



Credit Bureau Developments in Bulgaria

Institute for Market Economics

[www.ime-bg.org]



International environment

- All EU countries, except France, have a private bureau. Many also have a public bureau, supporting banking supervision .
- There is trend within CEE has been to establish private bureaus, more or less successful examples are in the Czech Republic, Poland, Turkey and Hungary but without OTP (the ex-state-saving bank). Very interesting is the LRC Bureau in BiH and its attempt to set up a regional exchange of data.



Coverage of Public and Private Credit Registries in Europe (Number of borrowers with credit records per 1000 capita, source: World Bank)

Country	Public Credit Registry	Private Credit Bureau
Austria	9	308
Belgium	68	42
Denmark	-	58
Finland	-	96
France	12	-
Germany	5	693
Greece	-	86
Ireland	-	730
Italy	55	416
Netherlands	-	530
Portugal	496	24
Spain	305	48
Sweden	-	489
United Kingdom	-	652

Country	Public Credit Registry	Private Credit Bureau
Bulgaria	5	-
Croatia	-	-
Czech Republic	10	136
Hungary	-	15
Latvia	-	-
Lithuania	7	-
Poland	-	543
Romania	1	-
Russian Federation	-	-
Slovak Republic	2	-
Slovenia	14	-
Turkey	7	204



Bulgaria background

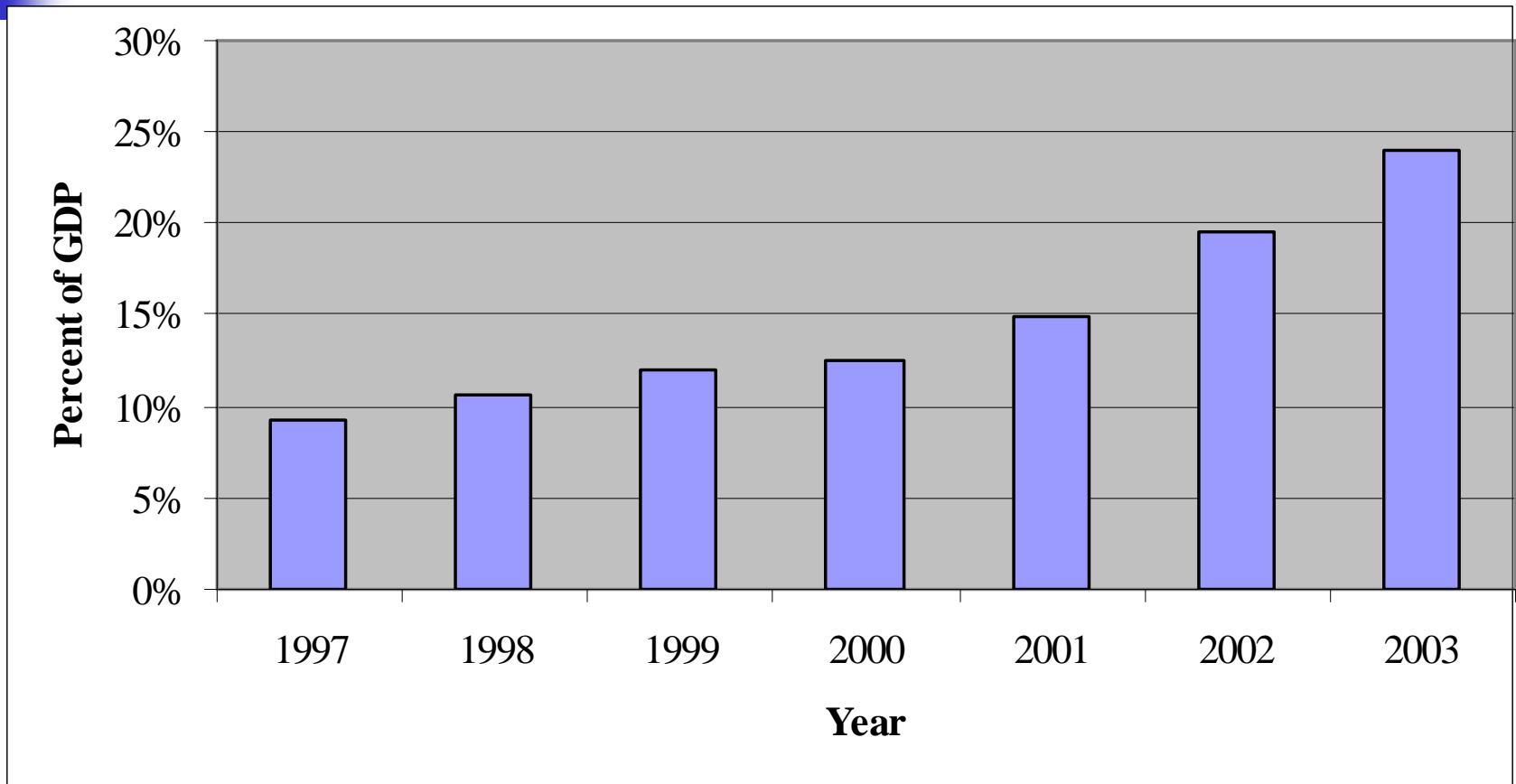
- Bulgaria has had a number of initiatives to establish a private credit registry:
- 1st - in 1993-1994;
- 2d – 2002-2004, which entered a pragmatic stage recently, with the establishment of **Experian-Scorex Bulgarian Credit Bureau (ESBCB)**.



Concentration as an obstacle

- At the last meeting in Bucharest IME told the Group that by Dec 2003 Bulgaria had most lenders supported the initiative; however, the concentrated lending — in Bulgaria, the largest bank holds around 50% of the consumer lending market — served as major obstacle to move with the realization. The DSK Bank (then just bought by OTP) was silently refusing to take part, irrespectively the fact that for a year and a half its share in consumer credit decrease from 65 to the above-said 50%.
- In 2003, even the most supportive banks conditioned their participation to DSK involvement.

Credit expansion challenge: total bank credit to private sector after 2001





Challenge to the public registry

- The central bank (BNB), responding to the expansion and to industry requirements, broadened public credit information registry, which includes all credits.
- Some deficiencies persist: the delivery process is slow and executed on paper, and is expensive – BGN 20; some bank do not deliver information.
- Real time on line inquiry in Belgium is 0.5 Euro; BNB plans to reduce the price further the price per inquiry and put the public registry on Internet.



ESBCB Update (Feb – May 2004)

- BCB tried to enlarge its scope of services (utilities .
- In February eight banks and six leasing companies become members of BCB; these banks hold 35-40% of the total credit, but only 15-20% in the consumer lending.
- In March, ES finalized the software and members tested it; BCB launched a newsletter.
- In April, two users committees were established – a legal and a technical one.
- In May, the committees had a joint session and agreed on: a) the content of the two-tier exchange (negative and full information); b) rules of sharing; c) customer consent clause.



Remaining issues

- Bulgarian Telecommunications Co. and the pay-as-you-go-segment of the pension system (NOI) agreed to provide negative information; the agreement with BCB is still to be formalized;
- The National Electric Co. is still reluctant to share, mostly due to lack of understanding; cooperation with the tax department is discussed this week.
- BCB members should load their info by end-June; the technical is afraid of going on-line with data loading but the access is planned to be on-line.



Future steps

- ESBCB additional service development (for the next 12-18 months) is focused on: Credit Scoring and Customer Monitoring tools.
- The first one gives assessment on the probability of default of new clients and will help organizations to comply with the requirements of Basel II.
- The second tool represents an “alert” system, which will inform bureau members for any new events related to their customers such as change in current address, new loan application, default to another subscriber, etc.