- Linked products
- Member or guarantor obligations
- Collateral requirements and seizing procedures
- Consequences of late payment and default
- Prepayment conditions: whether it is possible and how it affects the cost
- Whether terms and conditions can change over time and how that would affect customers

The loan contract should be written in the language that the customers speak and should be as short and simple as possible given the legal requirements of the country. The contract should be filled in completely with all of the information listed in the indicator above, so that the customer can fully understand her/his obligations and make informed choices. The customer should receive a copy of the contract signed by both sides for her/his record.

Scoring guidance

- Yes: All borrowers receive a loan contract that contains all of the information listed in the indicator above.
- Partially: The provider meets only partially the requirements for a 'yes.' For example, the provider does give customers a contract, but it is missing some of the information listed in the indicator above. Or, the provider gives some customer segments, but not all, their loan contracts. Or, only some customers have easy access to their respective loan contract, or can understand it easily.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: The provider does not offer loans.

Sources of information

- The loan contract for each of the FSP's main products.
- Review a random sample of contracts for each type of loan to verify which of the nine above-listed information is shared uniformly.
- Interviews with loan officers
- Interview with customers

IV.B.2.4 **If the provider offers savings, it informs customers in writing of the following information:**

- Fees, including closure fees
- Interest rate and how amounts will be calculated[14]
- Minimum and maximum balance requirements
- Any restrictions on withdrawal of funds
- Whether deposits are governmentally insured

Transparency is also important for savings accounts[15], including compulsory deposits and guarantee deposits held by the provider as part of the guarantee for the customer's loan product. The customer has the right to know about the terms and conditions of the savings account and any fees or interest associated with the use of the account (e.g., closure, withdrawal, below minimum balance, inactive account fees).

[14] How amounts are calculated refers to what basis is used for the interest rate calculation, such as daily balance or average balance over a given period.
[15] For the purposes of this guide, a "savings" account is a generic term that encompasses all of the following types of accounts: a savings account without a fixed term, a savings account with a fixed term, also called "certificate of deposit" (CD), a checking account, a money market account, and any sort of account to hold compulsory or guarantee deposits

Scoring guidance

- Yes: The provider discloses all of the information listed in the indicator about savings accounts. Note that information on any restrictions in use of savings must include information on whether savings can be used in case of loan default.
- Partially: The provider discloses some but not all of the information listed in the indicator.
- No: The provider does not disclose any of the information listed in the indicator.
- N/A: The provider does not offer savings accounts.

Sources of information

- Saving contracts, Savings Key Facts Documents, saving products brochures and descriptions.
- Customer interviews to verify their understanding of their savings terms and conditions.
- Interviews with staff that manage savings accounts (e.g., sales agents, product managers)

IV.B.2.5 **If the provider offers payments, it informs customers who are initiating or receiving money transfers, or using other payment services, in writing, of the following information:**

- Amount paid by sender, in sender's currency
- Estimated exchange rate
- Amount to be received in the destination currency
- Fees
- Instructions for collecting payment
- Cancellation conditions
- Instructions for resolving errors
- Transaction confirmation
- Taxes
- Linked products (if any)

Note: To understand indicator IV.B.2.5, please review the definitions below:

› A bill payment is a money transfer to pay a bill. It can be scheduled on a predetermined date to pay for recurring bills.

› A payment transaction is a generic term that means any type of payment, including bill payments but also others, such as an airtime top-up to mobile phone operator or a payment to a merchant.

› Linked products refer to any products that automatically come with the loan, such as credit-life insurance or compulsory savings.

The provider must clearly communicate all of the above-listed types of information regarding payments services. The customer should understand the amounts, fees, and instructions for transactions, whether receiving money, cancelling or confirming transactions, and whether there are conditions or limitations related to payment services.
Note that for payments where the sending and receiving currencies are not the same, explaining exchange rates is critical. The provider should indicate the exchange rate at the time of transfer on the document(s) that customers receive upon sending and/or collecting the money.

Scoring guidance

- Yes: The provider discloses all of the information listed in the indicator above, and does so using channels and language that make it likely for the customer to see and comprehend the information.
- Partially: The provider discloses some but not all of the information listed in the indicator above, and does so using channels and language that make it likely for the customer to see and comprehend at least some of the information.
- No: The provider does not disclose any of the information listed in the indicator, or the provider discloses information in a way that customers are unlikely to see it, and/or will struggle to comprehend it.
- N/A: The provider does not offer payments services.

Sources of information

- Interviews with (1) staff who design payment services, (2) partners that handle the payments, and (3) any staff that manage the relationship between the provider and the partners that facilitate the use of payment services.
- Electronic information (e.g., text on the website or in apps, including electronic transaction receipts) and any physical information (e.g., signs, posters, receipts, brochures), and documentation sent electronically or given physically to customers with information on payment transactions.
- Interviews with customers who have used payment services, if possible.

IV.B.2.6 **If the provider offers insurance, it informs customers in writing of the following information at the time of enrollment:**

- *A certificate of coverage which states, at minimum, the premium, amount and term of coverage, who are the beneficiaries, which events are covered, any major exclusions, and when and how to file a claim*
- *An explanation of the documentation required to prove damage, if applicable*
- *Terms related to cancelation*

This indicator is applicable to both voluntary and compulsory insurance. This includes when the provider takes out a group insurance policy and bundles insurance with a financial product. Group insurance refers to coverage that applies to entire customer segments (e.g., credit-life insurance for all active borrowers with a loan amount below 2000 US$, or insurance for agricultural input losses caused by flood or drought for all agricultural loans below 1500 US$ for agricultural input losses).

Scoring guidance

- Yes: The provider discloses, with simple language and using channels to which customers have easy access, all of the information listed below. Note that for insurance bundled on a loan (or savings account), this information must be included in the related loan contract.
  - A Key Facts Document or certificate of coverage that states: (1) what events are covered, (2) who is covered (e.g., in addition to the customer, her next of kin), (3) what assets and objects are covered, up to what amount, over what period of time, (4) whether there is a waiting period before the insurance provider will pay a claim.
  - The premium cost for the customer, including all fees and taxes.
  - The list of excluded events (e.g., war, political turmoil, and specific natural disasters. In the case of a life insurance, the most common excluded events are death by suicide or due to a terminal illness the customer had not disclosed).
  - How to file a claim: whom to contact, the period of time to file a claim, where to find the claim form, documents required, how to monitor activity related to the claim (e.g., when the provider received it, when the provider made a decision, when the provider made a payment), and the timeframe in which a payment of a claim can be expected.
  - Beneficiaries (if there are beneficiaries besides the customer) and what benefits they would receive.
  - Cancellation terms and conditions (e.g., penalties, fees). If the insurance is linked to a loan, specify what happens if the loan falls in default.
- Partially: The provider discloses some but not all of the information listed in the requirements for a score of 'yes,' or the provider discloses all information but does not use channels or language that make it easy for the customer to see and/or comprehend the information.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: The provider does not offer insurance services, either directly or via a partner.

Sources of information

- Certificate of coverage or insurance contracts or other financial product contracts, on which group insurance are bundled

- Key Facts Documents for insurance products
- Documents given to customers upon enrolment
- Review a sample of claims data
- Interviews with staff and partners, if applicable, whose role is connected to any part of selling insurance or processing claims or selecting partners or evaluating the performance of partners that offer insurance
- Interviews with customers, if possible.

IV.B.2.7 **The provider gives customers a completed copy of the contract and makes the contract accessible at any time, digitally or in physical form.**

As soon as a contract for a financial product is finalized, the provider should give the customer a copy of the completed contract. This means the contract has no blank data fields and is signed by both the provider and the customer. This contract can be a physical document or a digital file.

Scoring guidance

- Yes: The assessor verifies that (1) customers actually receive or know how to access their final complete contracts with no blank fields and signed by both parties. The contract may be a digital file or a physical document; (2) the contract is available at any time. In the case of digital financial services, the provider should save the Key Facts Document and the loan agreement in a customer account, in a way that makes it easy for the customer to see the file anytime. Internet links to a contract are not sufficient; (3) Customers are aware of how to find their contract and confirm that it is easy for them to do so.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.'
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Review of random sample customer contracts.
- Any survey data relevant to monitoring if customers understand the terms and conditions of the financial services that they use
- Financial product policy & procedure manuals
- Interviews with staff who are involved in giving customers access to their contracts
- Interviews with customers, to verify whether they received their complete contracts and still have access to them

Essential Practice	Indicators / *Details*

IV.B.3 THE PROVIDER COMMUNICATES WITH CUSTOMERS ABOUT ALL ACTIVITY ON THEIR ACCOUNTS

Once customers have made a decision to use one or more financial services, they have a right to up-to-date and accurate information about their accounts, including balances, transaction receipts, and a history of transactions, at no cost. For digital providers, on-demand account information is delivered through online and/or mobile banking accounts. Low-tech options include answering customer inquiries over the phone and in-person. Furthermore, the provider must inform customers before making changes to the terms and conditions specified in their contracts (e.g., if the interest rate paid on savings changes, or before their insurance policy expires), so that they are aware of the change and have a chance to act (e.g., closing a savings account, renewing an insurance policy to prevent a gap in coverage). Note that all staff who interact with customers should have immediate access to up-to-date account information as well.

IV.B.3.1 The provider gives customers accurate information about their accounts in the following ways:

IV.B.3.1.1 Providing access to their up-to-date loan, savings, or other account balance upon request.
IV.B.3.1.2 Sending messages to customers whenever it makes a scheduled deduction from the customer account.
IV.B.3.1.3 Providing receipts, on paper or electronically, for every transaction.

Scoring guidance

- Detail IV.B.3.1.1
  - Yes: The provider gives all customers access to their up-to-date account information, for free, either at all times or upon request, via multiple channels. Customers are aware of the channels and can use them easily to see their accounts balances and transaction details. Specifically, the communication of this information must meet all of the following criteria:
    - Accessibility: The provider offers multiple channels through which customers can receive information, and at least one of these is convenient for the customer.
    - Accuracy: The information is up-to-date and accurate.
    - Timeliness: The provider notifies customers about every transaction that is made on their accounts. The provider also informs customers at least one day in advance about any automatic renewals of a product, or any scheduled automatic deductions.
    - Documentation (electronic or physical): The provider must give an electronic or paper receipt that confirms each transaction.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the information is available but not all customers find it easy to gain access to it. Or, the information is available sometimes but not all the time, either due to scheduled

downtime or malfunctioning technology. Or, only certain segments of customers (e.g., those with a Smart phone) have easy access to the information. Or, the provider makes some but not all of the information listed above available.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

- Detail IV.B.3.1.2
  - Yes: The provider automatically sends a message to a customer whenever it processes an automatic deduction from his or her account.
  - Partially: Some but not all customers receive automatic messages about automatic deductions from their accounts.
  - No: The provider does not send automatic messages to customers upon automatic deductions from their accounts.
  - N/A; The provider does not make automatic deductions from customer accounts.

- Detail IV.B.2.1.3
  - Yes: The provider gives all customers receipts – either digitally or on paper - for every transaction.
  - Partially: The provider gives receipts to only some segments of customers, and/or for only certain types of transactions.
  - No: The provider does not give receipts to customers for transactions.
  - N/A: Cannot score N/A.

Sources of information

- Accounts management policy & procedures.
- Interviews with staff (e.g., the IT team, customer service) who are involved in providing this information to customers
- Interviews with customers, if possible
- Observation of certain accounts - verify that this happens in practice.
- Review of the mobile app, if applicable.

IV.B.3.2 **The provider gives customers notice and the opportunity to opt out before automatically renewing a voluntary product.**

Scoring guidance

- Yes: In cases of product renewal, the provider (1) delivers advance notification that a product is scheduled for automatic renewal, and (2) gives the customer an opportunity to opt-out of the renewal, and (3) has a policy that specifies what how far in advance the provider should give notification, what channels to use to communicate this information, and what timeframe the customer will have to choose whether to opt-out. Ideally, the customer will receive this notice at least two weeks before the renewal would take effect, but at minimum the customer must receive notice a week before.

- Partially: The provider meets some but all of the conditions for a score of 'yes.' For example, the provider sends notice of an upcoming product renewal, but does so less than a week in advance of the renewal. Or, the provider notifies some but not all segments of customers. Or, the provider notifies all customers, at least one week in advance, but does not communicate how the customer may opt-out of the renewal.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: The provider does not renew any voluntary product (deposits, insurance, debit cards, etc.) automatically.

Sources of information

- Contracts or Key Facts Documents or other materials given to the customers to explain the product they are considering.
- Observations: Analyze the process from notification to renewal to determine if the customer has sufficient time and clear complete materials to review before renewing, and an opportunity to ask questions as needed
- Renewal policy and procedure for each voluntary product.
- Interviews with staff involved in communicating with customers about automatic product renewal
- Interviews with customers, if possible

IV.B.3.3 **The provider sends customers a reminder at least one day before making any authorized scheduled deduction to the customer's account.**

The repayment reminder is important so that customers can plan their transactions accordingly. If the provider uses a partner to send information to customers, for example via SMSs messages, the provider must verify that the partner communicates the information accurately and in a timely fashion.

Scoring guidance

- Yes: The (1) provider or its partner notifies all customers of each automatic deduction, and (2) the customer receives the notification at least 24 hours before the deduction will take place.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' Either not all customers receive a notification or customers receive a notification, but less than 24 hours before the deduction is scheduled.
- No: The provider does not notify customers about automatic deductions.
- N/A: The provider does not make any automatic deductions from customers' accounts.

Sources of information

- Communication process/procedures (pay attention to the time frame conditions).
- Channels used to notify customers about upcoming deductions on their accounts.
- Interviews with staff who handle deductions and customer reminders (e.g., IT staff, customer service)
- Interviews with customers whose accounts have had automatic deductions, if possible. Ask whether they received and understood notification in advance about each deduction.
- Contracts or other agreements with partners who make automatic deductions from customers' accounts. Verify whether the terms of the partnership specify adequate rules for how and when customers receive advance notice of scheduled automatic deductions.

IV.B.3.4 **If the provider offers insurance, it provides beneficiaries with timely information during the claims process.**

IV.B.3.4.1 The provider notifies the beneficiary within 30 days of making a decision about the claim.

IV.B.3.4.2 When the claim decision results in a settlement, the provider notifies the beneficiary within 30 days of the settlement. If the claim is denied, the provider notifies the beneficiary of the reason and gives an opportunity for appeal.

This indicator applies regardless of whether the provider offers the insurance directly (most often, a credit-life coverage), or does not offer the insurance itself but is managing most of the insurance activity (from sales to premium collection to processing claims), or does not manage any part of the insurance activity except connecting its customers to a partner who provides insurance. In the case of a partner, the provider may have very limited, or simply no, control over what the partner does, but the provider can still do its best in the due diligence process to select a partner that it thinks will have adequate transparency and customer service during the claims process. It can also set expectations with regards to transparency and customer service when it defines the contract and/or service level agreement, and what indicators the provider and partner will monitor to understand whether the partnership is a success. Furthermore, the provider can monitor the performance of the partner once customers begin making claims, and if the partner does not provide adequate transparency or customer service, then the provider may terminate the partnership.

Regardless of whether it is the provider or its partner who is communicating with customers, it is critical that when a customer submits a claim, s/he receives timely and clear updates on the status of the claim. The customer should be able to check at all times what is the status of his/her claim (e.g., new, in process, further information needed, rejected or approved). Customers also have the right to have the claim processed in a timely fashion, to receive information about the claim in a timely fashion, and to appeal the insurance company's decision regarding their claims. Time frame should be listed in the insurance contract.

Scoring guidance

- Detail IV.B.3.4.1
  - Yes: The provider notifies all customers and/or beneficiaries within 30 days of making a decision about the claim.
  - Partially: Customers receive notifications of the decisions about their claims, but only after 30 days have passed since the provider (or its partner) made a decision. Or, the provider does notify all customers about claim decisions, but some customers do receive this information within 30 days of the decision.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: The provider does not offer insurance, either directly or via a partner.

- Detail IV.B.3.4.2
  - Yes: In cases where customers are approved to receive a settlement from their insurance claims, the provider or its partner informs all customers and/or beneficiaries of the settlement amount, within 30 days of the date of the approval decision. The provider or partner should also communicate the basis for the decision of how much compensation to award, and how the customer or beneficiary can collect the money. In cases of denial of a claim, the provider or its partner informs customers that the claim was denied within 30 days of the date of the denial decision. The provider or partner also explains the reason for the denial and tells the customer or beneficiary how to appeal the decision.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For instance, the provider does not notify the customers and/or beneficiaries for all insurance products within 30 days of a decision, or does not tell all customers and/or beneficiaries how to appeal a claim rejection.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: The provider does not offer insurance, either directly or via a partner.

Sources of information

- Analyze a random sample of claims settled, looking at decisions, notifications, and payments, to determine whether the provider complied with the terms and conditions of claims settlement.
- Insurance policy. Note the timeframe to settle a claim.

- Interviews with staff, notably the product manager for insurance
- Interviews with partners who offer insurance, if applicable.
- Interviews with a sample of customers. Interview both customers that are policy holders but never filed a claim, and customers that are policy holders and have filed a claim, if possible.
- Reports generated by the insurance claims process tracking system.
- Insurance documents and related Key Facts Documents given to customers.

Standard

IV.C THE PROVIDER ENFORCES FAIR AND RESPECTFUL TREATMENT OF CUSTOMERS.

Providers and their partners must treat customers fairly and respectfully, and without discrimination. Providers will have internal controls to detect and correct corruption, as well as aggressive or abusive treatment by their employees and partners, particularly during sales or debt collection processes.

This standard has 3 essential practices:

- **Essential practice IV.C.1:** The provider's code of conduct requires fair and respectful treatment of customers.
- **Essential practice IV.C.2:** The provider does not use aggressive sales techniques.
- **Essential practice IV.C.3:** The provider protects customers' rights to respectful treatment during the loan collection process.

Essential Practice	Indicators / *Details*

IV.C.1 THE PROVIDER'S CODE OF CONDUCT REQUIRES FAIR AND RESPECTFUL TREATMENT OF CUSTOMERS.

Fair and respectful treatment begins with a code of conduct, also called a code of ethics, which defines standards of professional conduct to which all board members and employees must adhere. A code of conduct clarifies both expected behavior and the sanctions for violations of the code. A written code of conduct does not guarantee fair and respectful treatment of customers at all times, by all board members and employees, but it is a first step toward formalizing an ethical organizational culture.

A code of conduct also informs a provider's selection of partners and how a provider defines the success of any partnership. Partners, such as cash-in/cash-out agents, debt collectors, and mobile network operators, should also treat customers fairly and respectfully. A provider cannot always control how its partner operates, but when it vets potential partners, the provider can ask about the partner's code of conduct and check whether it is aligned with the provider's own standards for fair and respectful treatment of customers. It can also define indicators that it will monitor (e.g., how satisfied customers are with a partner's services, or what percentage of customers report feeling pressured by a sales agent to buy or use a financial service) to understand if a partner treats customers fairly and respectfully.

To complement the code of conduct, providers should also have a non-discrimination policy that affirms that every customer, regardless of gender, race, religion, age, education level, civil status, or any other characteristic, deserves fair and respectful treatment, as well as equal access to financial services. Note that discrimination is different from targeting customers for inclusion in a program (e.g., loans to women, savings accounts for youth). Targeting generally corrects an existing problem of exclusion, whereas discrimination involves treating a customer or potential customer differently and less favorably based on a negative perception of that person's characteristics or affiliations.

IV.C.1.1 **The provider's code of conduct states the organizational values, standards of professional conduct, and treatment of customers that it expects of all employees, and defines the sanctions to apply in case of a breach.**

The code of conduct is the basis for creating a fair and respectful work culture. The code of conduct defines what behaviors the provider allows and does not allow in the work environment, especially in interactions with customers, and what sanctions it will implement in cases of violations of the code. The board of directors should approve the code of conduct. The provider should train board members, managers, and employees on how to comply with the code of conduct, and the provider should also inform customers of their right to be treated fairly and respectfully, in accordance with the code of conduct.

Scoring guidance

- Yes: (1) If the provider has written a code of conduct which both clarifies the provider's expectations regarding ethical behavior and defines the sanctions for breaches of the code of conduct. (2) The board has approved the code of conduct. (3) Employees at all levels, from senior management to the most junior employee, understand the code, meaning they know what behavior is required and what sanctions apply in case of a breach; (4) the provider enforces sanctions for breaches consistently.

- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For instance, there is no written code of conduct but employees do understand the expected ethical behavior. Or, there is a written document and all employees are aware of it, but the provider does not monitor adherence to the code, or poorly enforces sanctions in cases of breaches of the code.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Code of conduct. Note that this may have a different name (e.g., organization charter, book of rules, code of ethics).
- Sanctions policy for breaches of the code of conduct. Note this may be in the same document / file as the rules for acceptable behavior, or it may be in a different file.
- Board minutes or notes from management meetings where discussions of violations of the code of conduct took place, as well as what sanctions to enforce
- Interviews with employees, to verify that they are aware of the code of conduct and understand its contents

IV.C.1.2 **The provider's policies prohibit the following:**

IV.C.1.2.1 Corruption, theft, kickbacks, fraud

IV.C.1.2.2 Customer intimidation, including but not limited to using abusive language, publicly humiliating the customer, and using threats. In cases of in-person interaction, the provider prohibits the use of physical force, limiting physical freedom, sexual harassment, shouting, and entering the customer's home uninvited.

IV.C.1.2.3 Discrimination against all internationally recognized Protected Categories. [Note: Protected Categories are as follows: People over 40 years old; Sex; Race/ethnicity/national extraction/social origin /caste; Religion; Health status, including HIV status; Disability; Sexual orientation; Political affiliation/opinion; Civil/marital status; Participation in a trade union.]

Where indicator IV.C.1.1 states more generically that a provider must define its own code of conduct rules and what sanctions to apply in case of a breach, indicator IV.C.2.2 requires every provider to prohibit the behaviors listed in the three associated details. These details list bad behaviors that have occurred in financial inclusion often enough to merit particular mention in the DFS Standards. Note, however, that if a Protected Category (e.g., "caste") does not exist in the region where a provider operates, then that Protected category does not need to be mentioned specifically in the provider's policies.

Specifying in policy what behaviors are prohibited facilitates communicating about them to staff and also to customers (see indicator IV.C.1.3).

Scoring guidance

- Detail IV.C.1.2.1
  - Yes: (1) The provider has a policy, approved by the board, that prohibit(s) corruption, theft, kickbacks, and fraud, and specifies sanctions for each type and level of violation; (2) The provider trains all employees on the policy; (3) The provider monitors compliance with the policy; (4) The provider enforces sanctions in case of violation of the policy.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For instance, a policy exists but it is too vague, meaning it is unclear what specific actions are prohibited and/or what exactly the sanctions will be in cases of violation. Or, a clear and comprehensive policy exists, but employees are not fully aware of the policy. Or, a clear and comprehensive policy exists, and employees are aware of it, but the provider does not monitor compliance with the policy.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

- Detail IV.C.1.2.2
  - Yes: (1) The provider has a policy, approved by the board, that defines and prohibits customer intimidation, and specifies sanctions for each type and level of violation; (2) The provider trains all employees on the policy; (3) The provider monitors compliance with the policy; (4) The provider enforces sanctions in case of violation of the policy.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For instance, a policy exists but it is too vague, meaning it is unclear what specific actions constitute customer intimidation and/or what exactly the sanctions will be in cases of violation.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

- Detail IV.C.1.2.3
  - Yes: (1) The provider has a written customer non-discrimination policy that names all of the 'Protected Categories' listed in this detail and affirms that the provider prohibits discrimination against them; (2) The provider trains all employees on the policy; (3) The provider monitors compliance with the policy; (4) The provider enforces sanctions in case of violation of the policy.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For instance, a policy exists but it does explicitly mention all of the Protected Categories listed in this detail. Or, a policy exists but the provider does not monitor compliance with it.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

Sources of information

- Code of conduct
- Non-discrimination policy
- Any related human resources policies (for example, any document that contains a list of unacceptable behaviors related to interaction with customers
- Loan collections policy
- Check whether employees sign a written statement, either electronically or in hard copy, to acknowledge that they have read and understood the policies on code of conduct and non-discrimination and agree to abide by them. Review a sample of signed statements.
- Board minutes, to verify whether board members are aware of / approved the policies

IV.C.1.3 **The provider informs customers, verbally or in writing, about the prohibited behaviors found in the code of conduct.**

Simply having a code of conduct is insufficient to mitigate the risk of customer harm due to discrimination or other bad behavior. Once it writes its code of conduct, the provider must also give copies of it to employees, train employees on it, and monitor whether employees comply with it. Additionally, the provider must inform customers about their right to fair and respectful treatment, as well as about unacceptable behaviors by employees. When customers are confident that they know what staff behavior to expect and what is prohibited, then they feel empowered to complain to the provider in cases of violation.

Scoring guidance

- Yes: (1) The code of conduct clarifies what behavior the provider expects from employees, and what is unacceptable; (2) The provider informs all customers, either verbally in writing, about what behaviors the provider expects from its employees and what is unacceptable. Preferably, the provider trains staff on how to communicate this information effectively to customers.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For instance, the provider informs some but not all customers about their rights to fair and respectful treatment, including non-discrimination.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Any public material (e.g., website, posters) that explains customers' rights and expected and unacceptable employee behavior.

- Any checklist that employees use to ensure they fully inform customers.
- Employee orientation or training materials that discuss ethical/appropriate behavior regarding interactions with customers
- Employee orientation or training materials that discuss how to inform customers about what employee behavior to expect, and what is unacceptable
- Customer satisfaction survey data
- Exit survey data
- Complaints data
- Observations of employee interactions with customers when they inform them of their rights
- Interviews with customers to verify whether they received this information, if possible

IV.C.1.4 **The provider records or documents the conversations between customers and staff for the purposes of quality control.**

It is important to monitor how employees treat customers when they interact. One common reason for interaction is when the customer contacts the provider, often with a question or a complaint. By recording or in some way documenting what the employee said to the customer during the conversation, and with what tone (in the case of a recording), the provider can monitor whether employees are complying with the code of conduct.

Scoring guidance

- Yes: The provider records voice conversations, at least on a sample basis, and stores digital exchanges, such as chats or Short Message Service (SMS). These records should only be accessible to the internal audit team and management for quality review to validate that correct information was provided and that customers were treated in a fair and respectful way.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider does records or stores conversations on some but not all channels, for example, only voice but not chat or SMS.
- No: The provider does not record or store conversations between staff and customers.
- N/A: Cannot score N/A

Sources of information

- Recordings or logs of conversations between employees and customers (e.g., from the call center, from the complaints line)
- Review of electronically stored conversations (e.g., discussions with customers via SMS messages)

IV.C.1.5 **The provider's contract or service level agreement with partners includes standards of customer protection and defines the sanctions to apply in case of a violation.**

If the provider delivers financial services to customers via a partner, then the provider has an ethical responsibility to monitor whether the partner is treating customers fairly and respectfully. A provider does not have the power to make any other entity behave better, but the provider can conduct due diligence on potential partners to understand the degree to which that partner implements customer protection practices, and then the provider can choose to work with only those partners who demonstrate adequate commitment to customer protection. Furthermore, the provider can set expectations up front for good customer protection by formalizing in some way, for example in the contract or in the service level agreement, both what standards of customer protection the two parties agree to adhere to, and what sanctions to apply in case of a violation.

Scoring guidance

- Yes: The provider has a contract at minimum, and often also a service level agreement (SLA), with each partner. The contract and/or SLA includes customer protection standards and defined codes of conduct, and expected quality of service (e.g., uptime of a network or turnaround time for resolving complaints). It also identifies point persons for the partner and the provider. In the case of a violation of any aspect of the contract or its service level agreement, the contract specifies a process for remediation of the violation, including responsibilities and timelines, as well as sanctions or other actions in case of non-remediation.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the contract does specify standards for customer protection, but does not define a process for remediation in case of violation.
- No: The provider has a contract with each provider, but the contract does not include customer protection standards and a defined code of conduct. In addition, it does not lay out a process for remediation in case of violation.
- N/A: The provider does not have partnerships.

Sources of information

- Partnership contract
- Partnership service-level agreement
- Minutes from any board or management meetings that involved assessing how successful a partnership has been

Essential Practice	Indicators / Details

IV.C.2 THE PROVIDER DOES NOT USE AGGRESSIVE SALES TECHNIQUES.

Aggressive sales are often tempting to providers, because they can result in more customers and a larger portfolio. However, they are bad for customers, often leading to higher rates of default on loans and lower customer satisfaction, when customers end up using financial services that they do not need and/or do not understand. Aggressive sales techniques are particularly damaging for low-income customers and those with limited financial capability, as they are more likely to buy products due to sales pressure.

Examples of aggressive sales include:

- *Putting pressure on a customer through frequent interaction (e.g., calling every day, repeat visits to the customer's home or business, following them in the street)*
- *Telling customers that there is a time limit on a specific offer. For example: "You must sign today, because the price will go up tomorrow."*
- *Continuing to pursue a customer who has clearly declined a product.*
- *Discouraging or preventing customers from consulting with a trusted person*
- *Discouraging customers from reading product information thoroughly (e.g.: the contract).*
- *Intimidating or threatening the customer. For example: "If you don't purchase life insurance, you are going to look like you don't care about your family."*

Providers should define aggressive sales and put in place safeguards to prevent them. Furthermore, the provider should set reasonable growth targets and design employee incentive schemes that do not trigger aggressive sales.

IV.C.2.1 **The provider has internal controls to monitor whether employees or partners are engaging in aggressive practices.**

This indicator's goal is to ensure that the provider is aware when employees or partners are engaging in aggressive sales, so that the provider can take corrective action. In addition to monitoring employee or partner behavior, the provider can mitigate risk by setting realistic targets for sales, or for new customer acquisition, given the market context. The provider can also define levels of performance that trigger investigation into the possibility for aggressive sales. For example, the disbursement of a higher-than-average loan could trigger a review of a loan officer's techniques, to ensure that sales were not overly aggressive.

Scoring guidance

- Yes: The provider (1) defines what "aggressive sales" means and which clear indicators signal a risk of aggressive selling; (2) trains all employees involved in sales on acceptable and non-acceptable sales techniques; (3) monitors the practices of employees or partners engaged in sales, to identify any instances of aggressive sales; (4) takes corrective action when employees or partners are engaged in aggressive sales.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider has defined what aggressive sales

means, but has not chosen indicators and performance levels that would signal a probably instance of aggressive sales. Or, the provider monitors whether employees are engaged in aggressive sales but has no mechanism to monitor whether partners do.

- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A

Sources of information

- Document (electronic or in hard copy) that contains the definition of "aggressive sales" and the indicators the provider uses to monitor it
- Interviews with employees on how sales are conducted, how difficult their sales targets are to reach, what are their commercial "tricks" to sell.
- Growth targets, incentives' schemes and their related productivity ranges
- Sales training: review curricula, methodology, and frequency
- Interviews with internal audit team members or other employees who monitor compliance with the rules about prohibited aggressive sales techniques
- Interviews with customers, if possible

IV.C.2.2 The provider's incentive structure does not promote aggressive sales.

IV.C.2.2.1 If employees' salaries are comprised of a fixed and a variable portion, the fixed portion must represent at least 50% of total salary.
IV.C.2.2.2 The provider monitors employees' productivity ratios and investigates those that are above a predetermined threshold.

An incentive or bonus structure that encourages unrealistically high productivity can lead to aggressive sales. Some examples of pro-growth indicators to which providers may link incentives are the number of new customers, number of transactions, growth in number of loans, and growth in size of the loan portfolio. Detail IV.C.2.2.1 mitigates the risk that employees are dependent on incentives. This is important for customer protection, because if employees cannot earn enough to meet basic living expenses without meeting sales targets, this creates a strong risk of aggressive sales.

Detail IV.C.2.2.2 mentions productivity ratios, which are helpful to monitor for signs of aggressive sales. Productivity ratios include at least (i) number and volume of disbursements per loan officer, (ii) number of active loans per loan officer, (iii) average loan size disbursed per loan officer. Higher productivity ratios may be due to an efficient loan officer, but could indicate over-selling. When assessing how well an employee is performing, the provider should consider not only whether she is productive, but also if she complies with the code of conduct regarding prohibited aggressive sales techniques. In the case of loans, the provider should also consider the quality of the portfolio. Portfolios with a low rate of default generally indicate good employee performance, because they tend to occur when employees have taken care to disburse loans only to customers that understand the pricing, terms, and conditions, genuinely want a loan, and can repay the loan without reducing their quality of life in some way.

Scoring guidance

- Detail IV.C.2.2.1
  - Yes: For every employee, the fixed portion of his/her salary (1) constitutes at least 50% of the total salary, and (2) represents at least a minimum living wage.
  - Partially: The provider has generally complied with the indicator in the last three years, but is not currently in compliance due to exceptional and temporary circumstances that the provider can explain. Or, this is true for some employees whose salaries have both fixed and incentive-based components, but is not true for all of them.
  - No: Either (1) Salaries have an incentive-based component, and this amount constitutes more than 50% of the total salary, or (2) The fixed salary is below the minimum living wage.
  - N/A: The provider offers fixed salaries only. The salaries do not have a flexible, incentive-based component.

- Detail IV.C.2.2.2
  - Yes: The provider (1) has defined indicators and associated performance levels that signal potential aggressive sales; (2) monitors and audits employee productivity ratios on a monthly basis; (3) has investigated and taken action in cases where data signaled a likely instance of aggressive sales.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For instance, there are no clear indicators for potential "aggressive sales" but there is evidence the provider took action in cases when it suspected aggressive sales.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

Sources of information

- Incentives and staff performance evaluation policies and procedures.
- Review productivity ratios in the past year: number and volume of disbursements per loan officer, (ii) number of active loans per loan officer, (iii) average loan size disbursed and outstanding, and any other relevant criteria.
- Analyze of at least 12 months junior staff payroll, particularly those involves in sales or in managing disbursements and repayments, to verify what percentage of salary is fixed versus determined by incentives.
- Minutes from board and management meetings discussing actions taken in response to suspected aggressive sales behaviors.

IV.C.2.3 **The provider requires at minimum three confirmations of interest before it approves a loan without assessing capacity to repay.**

One of the unintended negative consequences of digital financial services is that it has made it so quick and easy for customers to receive a loan that customers are more likely to agree to take out a loan without taking the time to understand the terms or conditions or reflecting whether they actually need it or can afford it. Behavioral science suggests that putting some friction into the process reduces this risk. DFS providers cannot accept a large amount of friction, meaning anything that adds hours or days to the process, because part of a DFS provider's appeal to customers is the speed of the process. Nonetheless, it is realistic to expect that the process of requesting a loan can take more time than clicking on one single link. A "confirmation of interest" is a generic term for any kind of additional response needed from the potential customer – for example, she sees a new screen that says, "Are you certain you want to apply for this loan?" or she receives an SMS that says "reply YES to confirm you understand this loan charges a 10% monthly interest rate" – and she must click or reply at least three separate times before the provider disburses the loan to her.

Scoring guidance

- Yes: For any digital loan that the provider offers without doing a repayment capacity analysis, the provider requires three or more confirmations of interest from the customer before final approval of the loan.
- Partially: For any digital loan that the provider offers without doing a repayment capacity analysis, the provider requires two confirmations of interest from the customer before final approval of the loan.
- No: For a digital loan that the provider offers without doing a repayment capacity analysis, a customer may confirm her interest ONLY once – for example, by clicking on just one single link, or replying YES just once to an SMS message - and the provider will approve the loan.
- N/A: The provided does not have any automated loan offerings or all loans are based on the repayment capacity analysis of the customers and their cash flows

Sources of information

- As a first step, check the product offering and manual to understand if the provider approves any loans automatically OR without any repayment capacity analysis. If yes, this indicator applies. If not, score N/A.
- Observe the loan application process. See how many times the applicant must express interest before s/he gets access to the loan.

IV.C.2.4 **Except in cases where loan duration is less than a month, the provider gives customers the right to cancel without cost for at minimum two business days after a loan approval.**

This indicator seeks to reduce the unintended negative consequences of giving people access to loans. A person may initially apply for a loan because she is eager to get access to additional funds, or because the provider marketed a loan to her in a very appealing way, or pressured her to say yes, but then she regrets it. She may realize that she does not need the loan, and/or that it would make her life worse off than before to have to repay a loan with interest. In order to reduce the risk of a loan making a customer worse off, it is a good idea to give the customer an option to cancel without cost. This is often called a "cooling off period." However, this indicator does not apply to very short loans, which are also very small loans. The business model for this type of loan is different and it is not realistic to expect a provider to offer a cooling off period for very short-term loans.

Scoring guidance

- Yes: The provider has a policy and a feature on the digital app, website or other communications platform, wherein even after the loan approval, the customers are given the right to cancel the loan without cost for at minimum two business days after loan approval. This feature is not applicable for loans that have a period of less than a month.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider offers a cooling off period, but it is shorter than two days. Or, the provider offers a cooling off period for some but not all of the loans that it offers with a duration of one month or longer.
- No: The provider does not have a policy or a product feature which provides customers the right to cancel the product within two business days. (only applicable for loans with term period of more than a month)
- N/A: The provider does not offer loans, or offers loans only with a duration of less than one month.

Sources of information

- Website, app, and/or any other public source of information on the loan product
- Loan manual
- Key Facts Document (electronic or physical) about the loan
- Interviews with customers, if possible. Ask if they new of the cooling off period.

Essential Practice	**Indicators** / *Details*

IV.C.3 THE PROVIDER PROTECTS CUSTOMERS' RIGHTS TO RESPECTFUL TREATMENT DURING THE LOAN COLLECTION PROCESS.

Loan collection is often a particularly challenging activity in which to embed respectful treatment of customers, due to fears that if the person collecting the loans is too gentle or calm or understanding, then the customers may perceive this as weakness or a sign that the customers will not get in trouble if they do not repay a loan. If employees or partners are incentivized based on successful loan collection, then this heightens the risk that the loan collector will be very aggressive in order to make the customer repay. The provider must protect customers' rights particularly during the challenging loan collection process by specifying clearly the ethical standards expected of employees or partners.

IV.C.3.1 The provider's collections policy includes the following:

IV.C.3.1.1 A list of appropriate and inappropriate debt collections practices, including collateral seizing practices.
IV.C.3.1.2 A schedule for the collections process that allows time for the debt collector to determine the reasons for a customer's default and for the customer to find solutions.
IV.C.3.1.3 The provider informs the customer prior to seizure of collateral, allowing the customer to attempt to remedy the default.
IV.C.3.1.4 A prohibition on sales of the customers' collateral to the provider, the staff of the provider, to their relatives, or to partners involved in the seizing process.

Below is additional explaination for each detail:

- IV.C.3.1.1. The policy must define acceptable and unacceptable collection practices to clearly guide collection staff as well as the sanctions that will apply in case of a breach. It must prohibit the practice of forcing customers to sell their assets to repay their loans. The provider should also have a written (either electronic or in hard copy) collateral seizure process, to facilitate employee and/or partner understanding of, and adherence to, the rules, thus protecting customers from overly aggressive or precipitous collateral seizing. Furthermore, if the value of the seized collateral exceeds what the customer owes (the outstanding principal + accrued interest up to 180 days + any penalty fees and legal costs), the difference must be returned to the customer. Finally, if it is the provider's practice to keep collateral in one of its offices, it must lock the room where it stores the collateral and note in the customer's contract the location where it holds collateral.
- IV.C.3.1.2. Understanding the reasons for customers' loan defaults enables the provider to determine if it has contributed to the problem (e.g., it gave too high of a loan, or too many loans, possibly due to incorrect analysis of repayment capacity). The provider must also analyze whether the customer is willing but not able to repay, versus refusing to repay despite having the capacity to do so. This knowledge allows the provider to determine an appropriate response to each customer's unique situation.

- IV.C.3.1.3. Customers' collateral may be of great importance to their well-being or income-generating abilities. The provider must give customers the opportunity to remedy late payments prior to seizing collateral, and must communicate in advance all information about collateral seizure. This fair treatment will build loyalty and goodwill for the provider not only among customers, but also among their family and friends. It is important to make customers aware of collateral seizure processes before they take a loan. Doing so not only increases transparency, but also creates greater accountability among employees or partners assisting with loan collection, because they will be aware that customers know their rights.
- IV.C.3.1.4. The provider should have a section in its code of conduct, employment contract, or another policy that employees sign, about the importance of avoiding conflicts of interest. One of the types of conflict of interest to avoid is the sale of collateral to employees or their friends and family. If employees know that they, or their loved ones, can benefit financially from collateral seizure, this increases the risk of overly aggressive practices with regards to collateral seizure.

Scoring guidance

- Detail IV.C.3.1.1
  - Yes: (1) A policy approved by the board lists appropriate and inappropriate debt collection practices, including the prohibition of forcing customers to sell assets, (2) all debt collection employees or partners understand the approved debt collection practices, and (3) employees or partners comply with this policy.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, a policy exists but not all employees involved in debt collection are aware of it, or employees seem to understand what behaviors are prohibited but there is no formal policy.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: The provider does not offer loans.

- Detail IV.C.3.1.2
  - Yes: (1) A policy approved by the board specifies the timeline and the step-by-step process to take for customers in default, including allowing sufficient time for the employee's efforts to understand the reasons for the customer's default. The policy also includes guidance on how to identify when customers are willing but unable to repay, and what solutions should be proposed to these cases, (2) all debt collection employees or partners understand this policy, and (3) employees or partners comply with this policy.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, a policy exists but it does not cover all required aspects, or a comprehensive policy exists but not all debt collection employees or partners comply with it.

- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: The provider does not offer loans.

- Detail IV.C.3.1.3
  - Yes: (1) A policy approved by the board stipulates that the customer must be informed prior to the seizure of collateral to allow her/him to attempt to remedy the default, (2) all debt collection employees or partners understand this policy, and (3) employees or partners comply with this policy.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, a policy exists but it does not cover all required aspects, or a comprehensive policy exists but not all debt collection employees or partners comply with it.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: The provider does not offer loans OR the provider offers loans but does not require collateral.

- Detail IV.C.3.1.4
  - Yes: (1) A policy approved by the board prohibits the sale of the customer's collateral, or collateral provided by the customer's guarantor, to the provider's employees or their friends or family, or the partner that is conducting debt collection on behalf of the provider; (2) all debt collection employees or partners understand the policy, and (3) employees or partners comply with this policy.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, a policy exists but it does not cover all required aspects, or a comprehensive policy exists but not all debt collection employees or partners comply with it.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: The provider does not offer loans OR the provider offers loans but does not require collateral.

Sources of information

- The loan policy & procedures manual(s) and/or the collections manual
  - **Note:** These should explain in-depth what is and is not acceptable behavior during collections and the steps to follow in the case of default, including the timeline (i.e., after how many days which specific action must be taken and after another x days what the following actions are).
- The code of conduct
- Any other written policy related to collateral seizure.
  - **Note:** the policy on collateral seizure should specify when and under what conditions seizing collateral is appropriate. It should

require that staff exhaust other options before moving on to collateral seizure and that they follow local laws (e.g., obtaining a court order). The policy should also prohibit staff from forcing customers to sell their own collateral to pay off their debt

- Training materials for employees on loan collections policies and procedures
- Interviews with internal audit or others who verify whether loan collection employees or partners act in compliance with the provider's policies.
- Interviews with customers, if possible, to verity how loan collections and collateral seizing happened in practice

IV.C.3.2 **The provider restructures or writes off loans on an exceptional basis, based on a list of cases of specific distress.**

Loan restructuring and write-offs should not be an easy way out for poor repayment capacity analysis, but it should be offered to customers who are experiencing unexpected debt stress. The provider should always consider loan restructuring prior to seizing assets. The loan collections policy should specify that rescheduling and write-offs should only happen on an exceptional basis, and not as a routine reaction to delinquency. The provider should have a policy that defines:

- A list of cases of specific distress under which customers can be granted rescheduling or refinancing or under which loans can exceptionally be written off (e.g., natural disasters, major hospitalization, political turmoil).
- When these methods of last resort can be applied.
- The eligibility conditions for granting loan restructuring, refinancing, and write-off.

The provider should make employees aware of the possibility of offering loan restructuring to customers and make sure that employees involved in the loan process inform customers what the eligibility conditions are for loan restructuring and how to apply. However, to reduce the risk of abuse of this option, the provider should require that rescheduling/write-offs are authorized by a higher ranked employee than the one proposing the loan rescheduling or write-off.

Scoring guidance

- Yes: The provider (1) has a written policy that specifies the eligibility criteria and conditions for restructuring or writing-off loans, and one of the conditions is that an employee may not make a decision unilaterally, but instead just get approval from a supervisor; (2) trains on employees on when and how to propose restructuring and write-offs; (3) monitors loan restructuring and write-offs on an ongoing basis.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, a policy exists but is not specific enough

about eligibility requirements, or a comprehensive policy exists but not all employees are aware of it or comply with it.

- No: The provider does not allow loan restructuring or write-offs. Or, the provider does allow them but does not meet any of the conditions for a score of 'yes.'
- N/A: The provider does not offer loans.

Sources of information

- Loan policy & procedures manual
- Loan collections policy
- Policies on write-offs and rescheduling
- Interviews with senior management and staff involved in loan approvals and collections
- Review of the reports tracking restructured and written off loans.
- Sample files from restructured loans.
- Samples files from written-off loans

Standard

IV.D THE PROVIDER SECURES CUSTOMER DATA AND INFORMS CUSTOMERS ABOUT THEIR DATA RIGHTS.

The management practices under this standard protect the privacy and security of customer data. They also state that customers have the right at minimum to know, and generally also to decide, how providers use their data.

This standard has two essential practices:

- **Essential practice IV.D.1:** The provider maintains the security and confidentiality of customer data.
- **Essential practice IV.D.2:** The provider informs customers about data privacy and data rights.

Note: The discussion in section IV.D focuses on the provider's responsibilities. However, if it works with a partner that has access to customer data (e.g., insurance providers, cash-in/cash-out agent networks, marketing firms), the provider should evaluate from the beginning whether the partner has adequate cybersecurity practices, and only enter into the partnership if the answer is yes. The provider should also monitor how well the partner maintains the security and confidentiality of customer data over the life of the partnership. But these practices related to customer protection and partners are covered in I.A.1.5 and II.B.2.1.4.

Essential Practice	Indicators / Details

IV.D.1 THE PROVIDER MAINTAINS THE SECURITY AND CONFIDENTIALITY OF CUSTOMER DATA.

Digital finance has exponentially increased the amount of electronic data, and also the risk of data theft. If providers do not keep customers' data secure, criminals may gain access to client photographs, account numbers, personal identification documents, and other data, and misuse it in ways that have devastating short- and long-term consequences on customers. It is therefore incumbent upon providers to protect customers' data, and to make sure that any of its partners who have access to customer data do the same.

IV.D.1.1 The provider reduces its exposure to cybersecurity risk.

IV.D.1.1.1 The provider assesses cybersecurity risks and implements security measures adapted to each of its financial services.
IV.D.1.1.2 The provider conducts penetration testing. Minimum frequency: quarterly

Different products (e.g., a loan, a savings account, a payment) and channels (a website, an app, a debit card) have different risks of exposure to cyber-criminality. The provider must analyze what the risks are for each financial service, so that it can implement adapted security measures. It must then also conduct penetration testing, either done by its own information technology (IT) team or via a partner, so see whether it is possible to hack into the data or whether the security measures in place are sufficient.

Scoring guidance

- Detail IV.D.1.1.1
  - Yes: The provider does all of the following: a) researches cybersecurity risks; b) specifically assesses exposure to risk by product and channel; c) customizes its data security policies had procedures to each product and channel; d) has people with expertise in cybersecurity, either hired as external consultants or who are part of internal staff, designing the cybersecurity policies.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.'
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

- Detail IV.D.1.1.2
  - Yes: In the past quarter, the provider has conducted penetration testing on its digital records, either using its own internal personnel or via a partner, and reported the results to management. If the provider saves data on the cloud rather than on its own physical

servers, and its cloud provider conducts penetration testing at least quarterly, also score 'yes.'
- › Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, it conducts penetration testing, but less frequently than quarterly. Or, it conducts penetration testing quarterly, but only on a subset of the locations where it stores digital data.
- › No: The provider does not meet any of the conditions for a score of 'yes.'
- › N/A: Cannot score N/A.

Sources of information

- Interviews with the IT department
- Interviews with any partner that helps with cybersecurity
- Strategic plan for cybersecurity
- Meeting minutes or reports documenting research on cybersecurity risks
- Reports to management on penetration tests

IV.D.1.2 The provider monitors the integrity of its electronic files on an ongoing basis.

IT systems are vulnerable to loss or corruption of data, either from deliberate criminal activity or unintended stresses or errors in data systems. Any provider of digital financial services must restrict access to data, often through use of passwords and/or authentication codes, as well as monitor in real-time the integrity of files and flag suspicious activity. This monitoring is usually automated via technology, though the work can be supplemented by human review. The provider must also have adequate software and hardware to store data safely and protect it from hackers. Additionally, providers must back up data regularly and have a plan to keep data safe in case of unplanned network downtime or emergencies, such as a natural disaster that shuts down power.

Scoring guidance

- Yes: At minimum daily monitoring of the integrity of electronic files for any suspicious activity (e.g., multiplying accounts, lost data, system not functional). Daily data collected on who has logged in. Ongoing tracking of not only the transactions entered into the system but who enters them.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.'
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Interviews with the IT department and management
- Reports to management and/or the board after incidents when data were compromised

- Interviews with a sample of employees from various departments, to understand their access to data
- Strategic plan for cybersecurity

IV.D.1.3 The provider restricts access to customer data.

IV.D.1.3.1 The provider restricts system access to only the data and functions that correspond to an employee's role ("least privilege" principle).
IV.D.1.3.2 The provider controls employee use of files outside the office and the provider keeps records of the employees who request/are granted access to customer files outside their normal permission.
IV.D.1.3.3 The provider safeguards customer data when employees leave the organization.

Because customer data is private and can be exploited, providers should limit who has access to such data. A first step is to limit access to data among current employees – likely each employee needs to see only a subset of the total data collected on a customer in order to perform his or her job. Providers should also keep records of the names of employees who request and/or are granted permission to view customer data outside of normal conditions (e.g., after working hours), and immediately removing access to data when people cease to be employees.

Scoring guidance

- Detail IV.D.1.3.1
  - Yes: The provider (1) restricts access to customer data according to staff role and hierarchy; (2) monitors who has access to, and who has actually logged in to use, customer data, on a daily basis.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, all employees have access to all customer data, but the provider does monitor regularly who is logging in to see the data. Or, the provider does not have a written policy on who may see what kind of customer data, but in practice only certain employees have access to some of the data fields.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

- Detail IV.D.1.3.2
  - Yes: The provider (1) is aware of which employees have access to customer data even outside the office, (2) keeps records of the names of employees who request/are granted access to customer files, and (3) monitors these data on an ongoing basis for suspicious activity.

  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, sometimes employees log in to see customer data, but do not always have to. Or, employees always must log in to see customer data, but management never reviews this information.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

- Detail IV.D.1.3.3
  - Yes: The provider (1) has a policy for how to safeguard customer data from terminated or departing staff, and this includes both how to prohibit future access to data, and how to make sure the employee has not saved customer data to which s/he previously had access. It also mandates that the employee lose access to customer data on the same data that s/he ceases to be an employee; (2) monitors adherence to the policy.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, policy exists with all of the elements mentioned above, but in practice the provider does not implement it on the same data that an employee leaves the company. Or, the provider has a policy but it is vague about what has to be done and when.
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

Sources of information

- Observation of how employees access customer data.
- Interview with members of the IT department
- File or document that lists which employees have access to which data fields (may be called an "authority matrix").
- Strategic plan for cybersecurity, or any file or document explaining the rules for safeguarding customer data
- HR and IT process at employee departure/ termination of contract.

IV.D.1.4 The provider communicates to customers about system failures and cybersecurity breaches and compensates customers for loss of funds.

IV.D.1.4.1 The provider communicates to customers when a channel is down and they no longer have access to services. Timeframe: Within 24 hours of when the provider becomes aware of the problem, for digital customers; within 7 days for analog customers.

IV.D.1.4.2 If the customer has lost data or funds, the provider alerts the customer within 7 days to specify the loss mitigation it will offer.
IV.D.1.4.3 The provider compensates customers for lost funds within one month of when the loss occurred.

Despite preventative measures, the provider's system may fail or get hacked. In these cases, the provider must inform customers of the problem and work with the customer to repair the harm. The specific mitigation that the provider offers will depend on the type of harm that customers experienced. For example, if a hacker gained access to customers' personal data but did not steal funds, then the mitigation might be that the provider helps customers file reports with credit bureaus or other authorities to temporarily prevent any new account being opened in the customer's name. If customers' data got erased, the mitigation could be that the provider uses its back-up data to restore deleted files. If criminals stole money from customers, then the mitigation would be reimbursing customers for lost funds. In each case, the general steps are these: a) The provider informs customers of the type of problem that occurred; b) The provider determines what mitigation it will offer to customers and informs them about it, and c) The provider offers the mitigation.

Scoring guidance

- Detail IV.D.1.4.1
  - Yes: The provider does all of the following: a) send a communication to all customers when a channel is down. This communication can happen over the phone, via text, via email, via a notification in an app, in-person, or through any other channel that the provider knows the customer checks. Note: posting information to the website is NOT sufficient. A customer must receive an individual message. b) For digital customers, the communication needs to happen within 24 hours of when the provider knows about the problem, not within 24 hours of when the problem occurs. So, for example, if the problem occurs over a weekend and the provider does not know until Monday morning, and the provider sends the notice on Monday, score a YES for having sent a notification within 24 hours. For customers that do not have any digital channel that the provider uses to communicate with them, the provider must share the information about the problem within 7 days of when the provider becomes aware of it. This communication will happen orally at minimum. NOTE that this is not about fraud: this indicator relates to a cybersecurity breach.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.'
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

- Detail IV.D.1.4.2
    - Yes: The customer receives information that states the specific mitigation offered (e.g., a certain amount of money). The mitigation does not necessarily have to be monetary. The provider must communicate this information through a channel that the provider knows the customer uses. This means for example that emailing is insufficient if the customer does not check email regularly. Note that this indicator is not the same as actually completing the mitigation action. It is simply notifying the customer of what s/he will receive for loss mitigation.
    - Partially: The provider meets some but not all of the conditions for a score of 'yes.'
    - No: The provider does not meet any of the conditions for a score of 'yes.'
    - N/A: Cannot score N/A.

- Detail IV.D.1.4.3
    - Yes: In cases when customers lost funds, the provider restores the lost funds, either via a digital credit in the customer's account or a cash disbursement in person, within one month of when the loss occurred.
    - Partially: The provider does restore lost funds, but sometimes takes longer than one month to do so. Or, the provider restores a portion of the lost funds but not the full amount.
    - No: The provider does not restore funds to customers who lost them due to a system failure or a cyber attack.
    - N/A: There have been no registered cases of lost funds due to cybersecurity breaches.

Sources of information

- Interviews with the IT department and management
- Reports to management and/or the board after incidents when customers lost funds due to a system failure or cybersecurity attack
- Interviews with customers, if possible, who have been victims of a system failure or cybersecurity attack
- Strategic plan for cybersecurity
- Any policy document that describes actions to take to mitigate customer harm in cases of a system failure or cybersecurity attack

IV.D.1.5 **The provider informs customers of their responsibility to safeguard access to their accounts.**

Providers and customers must work together to keep customers' data safe. Providers must do the work to have safe IT systems, as described in previous indicators, but customers also have a role to play. For example, not sharing passwords or PIN numbers, not leaving devices unlocked and lying out in the open, not leaving documents with their private financial account information in public spaces, and not trusting phone calls or messages from unknown sources that pretend to be communicating on behalf of the provider. Note that DFS experts, including directors of financial service providers, who participated in the development of the DFS Standards, generally agreed that if the provider tells customers how to safeguard their accounts, and customers do not follow these instructions, then the provider is not responsible for offering mitigation to customers. In other words, customers that choose to ignore advice they received on how to keep their data safe may be considered "negligent" and not entitled to having lost funds restored by the provider. But this situation is not good for either the provider or the customer. It is much better for the provider to do all it can to make sure customers understand how to safeguard their accounts and the consequences if they choose not to do so, in order to minimize the risk of data theft, loss of funds, and customer dissatisfaction and distress.

Scoring guidance

- Yes: The provider (1) informs customers both on the importance of protecting their personal information (e.g., Personal Identification Numbers (PINs), savings account balances and information on repayment problems) and on how what actions to take to safeguard that information; (2) monitors on an ongoing basis whether its efforts to inform customers are effective; (3) takes corrective action as needed.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, providers give information to customers but the information is incomplete or too vague. Or, providers give information on how to safeguard data to some segments of customers, but not all. Or, the provider informs customers on how to safeguard data but does not evaluate whether customers understood it.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Review digital communications to customers (e.g., on website, via SMS, in contracts) on how to safeguard data
- Staff training materials on how to inform customers about safeguarding their data
- Interviews with customers, if possible, to ask if they ever received such information and whether they understood it
- If the provider uses a cash-in/cash-out agent network, observe transactions with agents to see if customers share personal data
- Evaluation reports on the effectiveness of data safeguarding activities
- Interviews with management about the strategy to safeguard data

Essential Practice	Indicators / *Details*

IV.D.2 THE PROVIDER INFORMS CUSTOMERS ABOUT DATA PRIVACY AND DATA RIGHTS.

In addition to having systems for keeping customer data safe, the provider must be completely transparent with customers about how (and by whom) their personal information will be used, and must get their consent before using or sharing their data. Providers should be careful stewards of customers' personal and financial information to build trust with customers and protect customers' privacy.

IV.D.2.1 **The provider explains to customers how it will use customer data, with whom it will share the data, and how partners will use the data. The provider requests that customers opt in before using or sharing their data.**

This indicator measures whether the provider has sought informed consent from its customers on the collection, use, and sharing of customers' personal data. This encourages a relationship of trust and respect, and gives customers control over who sees their private data. Starting at the time of application, the provider should obtain customer consent before using data (e.g., extracting data from customers' electronic devices, such as contact lists, social media posts, and geo-location) and before sharing personal information with any external party, Below are common examples of when providers might want or need to share data:

- Reporting data to credit bureaus
- Providing data to insurance companies
- Using data for marketing (e.g., individual customer data, stories, pictures, and quotes)
- Delegating collections of delinquent loans to a specialized collection agency
- Sharing data with family members
- Selling data to other third parties

In the case of credit bureau consent, the provider has to explain both: (i) consultation of the customer's credit history and (ii) reporting the customer's credit information to the credit bureau. The customer must give her/his consent at the time of application since the credit bureau check will be done before signing the loan contract.

Note that especially in cases where customers' have low levels of literacy it is important to both explain how the provider will use customer data and confirm that customers understand the information imparted.

Scoring guidance

- Yes: The provider (1) informs all customers about how it will use their data, meaning with whom and for what purpose; (2) shares this information PRIOR to when customers sign any contract or document granting consent to use/share their data; (3) monitors the effectiveness of this process on

an ongoing basis (e.g., via satisfaction surveys or complaints data analysis).
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider provides this information in full, but AFTER the customer signs the contract. Or, the provider tells the customer that it will consult credit bureau data, but does not mention that the provider will share the customer's new loan information with the credit bureau.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- A template contract and/or a sample customer loan application.
- Listening to the sales pitch, contract signing, and disbursement to hear how staff address the issue of data privacy and consent.
- Customer interviews, if possible, to gauge their understanding of the use and/or sharing of their data.
- Satisfaction surveys, if one of the questions relates to customer satisfaction with how the provider keeps customer data private
- Policy documents that address rules for obtaining customer consent before using or sharing customer data

IV.D.2.2 Information about data use and consent is easy for customers to understand.

IV.D.2.2.1 When requesting consent from customers to use their data, the provider informs customers how it will use the data, including what are the minimum data to share to gain access to the product. The provider communicates through accessible channels.
IV.D.2.2.2 The provider gives customers the right to withdraw their permission to use data and explains any consequences of withdrawal.

It is possible for providers to disclose information and request consent in ways that customers do not understand or even see. For example, a customer may check a bunch of boxes on an online form in order to get access to a financial service, without reading what she is agreeing to by checking the boxes. It is also possible for providers to collect more data from customers than they need to make a decision about whether to offer a customer a particular financial service. This indicator and its corresponding details protect customers' rights to choose whether and how providers will use their data.

Scoring guidance

- Detail IV.D.2.2.1
  - Yes: The provider (1) explains to all customers in simple, local language, either verbally or in writing, about how their data will be used; (2) communicates this information via channels that customers use (e.g., if customers do not have reliable internet

access, it is not sufficient to post this information on a website); (3) obtains customer consent before using their data; (4) monitors on an ongoing basis whether customers have understood both how the provider will use their data and their right to consent, or to withhold consent, for this data use.
- › Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider discloses information via Internet links that some but not all customers read. Or, disclosure is adequate for literate customers, but the provider does not adapt its communication to be effective with customers with low literacy levels. Or, the provider discloses information comprehensively but does not monitor whether customers have understood how the provider uses their data.
- › No: The provider does not meet any of the conditions for a score of 'yes.' For example, the majority of customers do not understand how the provider uses their data.
- › N/A: Cannot score N/A.

- Detail IV.D.2.2.2
  - › Yes: The provider (1) informs customers in writing of their right to withdraw their permission to use their data, (2) explains any consequences of withdrawing this permission, and (3) monitors the effectiveness of this process on an ongoing basis. Note that the provider should include the information that customers may withdraw their consent for the provider to use their data, and what consequences come with withdrawing this consent, in contracts, as well as in publicly available information about using the provider's financial services. Providing this information in written form allows customers to refer to it later.
  - › Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider informs customers only orally about their right and the consequences of withdrawing their permission to use their data. Or, some but not all customer segments receive this information.
  - › No: The provider does not meet any of the conditions for a score of 'yes.'
  - › N/A: Cannot score N/A.

Sources of information

- Contract template
- Loan application form
- Consent form for sharing and/or using data (e.g., sending data to a credit bureau or an insurance company, or extracting customer data from their cellphones)

- Interviews with staff whose responsibilities include communicating information on consent and/or monitoring whether customers understood this information
- Complaints data, to check whether customers have complained about ways in which the provider has used or shared their data
- Any policy on data rights, to review provider's rules about obtaining customer consent to use or share their data
- Interviews with customers, if possible

IV.D.2.3 **The provider notifies customers of their right to review and correct their personal and financial data. The provider reminds customers of this right at times when it informs customers that it denied their application for a financial service.**

It is also important for the provider to have accurate data about customers. The provider needs accurate data for the daily management of its activities, of course, but correct data is also essential to customer protection. It may be that inaccurate data leads the provider to deny customers access to financial services, or to offer them financial services on less favorable terms (e.g., a higher insurance premium, or a lower approved loan amount). To mitigate this risk of customer harm, providers must inform customers about their right to review and update their data as needed.

Scoring guidance

- Yes: The provider (1) informs all customers about their right to correct and update their personal and financial data in writing (e.g., in contracts, on the website) so that the information is generally available to all customers at all times; (2) specifically reminds customers of their right to review their data and correct any errors at times when the provider is notifying customers that it denied their requests for financial services; (3) facilitates the process of customers correcting their data, meaning the process is convenient for customers and effective; (4) monitor the effectiveness of their procedures on an ongoing basis.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, it informs some but not all customer segments of their right to correct and update their personal and financial data. Or, the provider informs all customers, but the process to correct data is inaccessible or complex or slow.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Read information in contracts and posted publicly (e.g., on website) about rights to review/correct data

- Observe staff communication with customers
- Policy document that covers updating/verifying customers' data
- Interviews with employees working in customer service or IT / database management
- Interviews with customers, if possible

IV.D.2.4 **The provider deactivates or deletes customer data once the person ceases to be a customer and notifies customers of their right to require the provider to cease using or sharing their data. (Note: this may be called the right to "Be Forgotten." [F11])**

If a customer chooses to opt out of a service or stop being a customer altogether, the provider must either deactivate or delete the customer's data, so that it no longer uses or shares customer data in any way, except as required by regulation. Customers' right to completely withdraw their consent for a provider to have access to their private data is, in some regulation, called the "right to be forgotten." This concept is particularly important in the context of digital finance, because providers have an enormous amount of data, potentially including data that the customer did not actively share, but that the provider collected about the customer, for example by extracting it from customers' cellphones or other electronic devices. It is often the customer's preference to have his/her data deleted completely, but in some countries, regulation requires providers to save customer records for a certain period of time. In these cases, the provider "deactivates" the data, meaning it no longer uses or shares the data in any way, but it stores the data in accordance with the regulatory requirement. To qualify as deactivated data, the provider must do the following: a) no longer share those data with any external party; b) no longer send communications to that customer; c) remove employee access to those data except for employees whose job function requires them to analyze data of past customers, as needed.

Scoring guidance

- Yes: The provider must do both of the following: a) delete or deactivate the data; b) inform the person, once s/he ceases to be a customer, that the provider will no longer use or share their data in any way. The information must be shared through a channel that the provider knows the customer uses to receive information. Posting this information generally on a website or in a contract is not sufficient.; c) if asked, at least a majority of persons who stopped being customers confirm that they were informed of their right not to have the provider use their data anymore. [NB: This means the assessor must do a sample of interviews with persons who stopped being customers.]
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider "informs" customers by posting the information passively in a channel they are not sure the customer uses, for example the website or buried in loan contract.

- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Written information (e.g., contract, website) that provides information on customers' rights to have their data deleted or deactivated
- Policy document that covers deactivating or deleting customer data
- Interviews with the IT department / observe whether the database has a function to deactivate customer data
- Complaints data, if there are complaints from customers about how the provider used their data
- Interviews with customers, if possible

Standard

IV.E THE PROVIDER RECEIVES AND RESOLVES CUSTOMER COMPLAINTS.

Communication between the provider and its customers is essential to building trust, resolving problems, and improving products and services over time. Providers should have multiple channels through which their customers can reach them to report a complaint. In practice, customers use the channels for a variety of reasons in addition to complaints, such as to ask questions, express interest in additional products, make suggestions, and request assistance. Having various convenient and affordable channels of communication that connect the provider to its customers benefits both. The provider should not view complaints negatively, but as vital information that helps strengthen overall sustainability by helping the provider to identify and resolve problems or simply to serve customers better. A good complaints mechanism also gives providers the opportunity to resolve questions and complaints before they diminish with customer satisfaction and retention. Many issues are fairly simple to resolve—for example, questions about insurance benefits or complaints about a non-responsive ATM—and are not worth losing customers. Responsiveness of the providers also makes it less likely that dissatisfied customers hurt their reputation in the market, become dormant, or exit.

This standard has three essential practices:

- **Essential practice IV.E.1:** The provider has a complaints mechanism that is easily accessible to customers and adapted to their needs.
- **Essential practice IV.E.2:** The provider resolves complaints efficiently.
- **Essential practice IV.E.3:** The provider uses information from complaints to manage operations and improve product and service quality.

Essential Practice	Indicators / *Details*

IV.E.1 THE PROVIDER HAS A COMPLAINTS MECHANISM THAT IS EASILY ACCESSIBLE TO CUSTOMERS AND ADAPTED TO THEIR NEEDS.

A complaints mechanism can be effective only if customers use it. And customers will not use it if they do not know about it, do not trust it, cannot afford it, do not have access to it, or find it too complex, time-consuming,

IV.E.1.1 Customers have a way to submit complaints to persons other than their primary point of contact.

This indicator addresses the issue of trust. Customers may fear that because they complain, particularly if they complain about an employee, that the person will retaliate, and perhaps cause the customer to lose access to financial services in the future. An employee who is the subject of the complaint is likely to be tempted to bury or mishandle it, and most customers would rather suffer in silence than risk a negative consequence from complaining. For this reason, the provider should design its complaints mechanism so that customers are able to circumvent the person who is managing their product. For example, a borrower should be able to bypass loan staff and complain to a customer service representative, and a customer sending payments should not have to complain to the agent who facilitated the payment transaction, but instead have the option of calling a help line.

Scoring guidance

- Yes: The provider (1) offers at least one channel by which customers can submit complaints that allows them to circumvent their primary point of contact (e.g. their loan officer) and (2) monitors regularly the effectiveness of such channel(s).
- Partially: The provider meets some but not all of the conditions for a score of ‘yes.’ For example, only a few customers use this channel or the channel is not functioning well (e.g., the help line number is mostly busy).
- No: Customers can only submit complaints to their primary point of contact.
- N/A: Cannot score N/A.

Sources of information

- Complaints handling policy – complaints channels
- Interview with the complaints or customer service manager
- Call the help line to assess how well it functions
- Interview with customers, if possible

IV.E.1.2 **The provider has at least two complaints channels that are free of charge and accessible to customers.**

Customers have different preferences about how they like to file a complaint. Some may be comfortable submitting a written complaint, for example via an app or a website form, and others may want to call. Some have the habit of complaining in-person to an agent. Because the provider's goal is to make it not just feasible but easy for every customer to complain, it is important for the provider to offer more than one channel to use, bearing in mind customers' constraints. For example, do not offer only Web-based options when some customers have limited access to the Internet, and do not require customers to physically travel to a location to file a complaint when the customer limited time to leave her home or business. For cost not to be a barrier, it is also important for at least some complaints channels to be free.

Scoring guidance

- Yes: (1) The provider offers at least two different channels by which customers can submit complaints. (2) These channels are free-of-cost. (3) It is easy for customers to use these channels, given the infrastructure in their region, their level of capacity to use technology, and whether they have no, part-time, or full-time access to electronic devices. (4) If some of the provider's customers have low literacy levels, then at least one of the complaints channels needs to be accessible to persons who are illiterate.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider offers two free complaints channels, but one of them is challenging for most customers to use. Or, the provider offers multiple convenient channels, but they are not free. Note that one of the channels is sending complaints by SMS messaging, if the customer has to pay an additional fee to his/her mobile network operator to send the SMS message, this channel is not free.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Complaints reports
- Interviews with the head of complaints
- Interviews with customer service representatives or the manager of customer service
- Complaints handling policy or manual
- Interview with customers, if possible

IV.E.1.3 **The provider informs customers about how to submit a complaint.**

IV.E.1.3.1 The provider displays information on how to submit a complaint in product documentation, in the digital channels it uses to offer financial services, and in any physical service locations.
IV.E.1.3.2 At the time when customers are applying to use financial services, the provider informs customers of how to submit a complaint.

Customers will file complaints only if they know about the complaints mechanism and are encouraged to use it. The details associated with this indicator discuss how the provider should communicate about how to submit a complaint so that customers receive and retain that information. This include informing customers about how to submit a complaint to partners, if applicable. There are many possible communication channels (e.g., website, app, loan contracts, Key Facts Document, posters, social media, radio ads, orally). If providers have offices or their customers transact at cash-in/cash-out agent locations or other points of sale, those physical locations must also display information on how to submit complaints at each of these locations as well as posting it on digital channels.

The type of information to communicate is not only the simple how (e.g., submit this form, call this number), but also the fact that customers have a right to complain, and the assurance that customers may complain anonymously, or at least bypass a particular person, such as a loan officer, in order to not face the awkward situation of having the very same person who has potentially been the source of the complaint also be the person who receives the complaint.

Equally important is the question of when to communicate. The information should be generally available, but the provider should also remind customers of it specifically at the moment when customers are applying to use a financial service, because this is a point in time when customers are most likely to see the relevance of this information to their activities, and therefore they are more likely to remember it.

Scoring guidance

- Detail IV.E.1.3.1
  - Yes: The provider (1) shares information with all customers via all digital or physical locations where customers transact about how to submit a complaint, including how to complain to partners, if applicable; (2) monitors the effectiveness of this process on an ongoing basis.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, complaints data are available in some but not all locations. Or, all channels communicate some

information about how to submit complaints but it is incomplete. Or, providers tell customers how to submit complaints to their own mechanism but do not provide information on how to complain to partners who also interact with customers as they conduct their financial activities.
- › No: The provider does not meet any of the conditions for a score of 'yes.'
- › N/A: Cannot score N/A.

- Detail IV.E.1.3.2
  - › Yes: The provider (1) informs customers at the time when they are applying to use financial services about how to submit a complaint either to itself of its partners; (2) monitors the effectiveness of this process on an ongoing basis.
  - › Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, some but not all customers are reminded of how to submit a complaint at the time they are applying to use a financial service. Or, all customers receive explanations on how to submit a complaint, but for some channels only, thereby reducing their choice among channels.
  - › No: The provider does not meet any of the conditions for a score of 'yes.'
  - › N/A: Cannot score N/A.

Sources of information

- Any documentation given to customers that contains the customer complaints channels
- Interviews with customers, if possible, to verify that they know how to make a complaint.
- Read contracts or other forms related to approval of the use of financial services to see if they contain information about complaints
- Read information on how to submit complaints posted in digital channels (e.g., website, app)
- Interviews with staff who manage complaints
- Observation of physical locations, if applicable, to see what information on the complaints mechanism(s) is communicated
- Read complaints reports – if very few complaints are submitted, it could indicate that customers do not know about the mechanism, though there are other reasons why customers do not complain

IV.E.1.4 **The provider has a complaints escalation process and informs customers of how to use it.**

Research on the reasons for customer dissatisfaction with complaints resolution revealed that sometimes a provider considers a complaint "resolved," but the customer is not happy with the actions taken by the provider. For this reason, it is important for the provider's system for complaints handling to include an escalation option, meaning a way for customers to appeal for further assistance if they are not happy with the action initially taken by the provider. The escalation process can be totally internal to the provider – for example, at first a customer calls a hotline, but then can escalate the problem to senior management – or there can be an external entity that addresses complaints, such as the national association, the regulator, a consumer protection organization, or a national ombudsman.

Scoring guidance

- Yes: The provider: a) has documented in some way a process for escalation; b) shares information on the escalation process with customers. Also, when asked, at least the majority of customers who have ever filed a complaint express knowledge of the complaints escalation process and confirm that the provider gave them this information. Note: The provider may inform customers at different times about the escalation process. For example, score yes if the provider tells customers about the escalation process after a customer has filed a complaint (e.g., the provider sends an SMS message to all customers after the provider resolves their complaints and asks, "Were you satisfied with the resolution?" and if not, the provider tells them about the escalation process. Or, the provider shares information about the complaint escalation process in advance, at the time customers are applying to use a financial service.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.'
- No: No complaints escalation process exists or one exists but providers do not tell customers about it. Note that the provider should earn a score of 'no' if the customer knows about the escalation process (e.g., how to contact the regulator) but did NOT get that information from the provider.
- N/A: Cannot score N/A.

Sources of information

- Complaints manual
- Read public sources of information about the provider's complaints process (e.g., information shared via the website or in an app)
- Interviews with management and staff whose responsibilities include receiving, storing, or addressing complaints
- Complaints data – review a report of a sample of escalated complaints
- Interviews with customers, if possible

Essential Practice	Indicators / *Details*

IV.E.2 THE PROVIDER RESOLVES COMPLAINTS EFFICIENTLY.

This essential practice focuses on what aspects of a complaints mechanism enable the provider to resolve complaints efficiently. Specifically, the mechanism must:

- *record complaints securely in a database to which the people addressing complaints have easy access*
- *make all customer data (e.g., which accounts they have, what the terms and conditions are of the products they are using, transaction history) readily available to the people who address complaints*
- *make the process of filing the complaint relatively quick for the customer resolve complaint relatively quickly*

The provider should also communicate with customers throughout the process.

IV.E.2.1 **The provider identifies the level of severity of each complaint. Senior management is aware immediately of severe complaints and is responsible for addressing them.**

The severity of complaints varies significantly. While complaints often focus on dissatisfaction—about not being approved for a loan, for example—customers may complain about more serious issues like employee fraud, abusive treatment, and data breaches. The more serious the complaint, the more urgent it is for the provider to know about it and act. Therefore, all complaints mechanisms should categorize complaints by levels of severity. This facilitates transmitting complaints data to different departments. For example, it may be the responsibility of customer relations to address the less severe complaints, whereas senior management addresses the complaints with the highest level of severity.

Scoring guidance

- Yes: The provider (1) has a complaints policy that ranks the types of complaints by severity and defines the person responsible for handling that complaint; (2) assigns to senior management the responsibility for addressing the most severe complaints; (3) monitors the effectiveness of this process on an ongoing basis.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider does not rank complaints by severity, or does so in an incomplete way, but in practice members of senior management do address the most urgent problems. Or, the ranking system is comprehensive but the policy does not define who is responsible for addressing which type of complaint. Or, the policy is clear but in practice the system does not work well.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- The complaints handling policy. Pay attention to the categories of complaints and the definition of roles and responsibilities, particularly with regards to addressing the most severe complaints.
- Interviews with management and staff that implement the complaints mechanism.
- Review complaint data reports.

IV.E.2.2 **The provider registers customer complaints in a secure system that reaches the complaints handling staff and/or management.**

The complaints mechanism must record each complaint filed by customers, in a way that ensures that no complaint can be hidden or buried. Without this, it is extremely difficult, if not impossible, for the provider to address individual complaints well, and even less likely that the provider can consolidate and analyze complaints data as a whole, to see what is not working well and what changes would help to improve overall performance.

Scoring guidance

- Yes: (1) The provider has a complaints mechanism that enters customer complaints into a central database, regardless of the channel the customers used to file the complaint. (2) On a daily basis, the people who handle complaints review new complaints. Senior management is aware of the most urgent problems and is responsible for addressing them. (3) The provider monitors how well its complaint data functions on an ongoing basis.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the complaints mechanism records complaints received from web-based channels but not from the hot line. Or, the complaints mechanism has the capacity to record complaints from all channels but in practice it does not record them all, perhaps due to technology malfunctions, staff unavailability, or human error.
- No: A central database to register and track all complaints does not exist.
- N/A: Cannot score N/A.

Sources of information

- Interviews with staff and managers responsible for complaints handling, data entry, data analysis
- Complaints data reports

IV.E.2.3 The provider resolves customer complaints quickly.

IV.E.2.3.1 The provider sends to customers a confirmation of receipt of their complaints and a notification when the complaint has been resolved.
IV.E.2.3.2 If a provider receives complaints via call centers or chat, it monitors the average wait time.
IV.E.2.3.3 The provider resolves the majority of complaints within 48 hours. For complaints that take longer to resolve, the provider notifies the customer of the reason for the delay.

Good customer service requires resolving complaints as quickly as possible, and communicating with customers during the process so they know the provider cares about their problem and is taking action. Thanks to technology, it is relatively affordable and certainly feasible for customers to submit a complaint from wherever they are, and have the provider see it and begin addressing it that same day. If the customer uses a call center or live chat feature to submit a complaint, this process should not take so long that it is a burden on customers. For this reason, the provider must monitor the average wait time before a customer is able to file a complaint using these channels.

For most complaints, it is possible to resolve the issue within 48 hours, and the provider should strive to do so. Sometimes, however, the process takes longer. This is particularly true for serious complaints. For example, an accusation that an employee demanded bribes requires a thorough investigation. Also, if a customer loses funds due to fraud, it may take time for the provider to establish the source of the fraud and determine what mitigation, if any, it will offer to the customer.

Part of customer service is keeping customers informed. The complaints mechanism should have the capacity to inform customers when a complaint is received, what the timeline is for resolution, and when the complaint is resolved. Customers should also be able to follow up on their complaint, if they have a question during the resolution process.

Scoring guidance

- Detail IV.E.2.3.1
  - Yes: The provider (1) sends all customers a confirmation receipt whenever they submit a complaint; (2) sends a notification to customers when their complaint has been resolved; (3) monitors the effectiveness of its customer notification system on an ongoing basis.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, not all customers receive complaint receipts and/or resolution notifications, or there are frequent technical problems with the automated customer communication system(s).

- No: The provider has no system in place for sending notifications to customers who file complaints, or the system exists but the provider does not use it.
- N/A: Cannot score N/A.

- Detail IV.E.2.3.2
  - Yes: The provider (1) monitors customers' average wait time when they use the call center or a live chat option; (2) reports these data to management so that management is aware of how lengthy the process is, and can take action if it decides there is a problem.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider monitors average wait time occasionally, but not enough to know whether the call center or chat consistently performs well with regards to minimizing the time that customers have to wait. Or, the provider monitors this information but management never reviews it.
  - No: The provider does not monitor the average wait time before it answers customers' calls or chats.
  - N/A: The provider has neither a call center nor a live chat function to receive customer complaints.

- Detail IV.E.2.3.3
  - Yes: The provider (1) tracks the time used to resolve complaints; (2) resolves at least 90% of complaints within 48 hours; (3) notifies customers of the reason for delay, if the complaint resolution takes longer than one month, and (4) monitors regularly the average complaints resolution time.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.' Score 'partially', if the second or third requirement is not met. For instance, non-achievement of the target to resolve at least 90% of complaints within one month or not all customers are notified when the resolution of their complaints takes longer.
  - No: The provider has no process in place of tracking the time used to resolve complaints.
  - No: A central database to register and track all complaints does not exist.
  - N/A: Cannot score N/A.

Sources of information

- Complaints handling reports that specify the average length of time for complaints to be resolved, with the number of complaints that take longer than 48 hours to resolve.
- Reports on the average wait times for the call center and/or live chat function
- Complaints handling policy or documented process that outlines when customers receive notification from the provider during the handling of their complaint.
- Read a sample of notifications sent to customers about the receipt of their complaints and the resolution of their complaints

IV.E.2.4 Complaints handling staff have access to relevant customer data, including transaction details and notes from previous complaint conversations.

In order for complaints handling staff to be effective and efficient in their jobs, they need to have access to the relevant information about the customers who are calling to complain and their history of interactions with the provider. This is most easily done by providing access to the complaints database, that allows the staff to view the customers' information and the notes that other staff may have made in regard to the customers' behavior or case details. To facilitate staff finding relevant information easily, the complaints database should have a function that enables tracking the case through to resolution, for example by assigning a unique number to each complaint.

Note that in complementarity to giving staff access to the data they need, the provider must also train staff well. The training should cover how the complaints mechanism(s) works, the role of complaints staff, what information to communicate to customers and when, how to manage complaints until they are resolved, and how to refer complaints to the appropriate person for investigation and resolution. However, this indicator is not the place to assess whether staff received sufficient training on managing complaints. Instead, that is covered in IV.C. 2.1.6.

Scoring guidance

- Yes: The complaints handling staff have access to customer data, including transaction details and any notes from previous interactions between the customer and the provider about the problem in question.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the complaints handling staff has access only to the transaction details, but the complaints database does not record information about each interaction between the customer and the provider related to complaint resolution.
- No: The provider does not meet any of the conditions for a score of 'yes.' The complaints handling staff has neither access to the transaction details nor to notes from previous calls or written chats. Or, the provider has no complaints database.
- N/A: Cannot score N/A.

Sources of information

- Observe the screens that customer service representatives see when they are talking to a customer, or entering a complaint.
- Interviews with the complaints handling staff and manager.
- Complaints policy
- Interviews with customers, if possible

IV.E.2.5 **The provider helps its customers to resolve complaints they have with partners.**

Digital finance has introduced new complexity to the complaints handling process, because some customers interact primarily with the provider's partner (e.g., a cash-in/cash-out agent, an insurance company, an external collections agency), and these customers tend to voice their complaints to the partner instead of the provider.

It is important for the provider to learn whatever complaints information customers are sharing with partners. Any time that customers have a bad experience with the provider's partners, the customers might blame the provider, or at least expect the provider to resolve the problem. If customers are dissatisfied with partners, they are also likely to feel dissatisfied with the provider. Therefore, to protect its own reputation as well as to mitigate customer protection risks, the provider must help its customers to resolve complaints that they have with partners.

How this works in practice differs from one provider to the next. Some establish a point of contact within the partner organization who will be responsible for helping to resolve customer complaints. Others may conduct awareness raising campaigns to inform customers that even when they have a complaint related to a service provided by a partner (e.g., a cell phone network is down), nonetheless the customer can complain to the provider. At the very least, providers must inform customers of how to submit a complaint to their partners. However, since the provider does not manage the partner's complaints team, it cannot guarantee that a partner will act quickly or respectfully. To monitor customer experience, one possibility for the provider is to ask the partner to share complaints data. If this is not feasible, the provider can ask customers to tell the provider their complaints about partners, and/or the provider can pro-actively survey a sample of customers who transact primarily with partners to ask if the customers have ever encountered a problem.

Note that when a smaller provider works with a larger partner (e.g., a microfinance institution has a partnership with a mobile network operator), it is especially unlikely that the provider can require its partner to share any information on its complaints mechanism, from how it trains its staff to what its policies are on timelines for complaints resolution to reports on complaints received. In these cases, it is especially important for the provider to communicate directly with its customers about their experiences with the partner.

Scoring guidance

- Yes: The provider (1) informs its customers about how to submit complaints to partners; (2) informs customers that they can complain to the provider about problems they are having with partners; (3) assists customers in resolving any complaints they have about partners.

- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider informs customers of how to submit complaints to a partner, but does not help customers to get those complaints resolved.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: The provider does not work with partners that interact directly with the provider's customers.

Sources of information

- Complaints handling policy
- Read public sources of information about the provider's complaints process (e.g., information shared via the website or in an app)
- Interview the provider's point of contact for complaints handling at the partner institution, if applicable
- Interviews with staff who receive and/or respond to complaints
- Interviews with the employee(s) who manage partner relationships
- Interview with the third-party provider's agents, if applicable.

Essential Practice	**Indicators** / *Details*

IV.E.3 THE PROVIDER USES INFORMATION FROM COMPLAINTS TO MANAGE OPERATIONS AND IMPROVE PRODUCT AND SERVICE QUALITY.

Complaints data are enormously valuable because they give the provider insight into how to improve performance in a way that will improve customer satisfaction and therefore retention, as well as increase the likelihood that customers will use new products and recommend the provider to others. In short, understanding why customers are unhappy is fundamental to the long-term sustainability of the provider. For this reason, the provider must aggregate, analyze, and report on complaints data, so that members of the board and management can use this information to inform strategic and operational decisions. At minimum, analysis should look for trends, meaning repeating issues, as these signal the need to change operations, products, and/or training in order to design financial services that are better suited to customers' needs, and offer them through channels that customers use, in a way that is efficient, respectful, and transparent.

Note that while complaints are a useful form of market research, providers should employ other methods of market research to inform product design and delivery as well. Complaints are biased toward customers with grievances. Customers who are satisfied are not typically filing complaints, but the provider must take into account their preferences too when designing financial services.

IV.E.3.1 **The complaints system creates a report for management and customer care staff. Minimum frequency: monthly**

Management should review complaints data on a regular basis. To facilitate this review, the complaints database should be able to generate reports on complaints received, with information on all aspects of the complaint (e.g., type of complaint, severity, date received, date resolved, channel used to submit the complaint, and any notes on interactions with the customer during the resolution process). Through data analysis, management can identify repeating problems that likely indicate operational or product-related issues that require correction. For example, complaints may reveal a need to reduce wait times to talk to customer service, to offer a grace period before loan repayments, to improve access by partnering with an agent network that is present in a remote area, or to improve staff training on a topic where customers feel they have not been able to get satisfactory answers. Such information, when analyzed and discussed by management, can also help providers narrow the focus of additional market research.

Management review of reports on complaints also helps management to verify the effectiveness of the complaints mechanism(s) on an ongoing basis. For example, management should note if the reports have very little data (suggesting customers are not using the complaints channels), or the quality of the data is odd or fields are missing information, or the complaint resolution times are long. Any of these would suggest weaknesses in the system. Even if the data do not immediately suggest problems with the complaints mechanism, it is good practice for the provider to investigate a sample of complaints, which would include follow-up with customers, to monitor not only whether the issue was resolved, and how quickly, but also whether the customer was informed of the outcome and satisfied with the result.

Scoring guidance

- Yes: The provider (1) generates reports, on a monthly basis if not more frequently, on the complaints data covering the primary information (i.e., number received, type of complaint, severity, channel, date received, date resolved); (2) shares the reports with management and customer care staff.
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, the provider produces these reports but it is unclear if management sees them. Or, the provider produces these reports and sends them to management, but only on a quarterly basis, if not less frequently.
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Complaints reports
- Interviews with management and customer care staff

IV.E.3.2 **Management reviews complaints reports by customer segment, by product, and by delivery channel. Minimum frequency: quarterly**

The complaints database should allow providers to aggregate complaints data easily from all the different channels through which customers filed them. The database should also be able to generate reports of complaints by type of complaint (e.g., about a loan, about a savings product), by the severity, and by any other segmentation relevant to the provider (e.g., location, demographic profile of the complainant). The database should also facilitate analysis of trends over time. Segmenting data provides much greater insight than looking only at global complaints data. Looking at segmented data gives the provider much more precise information about which types of customers are not happy, and/or which specific product, service, or channel, is not meeting customers' needs.

Scoring guidance

- Yes: Complaints reports provide information on complaints by all segments that are relevant to the provider. At minimum, this would be by product and channel. It may also include socioeconomic or demographic characteristics of customers (e.g., gender, age, income level).
- Partially: The provider meets some but not all of the conditions for a score of 'yes.' For example, complaints reports show data segmented by product (e.g., loan, payment) but not by channel (e.g., app, website).
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Sources of information

- Complaints reports
- Interviews with management, customer care staff, and IT

IV.E.3.3 **The provider investigates whether customers had complaints but did not file them, by conducting at minimum the following activities: Minimum frequency: annually**

IV.E.3.3.1 *Analyzing complaints by socioeconomic characteristics to see if certain segments of customers are under- or over-represented among the customers who complain.*
IV.E.3.3.2 *Surveying a representative sample of all customers to ask if they have complaints that they have not filed.*

Research reveals that many customers who have complaints do not file them. There are numerous reasons for this: previous bad experience with filing a complaint, general mistrust of the system, preference to talk to a family or friend about the problem, lack of information about how to file a complaint, lack of confidence to file a complaint, lack of technical capacity, low literacy, and inability to pay the cost of using the complaints mechanism. Providers therefore cannot rely on the complaints system to inform them of all of their customers' complaints.

Analyzing who is complaining is a good first step to understanding if customers are using the complaints mechanism. If the total number of complaints is very low, this is a sign that the system is underused. Segmented analysis provides even more insight. It is possible for the provider to receive what it considers a normal amount of complaints each month, but segmentation reveals that only certain types of customers (e.g., only those that use the app, or only those living in urban areas) have filed complaints. In this case, the provider would conclude that certain customer segments are using the complaints mechanism while others are not.

To make sure it is serving all of its customers' well, the provider should pro-actively survey at minimum a sample of its customers to ask if they have encountered challenges, and if the answer is yes, ask follow up questions to learn what the exact problem was and how the provider can resolve it.

Scoring guidance

- Detail IV.E.3.3.1
  - Yes: (1) The provider analyzes customer data by segment, monitoring at minimum how many complaints each segment files in each given time period (e.g., month, quarter, year). Note that each provider will choose the segments that are most relevant to its context, so not every provider will segment its data in the same way. Typically, however, relevant segments include location (e.g., rural, peri-urban, urban), gender, product, and channel. But other segments, such as income level, age, amount of the customer's most recent loan, tenure of the customer with the provider, or type of economic activity that is the customer's primary source of revenue (e.g., farmers vs shop owners), may also be relevant. The provider will tell the assessor what socioeconomic data it collects about its customers, which may be none. (2) The provider reports analysis to management, at minimum on an annual basis, on which customer segments are filing complaints and which are not. The analysis must compare the percentage of complaints, by customer segment, to the percentage of the overall number of customers that each customer segment represents.
  - Partially: The provider meets some but not all of the conditions for a score of 'yes.'
  - No: The provider does not meet any of the conditions for a score of 'yes.'
  - N/A: Cannot score N/A.

- Detail IV.E.3.3.2
  - Yes: The provider implements the following activities: (1) surveys at minimum 1% of customers at least once per year and includes in the survey a representative sample according to its own customer base (e.g., by channel, by product). If the provider collects data on gender, make its survey sample representative by gender; (2) in the survey, asks not only, "yes/no, have you ever had a complaint you did not file?" but also, "What was your complaint?" [Note: the survey does not have to be a standalone survey. For example, the question can be embedded in a satisfaction survey. Note also that this indicator is not intended to address the issue of

whether a customer is dissatisfied with the resolution of a complaint that s/he did file. This indicator specifically investigates whether some people who had a complaint chose NOT to use the complaints mechanism.]; (3) if applicable, in the survey, asks customers if they have had challenges with partners; (4) reports the results of the survey to management at least once a year.

- Partially: The provider meets some but not all of the conditions for a score of 'yes.'
- No: The provider does not meet any of the conditions for a score of 'yes.'
- N/A: Cannot score N/A.

Note: If the complaints channel is underused generally or by certain segments of the customer base (see analysis from previous indicator), then the provider should overweight its survey toward the customer segments that seem not to be using the complaints channel.

Sources of information

- Analysis of complaints data, by segments
- Review of customer survey questions
- Minutes from management and board discussions
- Interviews with management and customer care staff

Dimension V

Responsible Human Resource Development

Qualified and committed human resources are essential to achieving customer-centric goals. To create a motivated and effective workforce, the provider must make it clear to employees what their responsibilities are, and how what they do supports the provider's overall efforts to protect customers from harm and offer financial services that can benefit them. The provider must also listen to employees, both when they have a complaint and when they have ideas for organizational improvements. Responsible treatment of employees also encompasses a work environment that is safe, and a training and promotion system that allows employees to build their skills and advance in their careers. Employees that are paid fairly, treated with respect, trained to do their jobs well, rewarded for high quality work, and informed about how their specific role supports the overall goals of the provider, are more likely to treat customers responsibly and work effectively.

Dimension V, which Cerise+SPTF co-developed with the International Labor Organization and the e-MFP Human Resources Action Group, has three standards:

- **Standard V.A** The provider creates a safe and equitable work environment.
- **Standard V.B** The provider's Human Resource Development system is designed to attract and maintain a qualified and motivated workforce.
- **Standard V.C** The provider's Human Resource Development system supports its customer-centric strategy.

Standard

V.A THE PROVIDER CREATES A SAFE AND EQUITABLE WORK ENVIRONMENT.

Creating a supportive, safe and equitable working environment requires providers to have the policies and procedures in place to guarantee a non-discriminatory and safe place to work, to remunerate employees fairly, and to address employees' grievances. The provider must at minimum comply with, but may exceed the requirements of, national labor laws. This includes those related to forced labor and child labor. This standard has 3 essential practices:

- **Essential Practice V.A.1:** A written Human Resources policy is available to all employees that explains and protects their rights.
- **Essential Practice V.A.2:** Employee compensation is equitable and adequate.
- **Essential Practice V.A.3:** The provider has a safety and health management system.

Essential Practice	Indicators / *Details*

V.A.1 A WRITTEN HUMAN RESOURCES POLICY IS AVAILABLE TO ALL EMPLOYEES THAT EXPLAINS AND PROTECTS THEIR RIGHTS.

V.A.1.1 The provider's Human Resource policy explains employees' rights and responsibilities related to the following:

V.A.1.1.1 Work rules and disciplinary procedures
V.A.1.1.2 Grievance resolution
V.A.1.1.3 Collective bargaining agreements and freedom of association
V.A.1.1.4 Whistleblower safeguards
V.A.1.1.5 Anti-harassment safeguards
V.A.1.1.6 Conditions for dismissal and exit formalities

A comprehensive human resources (HR) policy is the foundation for a safe and supportive work environment. The HR policy should be compliant with national labor law, explain working rules, conditions, and staff protections, and be easily accessible to all employees. This means that each employee should know that the policy exists and what topics it covers, and should have access to the policy if they would like to consult it.

Scoring guidance

For each detail:

- Yes: (1) the HR policy describes employees' rights and responsibilities related to the detail concerned; (2) the provider complies fully with the rights and responsibilities for all employees related to the detail concerned; (3) employees understand their rights and responsibilities related to the detail concerned.
- Partially": (1) the provider partially but not fully meets the conditions described in how to score a 'yes.'
- No: (1) the provider complies not at all, or very minimally, with the rights and responsibilities related to the detail concerned, or if no HR policy exists, or if an HR policy exists but lacks information related to the detail.

Sources of information

- HR Policy & Procedures Manual
- Interview with the HR manager
- Interviews with employees

V.A.1.2 The provider meets or exceeds local regulations in the following areas:

V.A.1.2.1 Competitive wages
V.A.1.2.2 Benefits/social protection
V.A.1.2.3 Limits on working hours and overtime hours
V.A.1.2.4 Overtime pay and paid leave

The HR policy/ HR rules should include key elements related to wages including overtime pay if applicable, benefits (e.g., accident and/or health insurance, life insurance, contributions to pensions), limits on working hours and overtime hours, and paid leave, Provider must at minimum with national labor regulations and may exceed them, if these are insufficient to protect worker safety and well-being.

Scoring guidance

For each detail:

- Yes: (1) the detail concerned meets or exceeds national labor regulations, (2) is fully complied with by the provider for all employees, (3) is described clearly in the formal HR policy, and (4) is understood well by the employees.
- Partially': (1) the detail concerned meets at least national labor regulations, (2) is somewhat but not fully complied with by the provider, for all employees, and/or (3) it is not included in the formal HR policy, and/or (4) it is not well understood by the employees.
- No: (1) the detail concerned does not meet national labor regulations and/or (2) is largely not complied with by the provider for all employees regardless of whether the third and fourth requirements are met.

Sources of information

- National labor regulations
- Salary scale, HR Policy & Procedures manual
- Interview with the HR manager
- Interviews with employees

V.A.1.3 **The provider's non-discrimination policy towards employees covers all internationally recognized Protected Categories.**

[**Note:** Protected Categories are as follows: People over 40 years old; Sex; Race/ethnicity/national extraction/social origin/caste; Religion; Health status, including HIV status; Disability; Sexual orientation; Political affiliation/opinion; Civil/marital status; Participation in a trade union.]

Providers should have a non-discrimination policy to ensure equal access to jobs, promotions, and trainings. The policy should guarantee employee's rights to fair and equal treatment regardless of (1) age, (2) sex, (3) race/ethnicity/national extraction/social origin/caste, (4) religion, (5) health status, including HIV status, (6) disability, (7) sexual orientation; (8) political affiliation/opinion, (9) civil/marital status, and (10) participation in a trade union.

Scoring guidance

- Yes: (1) there is no single case of an employee being discriminated regarding any of the ten internationally recognized 'Protected Categories' over the past year; (2) the provider has a non-discrimination policy that includes at minimum all ten 'Protected Categories' in the HR policy/ internal rules/ code of conduct; (3) the provider verifies compliance with the policy via internal audits; (4) employees are aware of and understand the non-discrimination policy.
- Partially: One of the above requirements is not met fully. For instance, there is no evidence of discrimination against most of the Protected Categories but there is some evidence of discriminatory feeling or action against at least one of them, that happened in the last year. Also score 'partially' if a non-discrimination policy is not - or not clearly - formulated in the HR policy/ internal rules/ code of conduct, even if employees are aware that discrimination is not allowed and there is no evidence of discrimination occurring. Also score 'partially' if a policy exists, and there is no evidence of discrimination, but the organization does not have an internal system to periodically verify compliance with the policy.
- No: There are one or more cases of discrimination against the 'Protected Categories' in the past year and the provider has no 'non-discrimination policy' and it has no process in place to verify compliance with its 'non-discrimination policy'.

Sources of information

- HR Policy & Procedures Manual, code of conduct/code of ethics.
- HR compliance audit reports, social audits or ratings, any HR assessments during the past year.
- Interviews with HR manager and employees.

V.A.1.4 **The provider operates in accordance with national law on forced labor and minimum age for employment, but in no case employs workers under 14 years old. If national law does not address forced labor, the provider complies with international law.**

In compliance with international standards for decent work conditions, providers should not (1) employ any person against his or her will, (2) employ any person under the minimum age for work established by national law, but not under 14 years in any case and (3) do business with enterprises that benefit from forced labor or child labor. These are fundamental elements to complying with international good practice. Providers should follow international law when national law fails to address these issues.

Scoring guidance

- Yes: (1) there has been no single case of non-compliance with the above-listed decent work conditions over the past year and (2) the provider has a systematic process in place to ensure compliance, which includes (a) the formalization of the decent work conditions in its HR policy, (b) an application of this policy during the recruitment process, and (c) verification of compliance with the policy, at least annually, by HR or some other internal team.
- Partially: There the provider has been in non-compliance with the above-listed decent work conditions over the past year, but the some of the other requirements listed above are only partly met. For instance, (i) the HR policy does not clearly define or mandate decent work conditions and/or (ii) insufficient attention is given to the decent work conditions during the recruitment process and/or (iii) there has been no HR compliance audit in the past year.
- No: The requirements listed above are not met, or mostly not met, over the course of the previous year.
- N/A: It is not allowed to score N/A.

Sources of information

- HR Policy & Procedures Manual, code of conduct/code of ethics
- Interviews with HR manager and executive management

Essential Practice	**Indicators** / *Details*

V.A.2 EMPLOYEE COMPENSATION IS EQUITABLE AND ADEQUATE.

Providers should pay employees a salary that at minimum matches the national or local sector minimum wage, but also that is in line with market conditions and adapted to the job position. In all cases, salaries should be sufficient for employees to afford a basic quality of living condition. Since historically women have been paid less than men for equal work, it is also important for the provider to verify that its male and female employees with comparable jobs receive comparable pay. Analyze salary discrepancies at each level and in all organizational units/departments.

V.A.2.1 **The provider pays salaries based on market rates and never below the sectoral minimum wage.**

Scoring guidance

- Yes: (1) no employee has been paid below the sectoral minimum wage over the past year and (2) the provider takes action to ensure that all employees are paid salaries based on market rates and never below the sectoral minimum wage (3) the provider monitors i at least annually whether it is compliance with its policies on salaries.

- Partially': The provider meets some but not all of the requirements listed above. For instance, some employees are paid below market rates (but not below sectoral minimum wage) over the past year, or the provider has not monitored its compliance with its policy on salaries during the past 12 months.
- No: One or more employees have been paid below the sectoral minimum wage over the past year and/or the salaries of many employees are below market rates and/or the provider has no process in place to ensure that all employees are paid salaries based on market rates and never below the sectoral minimum wage.

Sources of information

- HR Policy & Procedures Manual, internal salary scale per type of position.
- Interviews with HR manager
- Interviews with employees.
- National sector minimum wage, if available.
- Salary scales of the main competitors.

V.A.2.2 **The provider analyzes salary data to check that men and women receive equal pay for equal work and have equal opportunities for pay increase/promotion.**

Scoring guidance

- Yes: (1) there is no case of a gender pay gap during the past year among employees with comparable positions OR the provider found a gap took corrective action, and (2) the provider has a systemic process in place to collect and analyze regularly gender-disaggregated data on salaries & incentives and career opportunities for all positions and in all units/departments for discussion at senior management or board level at least annually.
- Partially: The agove requirements are not met fully. For instance, (i) one or a few cases of gender pay gaps and unequal career opportunities over the past year or (ii) gender disaggregated salary & incentive and career opportunity data are regularly collected and analyzed, but they are not reviewed or discussed by senior management or the board or (iii) the provider made only insufficient adjustments to correct gender pay gaps and unequal career opportunities over the past year.
- No: The above requirements are largely not met. For instance, (i) significant cases of unequal gender pay and career opportunities over the past year and/or (ii) there is no process in place to collect and analyze regularly gender-disaggregated data on salaries & incentives and career opportunities and/or (iii) the provider made no adjustments to correct significant gender pay gaps and unequal career opportunities over the past year.

Sources of information

- HR Policy & Procedures Manual.
- HR reports
- Minutes of meetings of the board and senior management.
- Interviews with HR manager and employees.
- Sector information on gender pay gaps, if available.

Essential Practice	Indicators / *Details*

V.A.3 THE PROVIDER HAS A SAFETY AND HEALTH MANAGEMENT SYSTEM.

Providers should assess at least annually the health and safety risks both in the office and in the field, if applicable, that employees face while performing their job functions. A workplace risk assessment by different employee characteristics, including gender and disability, is a key for protecting workers and businesses, as well as complying with the laws in many countries. A risk assessment can be done by anyone in the organization - employees in charge do not have to be safety and health experts. The assessment considers three main components: a) what hazards exist (e.g., risks from electricity, from over-burdening staff, from transportation if staff have to travel), b) how likely it is for each type of harm to occur, and c) how serious the harm would be. After the assessment, the provider determines what risk control measures to implement and who will do it. If harm does occur, the provider must also document incidents, report them to board and management, and take corrective measures.

V.A.3.1 The provider assesses the health and safety risks faced by its employees and audits its existing safety measures. Minimum frequency: annually.

Scoring guidance

- Yes: The provider has a process to assess at least annually the health and safety risks (1) both in the office and in the field, if applicable (2) differentiated by gender, disability and other employees' characteristics, (3) in a participatory process that includes female and male employees with various job functions (4) with an audit of the existing safety measures that is (5) summarized in a written annual report for the board, all employees, and other stakeholders and (6) the full process be documented in the HR Policy & Procedures manual or another HR document.
- Partially: The above requirements are met only partly. For instance, (i) the assessment is done only every two years or (ii) it is not complete on hazards or control measures to be analyzed or (iii) it is done top-down by the HR manager without consulting different employees or (iv) the report is not widely disseminated or (v) there is no written documentation of this process.
- No: No such process is in place, or the process is missing key elements.

Sources of information

- HR Policy & Procedures Manual.
- Last two health and safety risk reports.
- Interviews with HR manager and/or the CEO
- Interviews with employees of different genders and job functions
- Relevant parts of the national labor law and regulations.

V.A.3.2 The provider takes necessary measures to mitigate hazards.

V.A.3.2.1 The provider offers health and safety equipment, training and adapted physical accommodations.
V.A.3.2.2 The provider has an emergency/disaster response plan and trains management and employees on how to follow the plan. Minimum training frequency: annually.

Scoring guidance

- Detail V.A.3.2.1
  - Yes: The provider (1) offers all necessary health & safety equipment free-of-charge to all employees, (2) trains at least annually all employees in the proper use of their health & safety equipment, (3) adapts physical accommodations, as needed, to safeguard the employees' health and safety, and (4) the large majority of employees uses effectively their health & safety equipment.
  - Partially: A significant number of employees do not use effectively their health & safety equipment or the first three requirements are not met fully. For instance, (i) not all necessary health & safety equipment is offered to all employees or (ii) training in the proper use of the health & safety equipment is offered only once in two years or not to all employees or (iii) physical accommodations are not sufficiently adapted to safeguard the employees' health and safety.
  - No: Most employees do not use effectively their health & safety equipment and/or do not have the most basic equipment and/or most requirements are largely not met. For instance, (i) the health & safety equipment for the employees is insufficient and/or in poor condition and/or (ii) most employees are not trained in the use of health & safety equipment and/or (iii) physical accommodations are not adapted to safeguard the employees' health and safety.
  - N/A: All employees work remotely and the provider has no physical office.

- Detail V.A.3.2.2
  - Yes: The provider (1) has an updated written emergency/disaster response plan for all its offices, (2) trains management and employees at least annually on how to follow it, and (3) a majority of employees understands it.

- Partially: The above requirements are not met fully. For instance, (i) there is just a written generic emergency/disaster response plan, but not adjusted to each office or (ii) training on the emergency/disaster response plan is offered only once in two years or not to all employees or (iii) a significant number of the employees do not understand it well.
- No: One of the three requirements are largely not met. For instance, (i) most employees do not understand the emergency/disaster response plan and/or (ii) there is no written emergency/disaster response plan and/or (iii) no training on the emergency/disaster response plan within the past two years.
- N/A: All employees work remotely and the provider has no physical office.

Sources of information

- HR Policy & Procedures Manual.
- Last two health and safety risk reports.
- Interviews with HR manager and/or the CEO
- Interviews with employees of different genders and job functions
- Relevant parts of the national labor law and regulations.

Standard

V.B THE PROVIDER'S HUMAN RESOURCE DEVELOPMENT SYSTEM IS DESIGNED TO ATTRACT AND MAINTAIN A QUALIFIED AND MOTIVATED WORKFORCE.

This standard has 2 essential practices:

- **Essential Practice V.B.1:** The provider gives employees complete employment documentation and training to understand their job requirements.
- **Essential Practice V.B.2:** The provider gives employees formal opportunities to communicate with management.

Essential Practice	Indicators / *Details*

V.B.1 THE PROVIDER GIVES EMPLOYEES COMPLETE EMPLOYMENT DOCUMENTATION AND TRAINING TO UNDERSTAND THEIR JOB REQUIREMENTS.

V.B.1.1 The provider communicates to employees their individual employment terms.

V.B.1.1.1 Base salary and opportunities for any other type of compensation (overtime, incentive pay)
V.B.1.1.2 Job description/scope of work

The provider should offer fair salaries and any incentives, and have a transparent system for evaluating whether employees have earned incentives. Providers should also give each employee a written (signed) employment contract and a written job description of his/her workplace duties. These are essential to prepare and motivate employees to do their jobs well.

Scoring guidance

- Detail V.B.1.1.1
  - Yes: (1) each employee receives a written and mutually signed employment contract that outlines in clear language and necessary detail the complete salary package with the base salary, all performance-based incentives, all social benefits (like insurance coverages), and overtime pay and (2) most or all employees understand their employment contracts.
  - Partially: The above requirements are met only partly. For instance, (i) the employment contracts are not being mutually signed or (ii) they miss some of the above information that is communicated orally only or (iii) they are in legal language not well understood by many employees.
  - No: One or more of the above requirements are largely not met. For instance, (i) most/all employees do not receive a written and mutually signed employment contract and/or (ii) employees are not informed by all elements of their salary package in whatever format and/or (iii) most employees do not understand well their salary package.

- Detail V.B.1.1.2
  - Yes: (1) each employee receives an individual, customized written job description that outlines in clear language and necessary detail the nature of the work to be performed, key responsibilities and duties, and the competencies required and (2) most or all employees understand fully their job description.
  - Partially: The above requirements are met only partly. For instance, (i) the job descriptions miss some of the above information that is communicated orally only or (ii) they are little customized or (iii) they are in vague/unclear language not well understood by many employees.
  - No: Any of the requirements are largely not met. For instance, (i) most/all employees do not receive a written job description, and/or (ii) the job descriptions are not customized and lack key information (like the competencies required), and/or (iii) most employees do not understand well their job description.

Sources of information

- HR Policy & Procedures Manual.
- Employment contracts for several different positions and a variety of employees by demographic characteristics.
- Documentation of the performance evaluation process.
- HR reports on the staff salary packages and performance evaluations over the past 12 months.
- Interviews with the HR manager
- Interviews with employees with different genders and job functions
- Relevant parts of the national labor law and regulations.

Essential Practice	Indicators / *Details*
V.B.2 THE PROVIDER GIVES EMPLOYEES FORMAL OPPORTUNITIES TO COMMUNICATE WITH MANAGEMENT.	**V.B.2.1 The provider has a formal grievance mechanism that allows employees to raise workplace concerns in a confidential manner.**

Providers should have a formal mechanism through which employees can voice, anonymously if preferred. The process would include not only receiving the complaint, but also documenting it and addressing it, as well as monitoring overall the number of complaints submitted and the details of their resolution. Zero complaints is not a good sign, as it would indicate that employees either do not know about the mechanism or do not feel comfortable using it.

Scoring guidance

- Yes: The provider has a formal grievance mechanism in place that allows employees to raise workplace concerns that (1) assures confidentiality for employees, (2) documents complaints; (3) is well known and understood by all employees, and (4) addresses employee grievances in a timely fashion.
- Partially: The above requirements are only partly met. For instance, a mechanism exists but (i) there is no communication channel for employees that technically ensures their confidentiality or (ii) many employees do not understand of how to use the grievance mechanism or (iii) there is a slow or insufficient follow up on grievances.
- No: There is no formal mechanism for employees to raise workplace grievances in a confidential manner, or if one exists but employees are unaware of it.

Sources of information

- HR Policy & Procedures Manual.
- Reports of the formal grievance mechanism on the number and types of grievances and how they were addressed over the past 12 months, if available.
- Interviews with the HR manager, employee representatives (if existing), and different employees (by gender and by position).

Standard

V.C THE PROVIDER'S HUMAN RESOURCE DEVELOPMENT SYSTEM SUPPORTS ITS CUSTOMER-CENTRIC STRATEGY.

The effective implementation of a customer-centric strategy (see standard I.A) requires the full commitment of the board (see standard II.A), senior management (see standard II.B), and all employees. With regards to employees, the Human Resource Development system has three main areas of activity that support the customer-centric strategy: (1) recruitment of people who are motivated to serve the target customers and offer financial services that benefit them; (2) training on how to achieve customer-centric goals and to adopt 'good' customer protection practices; and (3) balanced performance evaluation criteria, meaning the provider considers business targets, compliance with the Code of Conduct (and sanctions of non-compliance), and commitment to good customer protection practices when it assesses an employee's performance.

This standard has 3 essential practices:

- **Essential Practice V.C.1:** During the recruitment and hiring process, the provider assesses each candidate's commitment to achieving the provider's customer-centric goals and serving its target customers.
- **Essential Practice V.C.2:** The provider trains all employees on its customer-centric goals and on customer protection.
- **Essential Practice V.C.3:** The provider evaluates and incentivizes employees based on social and financial criteria.

Essential Practice	Indicators / *Details*

V.C.1 DURING THE RECRUITMENT AND HIRING PROCESS, THE PROVIDER ASSESSES EACH CANDIDATE'S COMMITMENT TO ACHIEVING THE PROVIDER'S CUSTOMER-CENTRIC GOALS AND SERVING ITS TARGET CUSTOMERS.

V.C.1.1 **All employees sign a document acknowledging that they will abide by the Code of Conduct.**

A Code of Conduct states in detail the behaviors that are expected of employees and what is prohibited, with a focus on customer protection. Asking employees to commit to a Code of Conduct reinforces a customer-centric culture. All employees should understand the content in the Code of Conduct and sign it to show they are willing to follow its rules.

Scoring guidance

- Yes: The provider has ensures that all employees comply with its Code of Conduct by at minimum doing the following: (1) having formulated it in a clear language that is comprehensible for all employees, (2) offering practical training on how to follow it to all new employees and annual refresher trainings for all employees, (3) requesting all employee to sign it (best when also signing the employment contract), and (4) controlling compliance regularly as part of employee performance evaluations and audits.
- Partially': The provider only partially meets and of the above requirements. For instance, (i) the Code of Conduct is vaguely or incompletely formulated or (ii) training on the Code of Conduct is not practical enough for employees to understand how to comply with it or (iii) not all employees sign the Code of Conduct or (iv) the employee performance evaluations do not cover explicitly the compliance with the Code of Conduct.
- No: There is no process in place to ensure compliance with the Code of Conduct, or most/all employees do not sign it or most employees do not understand it or are not even aware of it.

Sources of information

- HR Policy & Procedures manual / Code of Conduct
- Sample of employee files
- Interviews with HR manager and different employees (women and men with office and field functions) and at different levels.

Essential Practice	Indicators / *Details*

V.C.2 THE PROVIDER TRAINS ALL EMPLOYEES ON ITS CUSTOMER-CENTRIC GOALS AND ON CUSTOMER PROTECTION.

V.C.2.1 **The provider trains employees on customer protection, in line with their roles and responsibilities. The training covers at minimum the following topics:**

V.C.2.1.1 Repayment capacity analysis and the credit approval process.
V.C.2.1.2 How to avoid aggressive sales techniques, including how to respect customers' rights to refuse products.

V.C.2.1.3 How to communicate pricing, terms and conditions to customers, either in person or virtually, and how to verify customer understanding.
V.C.2.1.4 Debt collections practices and loan recovery procedures.
V.C.2.1.5 Confidentiality and data sharing policies and fraud risks, including common frauds, fraud identification, and fraud reporting.
V.C.2.1.6 How the full lifecycle of the complaints mechanism works, both for complaints lodged against the provider and for complaints against partners, and how to treat customers respectfully during the process. [F13][1]
V.C.2.1.7 How to monitor overindebtedness and customer stress.

Responsible providers ensure that their employees comply with the customer protection standards, so that the provision of financial services does not harm customers. Part of this is defining what customer protection risks are associated with the functions of each employee. For example, those who do sales need to understand what overly aggressive sales are. Those who handle customer data must understand how to keep customer data private and secure. In each case, including the specific customer-centric functions per type of position (e.g. customer care, internal audit) in the respective job descriptions is useful for clarity and good job performance. Training then reinforces this. The provider may offer trainings to employees at the time of hire and also on an ongoing basis, to refresh knowledge.

The HR policies on training should reflect the customer protection standards laid out in the Code of Conduct and in any organizational customer protection policies and procedures. Trainings may take the form of formal classroom trainings, on-line learning, on-the-job coaching, or knowledge transfer embedded in regular meetings.

Scoring guidance

- Details V.C.2.1.1
  - Yes: The provider trains employees whose function relates to the loan application, review, disbursement, or collection processes. on repayment capacity analysis and the credit approval process the area of customer protection mentioned in the detail, in the following ways: (1) induction training for new employees at the time of hire and (2) refresher trainings at least every two years. Additionally, most/all employees must demonstrate understanding of the customer protection risks associated with their specific job functions and what customer protection practices they must implement to mitigate those risks.

  - **Note:** For a loan longer than three months in duration, "repayment capacity analysis" involves building cash flow analysis, cross checking, and interviewing customers. If due diligence is conducted by group members, groups are trained on how to conduct due diligence and

[1] [F13]: The "full lifecycle of complaints" encompasses the initial contact with the person who complained, entering the complaint into the database, analysis of the complaint, resolution, and closing the case.

relevant loan criteria. Of a loan has a duration of less than three months, the provider may use data that are different from cash flow data to understand capacity to repay.
  - Partially: The provider meets only partially any of the requirements for 'yes.' For instance, (i) the induction training and the refresher trainings cover insufficiently the 'accepted' and 'non-acceptable' customer protection practices for the employees or (ii) training occurs at induction but there is no refresher training or (iii) a majority of employees have little understanding of customer protection.
  - No: There is no customer protection training process in place and/or no, or almost no, employees understand customer protection.
  - N/A: The provider does not offer loan products, score N/A.

- Details V.C.2.1.2 through V.C.2.1.6
  - Yes: The provider trains employees on the area of customer protection mentioned in the detail, in the following ways: (1) induction training for new employees at the time of hire and (2) refresher trainings at least every two years. Additionally, most/all employees must demonstrate understanding of the customer protection risks associated with their specific job functions and what customer protection practices they must implement to mitigate those risks.
  - Partially: The provider meets only partially any of the requirements for 'yes.' For instance, (i) the induction training and the refresher trainings cover insufficiently the 'accepted' and 'non-acceptable' customer protection practices for the employees or (ii) training occurs at induction but there is no refresher training or (iii) a majority of employees have little understanding of customer protection.
  - No: There is no customer protection training process in place and/or no, or almost no, employees understand customer protection.
  - N/A: My score N/A on V.C.2.1.4 if the provider does not offer loan products. May not score N/A on any of the other details.

- Detail V.C.2.1.7
  - Yes: Provider trains those staff who work on customer loans on over-indebtedness. The training covers not only default but also how stressful the customer finds it to have a loan. The training on customer stress includes how it is monitored by the institution (types of surveys, questions used) and how to interpret data on customer stress. The provider offers refresher training at minimum, every two years.
  - Partially: The provider (1) does not train all relevant staff, (2) does not train all new staff, or (3) does not provider refresher training, at minimum, every two years.
  - No: The provider does not train on this topic.
  - N/A: If the provider does not offer loan products, score N/A.

Sources of information

- HR Policy & Procedures manual / Code of Conduct
- Induction and refresher training plans and training material on the social strategy, social goals, and the social performance functions and social targets of staff.
- HR reports on induction and refresher trainings on customer protection and training evaluations during the past 12 months.
- Employee files
- Interview with HR manager, Training manager
- Interviews with employees with different genders and positions
- Customer surveys on outcomes, with at least one question focus on whether the customer feels stress because of his or her loan. Note that this can also be phrased as whether the loan is a burden.

Essential Practice	Indicators / *Details*

V.C.3 THE PROVIDER EVALUATES AND INCENTIVIZES EMPLOYEES BASED ON SOCIAL AND FINANCIAL CRITERIA.

V.C.3.1 Employee performance appraisals and incentives include customer protection criteria, such as portfolio quality and customer service, including treating customers respectfully and without discrimination.

In order to signal the importance of the Code of Conduct, customer-centric goals, and customer protection, the provider should evaluate employees, and partners who engage directly with the provider's customers, on customer protection criteria and, in some cases, whether they have contributed toward the provider's customer-centric goals. For employees, if the provider offers salary incentives, the criteria that determine whether an employee earns an incentive should also incorporate whether the employee contributed toward the achievement of customer-centric goals. Giving a bonus to an employee because he or she was excellent at adhering to customer protection practices, and/or helping customers to benefit from using financial services, sends a message to all other employees about the provider's commitment to responsible financial services.

Scoring guidance

- Yes: The provider has a system to evaluate and, optionally, incentivize, employee (and also partners who engage directly with customers) on their performance with respect to customer protection and compliance with the Code of Conduct. The evaluation should happen annually at minimum. If a portion of the salary earned by an employee / fee earned by a partner is incentive-based, then the provider also includes customer protection and/or customer-centric goals in the incentive criteria. These evaluations should be consistent with the findings of the ongoing oversight of the HR and/or internal audit departments.

- Partially: The provider only partially meets the above requirements, For example, if the incentive system largely focuses on business/financial criteria or the performance evaluation and incentive systems are reviewed less frequently than annually.
- No: There is no employee (and partner, if applicable) performance evaluation and incentive process in place and/or whatever is in place does not incorporate criteria related to customer protection or customer-centric goals.

Sources of information

- HR Policy & Procedures manual / Code of Conduct / Customer Protection Policy
- Staff performance evaluation criteria related to customer protection compliance and social performance.
- Criteria of incentive systems per main type of position (notably loan officer, field executive supervising several loan officers, customer adviser, branch manager) related to customer protection compliance and social performance.
- Employee files
- Interviews with HR manager, Operations Manager, different employees (women and men with office and field functions) and at different levels, and agents (who are directly contracted by the provider).

V.C.3.2 **The provider reviews incentive schemes to check for negative consequences such as fraud, customer mistreatment, aggressive sales, over-indebtedness, or high employee turnover.**

Market conditions evolve, with competition, regulation, political and economic fluctuations. Given this inevitable evolution of products, of the context in which customers use them, and of the providers own staff / technology / systems, providers must review targets and incentives annually, and revise them as needed to adapt them to keep them appropriate and realistic. The review should include an analysis of unintended negative consequences, meaning that in the process of achieving the targets set for them, employees act in a way that has negative effects on customers and/or the provider.

Scoring guidance

- Yes: The provider reviews incentives, at minimum annually, in the following way: (1) checks for (actual and potential) negative consequences for customers like aggressive sales, customer mistreatment, fraud, etc. (2) checks for negative outcomes for employees, such as stress or dissatisfaction. Note that this is often reflected by high staff turnover; and (3) takes corrective actions to address any negative consequences it does find.
- Partially: The provider only partially meets the above requirements. For instance, (i) the review is quite shallow without any customer research undertaken or (ii) it focuses on the employees with little attention given

to the customers or (iii) the last review was conducted two or more years ago or (iv) too limited and/or too late remedial actions were undertaken to address negative consequences.
- No: There is no process of reviewing the incentive system or the review process that does happen does not meet the requirements listed to score a 'yes.'

Sources of information

- HR Policy & Procedures manual.
- Incentives policy and incentive systems per main type of position (notably loan officer, field executive supervising several loan officers, customer adviser, branch manager).
- Latest customer research that reveals negative consequences like latest customer satisfaction surveys, customer exit interviews, etc.
- Latest two employee satisfaction surveys.
- Interviews with HR manager, Operations manager, and different employees (women and men with office and field functions) and at different levels, and agents (who are directly contracted by the provider).

About CERISE+SPTF

Cerise+SPTF promotes responsible and inclusive finance by setting management standards, raising awareness, creating assessment tools, and supporting implementation and capacity building, in order to improve outcomes for end customers. As the developers and champions of interdependent and complementary tools and products, Cerise and SPTF have worked closely together since the mid-2000s and formalized their partnership through a Memorandum of Understanding in 2021.

Our history:

- Founded in 2005, the Social Performance Task Force, or SPTF, developed, and regularly updates, the Universal Standards for Social and Environmental Performance Management (the Universal Standards) and the management standards for the responsible provision of digital financial services ("DFS Standards"). These standards guide impact-driven financial service providers in making finance safer and more beneficial for low-income customers. A membership organization, SPTF has about 8,000 participating individualsfrom every region of the world.
- Cerise, a French nonprofit created in 1998, pioneered the implementation of social performance management, working with committed financial service providers to launch the Social Performance Indicators initiative in 2001. As a social innovator, Cerise works with actors in inclusive finance, social business and impact investing to co-create social standards and social assessment tools that are free to all. Cerise also offers fee-based consultancy services to all types of impact-driven organizations, equipping them with the skills and tools they need to define and achieve their impact goals.

To learn more:

- Visit the Cerise+SPTF website for an overview of Cerise+SPTF's mission, vision, team and activities.
- Use the SPI Online platform to gain access to tools and resources and news.
- Visit the social investor webpage on the Cerise+SPTF website to learn more about how we support fund managers and private equity firms to drive measurable social impact. The suite of assessment tools developed by Cerise+SPTF helps social investors of all types ot mitigate risks, enhance financial inclusion, and ensure sustainable returns by promoting customer-centric practices and responsible management of digital financial services.
- Connect to social and environmental performance management professionals ("SEPM Pros") around the world via our database of SEPM professionals.

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