

The New Practice of Turkey's First Credit Bureau

A credit bureau is a company that collects information from various sources and provides consumer credit information on individuals for a variety of uses. Accordingly, credit bureaus provide information on individuals' borrowing and bill-paying habits and then evaluate gained information. This information becomes a powerful tool for financial institutions and both corporations and real persons that will give a loan or enter into business relationship with individuals to predict their future behaviour.

A. History of Kredi Kayıt Bürosu

In Turkey, credit information of a customer was not allowed to be exchanged between the financial institutions until the amendment of former Banking Law numbered 3182. However, with the amendment, financial institutions were become able to share information of their customers with other financial institutions.

In this regard, Turkey's first credit bureau, *Kredi Kayıt Bürosu* ("KKB") was founded on April 11, 1995 with the objective to facilitate the exchange of information and documents of customers between the credit institutions (i.e. deposit banks and participation banks) and financial institutions (i.e. organizations other than credit institutions established to perform insurance, private pension fund or capital market activities or to engage in at least one of the fields of activity set out in the Banking Law numbered 5411 as well as development and investment banks and financial conglomerate companies).

KKB was founded as a joint stock company with the partnership of 11 leading banks of Turkey, *inter alia*, Türkiye Garanti Bankası, T.C. Ziraat Bank, Halkbank and Türkiye İş Bankası. Today, KKB has 147 corporate members consisting of 39 banks (which 9 of these are shareholders of KKB), 13 consumer financing companies, 74 factoring companies, 17 leasing companies and 3 insurance companies.

KKB collects and aggregates personal information, financial data, and alternative data on individuals from a variety of sources called data furnishers which are abovementioned corporate members. Data furnishers report their payment experience with the consumer to KKB. The data provided by the furnishers, as well as collected by KKB are then aggregated into KKB's data repository or files.

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B. New Era in Risk Management

Before April 2012, the KKB services were only available to corporate members of KKB for the purposes of credit risk assessment and credit scoring. Upon the changes made on September 2012, both real persons and legal entities may benefit from KKB services through "Check Report" and "Risk Report" systems provided that the consent of an individual subject to such inquiry is taken. Individuals may provide a Risk Report and a Check Report both from web site of KKB and via SMS. Each inquiry costs for TL 2.30.

As mentioned above, consent of the relevant individual is required to be obtained by the individuals who wish to make such inquiry. In order to obtain the consent, initially, the individual receives a SMS asking for his consent (mobile number of the real person must already be collected by any KKB corporate member and legal entities must already register themselves to KKB system) when the inquiry is made. This SMS includes the name of the real person/legal entity that made the inquiry. When the individual gives the consent by responding such SMS, real person/legal entity that made the inquiry receives basic information about his inquiry and a code to use it on KKB's web site for gaining detailed information about the individual. On the other hand, 147 corporate members of KKB do not need the consent of the individual for making such inquiries.

C. What is a Risk Report? What kind of information does it provide?

Risk Report is a service providing former payment performance of individuals (i.e. real persons and legal entities) related to the credit products they used from the banks. The Risk Report includes individuals' information on:

- Credit card payment information,
- Number of total credit accounts,
- Total limit and balance information,
- Last credit utilization date,
- Number of credit accounts in default,
- Sum of balances in default,
- Longest delay period available, and
- If exists, non-performing credit information.

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In addition to the above listed information, the Risk Report provides the payment performance of an individual for the last 18 months of any credit. As the report contains not only delayed payments or non-performing credit records, but also information on timely paid credits. Therefore, it contains both positive and negative information on the individuals' credit performances.

In consideration with those gathered information on the individuals' credit performances, the KKB calculates a credit score of the individual between 880 and 2200. In this calculation, approximately 35 other factors such as age, address, education level are also taking into consideration together with the main listed factors for achieving a result on a credit score.

D. What is a Check Report? What kind of information does it provide?

Check Report System is a service offered for providing the past check payment information of the check drawers in order to allow the check holders to make an analytic decision on whether accepting the check. The Check Report provides information on check payment history of the check drawer including:

- Banks where the individual's check account is available,
- Number of the checks submitted since 2007,
- Number and amounts of the checks paid at sight,
- Number and amounts of the checks after 2009 which were bounced and paid on a later date,
- Date of the first submitted check and the date of the first endorsed check,
- Date of the last check submitted and endorsed,
- Number and amounts of the checks paid and endorsed during the last 1, 3 and 12 months period, and
- Information on the list of up to 50 endorsed checks.

The Check Report allows monitoring the positive or negative progress of the account holder's check payment performance. This report allows obtaining information about how many banks provided a check book to the account holder and provides an opinion about the credibility of the check drawer.

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E. Conclusion

In the light of above information, with the Check and Risk Reports developed in 2012, KKB presented valuable source of information for risk management not only for the transactions made through checks but also for all other commercial decisions that involve third party risks, so that easily accessible reports have started a new era in business life.

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