



Consumer Credit Registration in the Dutch Caribbean

Opening remarks delivered by
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Organized by the Caribbean Credit Bureau

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Ladies and gentlemen, good afternoon.

It is with a great deal of great pleasure that I accepted the invitation to welcome you here at the Centrale Bank van Curaçao en Sint Maarten on the occasion of this mini-conference on Consumer Credit Registration. I view this mini-conference as an important channel for fostering a dialogue on the importance of consumer credit registration in the Dutch Caribbean and the conditions it should meet to become an effective tool to achieve and maintain financial and socio-economic stability. Throughout the world, financial institutions have been exploring ways to make faster and more accurate credit decisions. These efforts can be facilitated by a credit bureau, which acts as a key enabler for expanding lending business by distributing information about the credit behavior and total credit exposure of borrowers. Hence, the presence of a credit bureau benefits both lenders and borrowers and contributes to financial and social-economic stability.

Centuries ago, Isaac Newton observed that “We build too many walls and not enough bridges”. Establishment of a credit bureau will significantly reduce the fragmentation of relevant information that financial institutions currently use to assess the creditworthiness of borrowers. The Caribbean Credit Bureau can play an important role by building bridges in our local financial market, thus contributing to the reduction of consumer credit risk. This risk arises from the fact that a borrower may be either unwilling or unable to fulfill its obligations resulting in a potential financial loss to the credit institution. This scenario is especially relevant in an environment characterized by increasing nonperforming loan rates.

Ladies and gentlemen, financial stability has become a key area of the central bank's monetary and prudential supervision. It plays a pivotal role in controlling credit risk by enabling pre-emptive measures to structurally enhance the resilience of the financial system and its institutions against credit shocks. The promotion of a sound financial system must be supported by macroeconomic stability and a reliable financial market infrastructure. Within this framework, credit bureaus are an essential element of a country's financial infrastructure: supporting responsible lending, reducing credit losses, and strengthening the central bank's ability to promote financial stability.

In this context, the enactment of the privacy legislation effective October last year is an important step in enabling the establishment of the necessary legal framework to also provide positive information services. Positive information is the provision of information on total credit exposure of borrowers, which supports the credit evaluation process and can trigger the provision of more advanced products and services catering to both borrowers and lenders. For example, consumers with good credit histories can be rewarded with higher borrowing limits, lower interest rates, and access to more credit products. Providing access to complete and up-to-date credit histories will permit appropriate lending activity by preventing over-extension of credit to borrowers. Apart from adequate protection of the privacy of borrowers, borrowers also must have access to their credit report. In this respect, borrowers are encouraged to maintain a good credit record, hence reducing false rejections by lenders based on incomplete or incorrect credit reports.

Credit bureaus have the potential to effectively reduce default ratios by functioning as an enforcement tool. Their mere existence can put pressure on borrowers to repay their debts to avoid appearing on the

list of bad debtors, increasing the likelihood of recovering payments on defaulted loans. Sharing positive data can enable lenders to help reduce fraud by providing positive identity checks and verifying personal details. Preventing possible identity theft is also the responsibility of consumers; with the possibility of inspecting their credit report, consumers will be able to report inaccuracies in their credit histories. Last, reducing the asymmetry in the information available to lenders facilitates admission to credit and enhances business operations.

Ladies and gentlemen, the existence of a credit bureau database can also assist the central bank in its role of monitoring systemic risks. Access to a complete and well-maintained database will strengthen the Bank's supervision by supporting the estimation of appropriate capital and provision requirements as well as monitoring risk concentration and lending practices. In addition, the available data will enable the monitoring of the level of consumer indebtedness, a key indicator for potential consumer credit risk crisis. Moreover, the central bank could use the data to assess the evolution of credit risk based on demographic characteristics for socioeconomic analysis along with ascertaining the reliability of lenders' assessment of credit risk.

Looking ahead, it is important to develop a long-term vision directed at enhancing the scope and effectiveness of the functions of a credit bureau within our society. By expanding the database with specialized credit institutions, coupon creditors, other institutions or persons with a dispensation to extend credits directly or indirectly, and utilities and retailers, subscribers will be able to access more comprehensive reports on borrower exposures. The key success factor in realizing this potential is to ensure that the necessary regulatory environment and

legal structure are in place to adequately protect the collected data and the privacy of the borrowers.

Ladies and gentlemen, the increased financial stability that a well-managed credit bureau can offer will benefit both lenders and borrowers and is an indispensable condition for more social stability and higher sustainable economic growth. However, to realize these benefits, a well-functioning and effective credit bureau must meet several conditions. Among the most important are a comprehensive, accurate, and up-to-date database, solid data protection, strict adherence to privacy rules, transparent and strictly regulated access to the data by subscribers as well as borrowers, and adherence to prevailing laws and regulations. Given its responsibility for financial stability, the central bank will play an important role in safeguarding that these conditions are met. Expansion in credit bureau services should be executed consistent with the central bank's monetary and prudential supervision to control and monitor consumer lending.

Ladies and gentlemen, let me conclude with the following message to the Caribbean Credit Bureau: plan ahead to ensure sustainability. Successful progress is not an event but a virtuous cycle of change. I wish you an inspiring and fruitful conference, and I am sure that today's presentations will provide us with lots of insights of how to enhance the usefulness and effectiveness of credit registration in the Dutch Caribbean.

I thank you for your attention!
