



**BANK ĊENTRALI TA' MALTA**  
**EUROSISTEMA**  
**CENTRAL BANK OF MALTA**

**CENTRAL BANK OF MALTA**

**DIRECTIVE No 15**

*in terms of the*

**CENTRAL BANK OF MALTA ACT  
(CAP. 204)**

**SUPERVISION OF CREDIT REFERENCE AGENCIES**

*Ref: CBM 04/2020*

December 2020

# **DIRECTIVE NO 15**

## **SUPERVISION OF CREDIT REFERENCE AGENCIES**

Issued on 22<sup>nd</sup> December 2020

### **INTRODUCTION**

1. In terms of article 24A of the [Central Bank of Malta Act](#) (Cap. 204 of the Laws of Malta) (hereinafter referred to as “the Act”), the Central Bank of Malta (hereinafter referred to as “the Bank”) has been empowered to make directives in respect of, inter alia, supervision of CRAs.

### **SCOPE AND APPLICATION**

2. This Directive lays down the rules concerning the supervision of CRAs licenced in accordance with regulation 47A of the [Trading Licences Regulations](#) (S.L 441.07). Furthermore, the Directive lists a number of obligations imposed by the Bank, as the supervisory authority, on the CRAs having access to Central Credit Register information (hereinafter referred to as “CCR information”) for the issuance of credit scores.

### **DEFINITIONS**

3. In this Directive, unless the context otherwise requires:

‘Credit institution’ has the same meaning as assigned to it by paragraph 5 of Directive No 14;

‘Credit information’ means a collection of public and non-public information and other related information, including CCR information, which when assessed, assembled and evaluated indicates the creditworthiness of a legal or natural person;

‘Credit reference agency’ or ‘CRA’ means any undertaking licenced by the Trade Licensing Unit in terms of regulation 47A of the [Trading Licences Regulations](#), the main business of which is to prepare, assemble and evaluate credit information and related credit and risk management services on legal and natural persons for the purpose of issuing credit scores to be furnished to third parties, provided that a CRA is not precluded from carrying out other related tasks;

‘Credit score’ means a measure of creditworthiness derived from credit information and which must under pain of nullity include information derived from the Register;

‘Directive No 14’ means the Central Bank of Malta Directive No 14 on the Central Credit Register;

‘GDPR’ means [Regulation \(EU\) 2016/679](#) of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);

‘Off-site inspection’ means supervision of a credit reference agency through the analysis of statutory information periodically submitted in terms of their legal obligations;

‘On-site inspection’ means supervision of a credit reference agency through inspection of its operations at its business premises;

‘Register’ means the Central Credit Register as established by article 24 of the Act;

‘Person/s who effectively direct the business and the operations of a credit reference agency’ shall mean chairpersons, directors (executive and non-executive), board members, council members, and any other persons who hold similar positions, and shall unless specified otherwise hereunder include a qualifying shareholder;

‘Prospective counterparty’ has the same meaning assigned to it by paragraph 5 of Directive No 14;

‘Qualifying shareholder’ has the same meaning assigned to by article 2 of the [Financial Institutions Act](#) (Cap. 376 of the Laws of Malta); and

‘Scored person’ means a natural or legal person that has been assigned a credit score.

Unless otherwise defined in this Directive, terms used in this Directive shall have the same meaning as are assigned to them under the Act.

## **OBLIGATIONS ON CREDIT REFERENCE AGENCIES**

### **PART I**

#### **4. Using Central Credit Register information**

- (1) Pursuant to Directive No 14, CCR information to which the Bank is the holder, can only be accessed by a CRA for the issuance of a credit score.
- (2) The Bank shall provide to the CRA the specific data attributes and variables found in the Register in accordance with Annex 1 of Directive No 14.
- (3) Pursuant to paragraph 7 of Directive No 14, the Bank will not be held responsible for the integrity and correctness of CCR information that a credit institution provides to the Register.
- (4) The CRA shall be fully responsible for the public and non-public credit information that it possesses, other than CCR information, which cannot be modified by a credit reference agency.

## **5. Issuance of a credit score**

- (1) Upon a request for the issuance of a credit score by a natural or legal person or a credit institution, a credit reference agency shall comply with such request within two (2) working days.
- (2) Credit scores shall be issued on the same date the credit reference agency accesses the CCR information.
- (3) The credit reference agency shall ensure that the credit scoring methodology used for the issuance of a credit score is based on both positive and negative credit information and that such credit scores are issued at the current point in time.
- (4) Credit scores not collected within ten (10) working days from their issuance date shall be destroyed by the credit reference agency.
- (5) A natural person shall be entitled to one free-of-charge credit score per calendar year.
- (6) CRAs shall be fully responsible for the integrity and correctness of the credit scores they issue.
- (7) CRAs may be required by the Bank to provide credit scores and other information as the Bank may consider necessary to carry out its functions or fulfil its obligations under this Directive, the Act or any other law which may be applicable from time to time.

## **6. Obtaining consent for the issuance of a credit score**

- (1) A CRA may not issue a credit score unless it obtains the specific consent of the natural or legal person concerned.
- (2) A request from a credit institution for the issuance of a credit score on a prospective counterparty shall be accompanied by the required consent in accordance with paragraph 16 of Directive No 14.

## **7. Notification requirements**

- (1) A CRA shall notify the Bank in writing, within forty-eight (48) hours after having become aware of the occurrence of the following events:
  - (i) an event that can affect the confidentiality, security or integrity of a credit score;
  - (ii) the credit reference agency is initiating insolvency proceedings or is unable to meet its statutory, contractual or other obligations;

- (iii) any civil or criminal proceedings are initiated against any person who effectively directs the business and the operations of the credit reference agency, whether in Malta or elsewhere;
- (iv) any changes in the persons who effectively direct the business and the operations of the credit reference agency;
- (v) any event or irregularity that disrupts the operations of the credit reference agency; and
- (vi) any other event that the Bank may specify from time to time.

## **8. Complaints Resolution Unit**

- (1) A CRA shall set up a Complaints Resolution Unit and shall have policies and procedures in place for dealing with complaints submitted by a scored person, arising out of, or in connection with, the integrity and correctness of a credit score.
- (2) A complaint for the correction of a credit score shall be made in writing. When submitting a complaint, the complainant shall clearly state the reason or reasons for requesting a correction of a credit score. Documents in support of the complaint shall be attached to the written complaint.
- (3) Subject to the provisions of paragraph 5(1), the complaint shall be filed within thirty (30) days from when the credit score is collected.
- (4) The CRA shall submit to the Bank, on bi-annual basis, the following:
  - (i) the number of complaints received by the credit reference agency;
  - (ii) the number of complaints resolved through the credit reference agency's Complaints Resolution Unit;
  - (iii) the reason/s behind the complaints submitted by a complainant;
  - (iv) the outcome of the complaint investigation; and
  - (v) any other information the Bank may require when conducting analysis of the complaints submitted by the scored persons.
- (5) Where a complaint is made to the credit reference agency under sub-paragraph (1), the credit reference agency shall, within five (5) working days from receiving such complaint, initiate an investigation to ascertain the integrity and correctness of the disputed credit score.

- (6) The CRA shall, within five (5) working days from having initiated the investigation, verify whether the information included in the compilation of the credit score conforms to the credit information available. The investigation shall be concluded within ten (10) working days from the receipt of the complaint.
- (7) Should the credit reference agency establish that incorrect credit information had been used in issuing the disputed credit score, the CRA shall inform the complainant without undue delay and proceed to issue a new credit score, by not later than two (2) working days from the conclusion of the investigation.

Provided that where the credit reference agency establishes that the incorrect information included in the credit score concerns CCR information, the credit reference agency shall inform the complainant to request an extract of the relevant CCR information from the Bank.

- (8) Pursuant to paragraph 7 of Directive No 14, credit institutions are exclusively responsible for amending or rectifying CCR information, either on their own initiative or at the request of their counterparties or the Bank, whenever errors or omissions occur.

#### **9. Deletion of Central Credit Register information and credit score**

- (1) CCR information used for the issuance of a credit score, and the credit score itself shall be kept by the credit reference agency for a period of not more than one (1) year from the date of issuance of the credit score.
- (2) Where proceedings are initiated before a competent court in Malta on any matter which could concern a credit score, a credit reference agency shall seek to obtain authorisation from the Bank to keep such information for a longer period than that set out in the preceding sub-paragraph.

#### **10. Conflict of Interest and Confidentiality**

- (1) It shall not be lawful for a credit reference agency to issue a credit score on a person who effectively directs its business and operations.
- (2) A person who effectively directs the business and the operations of a credit reference agency shall not exercise any undue influence on the officers or agents responsible for the issuance of a credit score.
- (3) No person shall disclose any information relating to the affairs of a CRA or of a scored person, which was acquired in the performance of his or her duties under this Directive except:
  - (i) when authorised to do so under the provisions of the Act and this Directive;

- (ii) for the purpose of the performance of his or her duties;
  - (iii) when lawfully required to do so by any court or under a provision of any law; and
  - (iv) when the scored person expressly consents, in writing, to the disclosure of information relating to his or her affairs.
- (4) Notwithstanding the preceding sub-paragraph, officers of the Bank, as well as authorised persons acting on behalf of the Bank, shall be bound by the obligation of professional secrecy and shall not disclose information obtained from a CRA in the course of carrying out supervisory duties, unless such disclosure of information is done in summary or collective form, so as not to enable the identity of the CRA and of the scored person to whom such information relates to be ascertained.
- (5) Notwithstanding the provisions of the [Professional Secrecy Act](#) (Cap. 377 of the Laws of Malta) and of article 257 of the [Criminal Code](#) (Cap. 9 of the Laws of Malta), a credit reference agency may, where necessary for the proper carrying out of its activities or for the fulfilment of its obligations, communicate any CCR information which is in its possession and which is related to the affairs of a customer or of a connected person to:
- (i) any authorised person engaged by the CRA to carry out a compliance assessment, monitoring, auditing or a similar review in relation to any of the activities of the credit reference agency; and
  - (ii) an outsourcing service provider in whose favour a CRA has outsourced any of its activities.

Provided that, for the purposes of this sub-paragraph, any such communication of information shall be made subject to all proper controls and safeguards, so that it shall be the responsibility of the CRA to ensure that the auditor or expert, or the outsourcing service provider, as the case may be, is subject to equivalent obligations of data protection, confidentiality and care as required under Maltese law and any European Union law, including the GDPR.

Provided further, that information communicated in terms of sub-paragraph 3 and 4 shall be without prejudice to any provision of the [Prevention of Money Laundering and Funding of Terrorism Regulations](#) (S.L. 373.01).

## COMPETENCE OF THE SUPERVISORY AUTHORITY

### PART II

#### 11. Annual Supervision fee

(1) A CRA shall pay the Bank an annual supervisory fee of five thousand euro (€5,000) on the date when its licence is granted in terms of regulation 47A of the [Trading Licences Regulations](#), and thereafter, annually upon the anniversary of the date of licencing.

#### 12. Publication

(1) The Bank shall keep and publish on its official website a list of all CRAs. The list shall include the following information:

(i) the name, website and contact details of the CRA;

(ii) the date of the granting of a licence to the CRA;

(iii) the license number of the credit reference agency issued by the Trading Licensing Unit;

(iv) the head office and the principal place of business, if applicable, of the CRA;  
and

(v) the date of the suspension or cancellation of the licence of the CRA, if applicable.

(2) The CRA shall inform the Bank, of any change of information referred to in sub-paragraph (1)(i) to (iv), within three (3) working days from when the changes take effect. The Bank shall, within five (5) working days from receipt of such notification, update the information on its website.

#### 13. On-site supervision

(1) The Bank may carry out on-site inspections at any premises of the CRA, as it may deem necessary.

(2) On-site inspections may be carried out by appointed Bank officials from time to time as the Bank may deem it necessary, after a notice in writing is given to the CRA.

(3) Prior to the carrying out of an on-site inspection, the Bank shall inform the CRA of the objectives of the inspection and any other related requirements.

(4) On-site inspections shall be conducted through interviews, examination of specific documentation, and other relevant information as the Bank may deem necessary.

- (5) The issues upon which the Bank may conduct an on-site inspection include the following:
- (i) The credit scoring model and the validation methods used in the process of the issuance of a credit score. The Bank shall take the necessary measures in order to ascertain that the credit scoring methodology used for the issuance of a credit score is based on both positive and negative credit information and that such credit scores are issued at the current point in time.
  - (ii) The technological infrastructure and capacity in place, including but not limited to:
    - (a) the information system strategies and arrangements in place, based on technological solution assessments, test strategies, and risk assessments; and
    - (b) the arrangements in place for credit information to be stored in another jurisdiction or under cloud computing arrangements.
  - (iii) The management of risk including incident, operational threats and security breaches handling procedures to which the CRA might be exposed to;
  - (iv) The disposal procedure in place for the deletion of CCR information and credit score;
  - (v) The governance framework of the CRA;
  - (vi) Other critical operations of the credit reference agency which are directly or indirectly linked to the issuance of credit scores, such as data security, confidentiality arrangements, policies and procedures, business continuity and disaster recovery provisions; and
  - (vii) Adherence to licence conditions in the [Trading Licences Regulations](#) and other statutory and regulatory obligations.

#### **14. Off-site supervision**

- (1) The Bank may also carry out off-site supervision through the analysis of information and documentation submitted by a CRA. The information and documentation upon which the Bank may conduct off-site supervision include the following:
- (i) List of reciprocity agreements that a CRA has in place with other data providers;
  - (ii) Amendments to the Memorandum and Articles of Association or the Statute, as the case may be;
  - (iii) Changes to the capital and reserves of a CRA;

- (iv) Audit reports and other reports on the operations of a CRA, including but not limited to the annual report, where applicable;
- (v) Changes to the type of methodology used for the issuance of a credit score;
- (vi) Amendments to the policies and procedures of the operations of a CRA; and
- (vii) Complaints received by a CRA, as specified in paragraph 8(4).

## **15. Documentation and information**

- (1) Without prejudice to paragraphs 13 and 14, the Bank, by notice in writing, may require a CRA or any of its officers to do all, or any, of the following:
  - (i) to provide the Bank with information showing that the date of access to the CCR information and the date of issuance of the relative credit score coincide;
  - (ii) to provide the Bank, at such time and place and in such form as it may specify, such information and documentation as it may require and of such description as may be so specified in the notice;
  - (iii) to provide the Bank any information or documentation in such manner as it may specify, as required to supervise the conformity of the operations of the CRA with the requirements of this Directive and the Act, or any other applicable law; and/or
  - (iv) to appear before a Bank official, or before a person appointed by it, at such time and place as the Bank may specify, to provide information and documentation as the Bank may reasonably require for the performance of its functions under the Act or directives issued thereunder.
- (2) If any documentation or information mentioned in paragraphs 14 and 15 is not submitted to the Bank within a stipulated timeframe, the Bank reserves the right to recommend the Trading Licencing Unit to suspend or terminate the licence of the credit reference agency.
- (3) Upon the written request of the CRA, the Bank may provide a minimum of twelve (12) months of anonymised granular data in order for the CRA to calibrate its scoring engine model.

## **16. Communication and reporting**

- (1) After an on-site inspection, the Bank or any of its appointed officials will draw up a report on the findings, including the appropriate and effective instructions and recommendations to be applied by the CRA, within a stipulate timeframe as the Bank may reasonably require.

- (2) The report is to be discussed with the credit reference agency under examination.

## **17. Governance**

- (1) If:

- (i) any person takes or intends to take an action to sell or dispose the business of a CRA or any significant part thereof, merge with another CRA, undergo any reconstruction to the business of a CRA and/or vary its nominal or issued share capital;
- (ii) any person takes or intends to acquire, directly or indirectly, ten per centum of the share capital of a CRA or an acquisition as a result of which the proportion of such person's voting rights or of the share capital held would reach at least ten per centum; and
- (iii) a CRA intends to nominate a person who shall effectively direct its business and operations,

the Bank shall have the discretion to consider whether or not the person is fit and proper of having ten per centum or more of the share capital and voting rights of a CRA and/or to be appointed as a person who effectively directs the business and the operations of a CRA.

- (2) If, in any action mentioned in sub-paragraph (1), the approval of the Bank is not obtained or, alternatively, if after having obtained such approval, it subsequently appears to the Bank that the person is no longer fit and proper, the Bank shall have the power to make an order:
- (i) to prohibit or restrain the person from continuing or taking the position of a person who effectively directs the business and the operations of the credit reference agency; and
  - (ii) to restrain the person from exercising any right, if lawful, conferred upon him, including the right to receive payment or to exercise any voting rights attached to the shares acquired.
- (3) Persons who effectively direct the business and the operations of a credit reference agency shall in the execution of their duties and the exercise of their powers and discretions act with prudence, diligence and in utmost good faith, and comply with this Directive or under any other applicable law.
- (4) Where a person intends to take any action as set out in sub-paragraph (1), such person shall notify the Bank in writing of any such decision, indicating the size of the intended shareholding or the intended position to be taken within the CRA, in the manner as the Bank may require.
- (5) The Bank shall, within one (1) month of receiving such notification, give its approval or otherwise.

- (6) Any person who is aggrieved by a decision of the Bank under sub-paragraph (2) may appeal to the Financial Services Tribunal in accordance with article 35 of the Act.
- (7) The Bank shall have the power:
- (i) to recommend to the Trading Licencing Unit to suspend or cancel a license of a CRA pursuant to regulation 47E of the [Trading Licences Regulation](#);
  - (ii) to disqualify an officer of a CRA if such person is adjudged bankrupt or is interdicted, incapacitated, or involved in money laundering activities or in other criminal activities including theft, fraud and extortion, and affecting public trust;
  - (iii) to vary the scope of the audit to be carried out by the statutory auditors or audit firms, if necessary; and
  - (iv) not to share the CCR information with a CRA which fails to abide by the instructions and recommendations issued by the Bank in its reports.
- (8) No CRA shall:
- (i) outsource any of its activities for the issuance of a credit score to any agent, branch, entity, or subsidiary unless the outsourced service provider is recognised by the Bank in writing; and
  - (ii) store credit information or credit scores in another jurisdiction, under cloud computing arrangements or in any externally hosted systems without the prior approval of the Bank.
- (9) The Bank may issue guidance notes laying down the requirements for the information to be submitted regarding for the recognition of the outsourcing service provider and the provision of such outsourced services.
- (10) The outsourced service provider shall take all reasonable steps as may be necessary to ensure that the requirements of this Directive or any guidance notes issued thereunder are complied with.
- (11) CRAs shall remain fully liable for any acts of their employees, or any agent, branch, entity, or subsidiary to whom or to which activities may have been outsourced.
- (12) The Bank may require CRAs to supply any information and documentation demonstrating that the risk attached to such storage in terms of paragraph 8(ii) above has been managed and mitigated.

## **18. Miscellaneous**

Where any person contravenes or fails to comply with any requirements set out in this Directive, the Bank may impose an administrative penalty in accordance with article 56 of the Act and Central Bank of Malta Directive No 12 on Administrative Measures and Penalties for Infringements issued under the Act.