A STUDY OF THE REGULATORY ENVIRONMENT GOVERNING THE MARKET FOR CREDIT REPORTING SERVICES

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EXECUTIVE SUMMARY

Financial intermediation typically improves economic welfare and stands as one of the foundational pillars of a thriving modern society. At its core, financial intermediation facilitates key economic activities such as consumption, investment and sustainable economic growth by redirecting the flow of financial resources from future periods of surplus to the current period of deficit. During 2023, financial intermediation services added value to the economy measured at $151 billion, contributing approximately 5% to Jamaica's annual Gross Domestic Product.

Critical to this process of financial intermediation is the financial system comprising lenders such as commercial banks, credit unions, building societies and microfinance companies.

As at the end of December 2023, the stock of outstanding loans for deposit taking institutions was recorded at $1,424 billion. Of this amount, loans to local business clients amounted to $512 billion while loans to individuals and/or households was just under $735 billion.[1]

Credit plays a pivotal role in driving demand for investment across various durable-goods markets, including homes, motor vehicles, furniture, electronics, and appliances. Furthermore, credit plays a pivotal role in driving demand across economic sectors including agriculture, manufacturing, construction, tourism, food & beverages and entertainment.

For credit markets to function effectively, lenders must have reliable information to assess the creditworthiness of prospective borrowers. The absence of reliable information may lead to market failure due to adverse selection and moral hazard issues that undermine market efficiency and stability. As such, access to the client's confidential track record of managing credit facilities is paramount to the efficient functioning of credit markets.

Traditionally, lenders have relied exclusively on internal methods to assess requests for consumer credit. However, recognizing the limitation of internal methods, some lenders outsource credit information gathering to credit reporting agencies ('credit bureaus').

The credit reporting sector emerged as a critical mechanism for the collection, consolidation and dissemination ('reporting') of credit information. The credit reporting sector mitigates market failure induced by the asymmetric information between lenders and clients.

[B]Bank of Jamaica website. Accessed October 14, 2024.

In 2019, credit bureaus issued 582,822 credit reports. By 2022, however, the number of credit reports issued decreased by 26 per cent to 428,616.[2] Interestingly, the stock of loans held at deposit taking institutions increased by 61 per cent during the period.[3]

The regulatory environment governing credit reporting is instrumental in shaping the competition dynamics among credit bureaus. This legislative framework delineates key stakeholders and provides guidelines for credit information collection, management and dissemination.

Understanding the interplay between the regulatory framework, competition dynamics and financial inclusion objectives is essential for optimizing the credit reporting sector's role in expanding access to credit and promoting socioeconomic development.

A centralized credit information sharing system is crucial to the expansion of the market for credit.

For financially vulnerable individuals, access to credit with favourable terms facilitated by reliable credit information can provide a lifeline during financial emergencies or periods of economic instability.

The environment governing the collection and sharing of credit information is therefore important for the functioning of the market for credit services (the financial system).

This study explores the extent to which the regulatory environment could accommodate more intense competition in the market for credit reporting.

A thematic analysis method is used to identify relevant themes from the data collected. The analysis aims to identify perceptions and challenges faced by market participants. Overarching trends in the responses are noted and outlying opinions are explored to better understand the reasoning behind those opinions. Secondary data are also utilized to explore global trends in the market.

In 2010, the credit reporting sector experienced a substantial shift with the enactment of the Credit Reporting Act, 2010 (CRA) which brought about a structured and regulated framework within which credit bureaus would operate.

[2] Information provided by Bank of Jamaica.
[3] Source: BOJ.

The CRA is geared towards the operation of the credit bureau, the use and protection of the client's credit information and providing reprieve to consumers where the credit bureau has provided incorrect information, among other things.

The credit reporting sector comprises three primary segments: credit bureaus, credit information users ('Users') and credit information providers ('Providers').

Assessment of Competitive Entry

It is often useful to assess the competitive landscape by evaluating the extent to which competitive entry is feasible. Entry is considered competitive if it is timely, likely and sufficient to mitigate, if not deter, anticompetitive conduct.

Timeliness. The FTC concludes that the three to five-year duration taken by new entrants to secure bilateral data exchange agreements with Providers constitutes a significant impediment to expansion in the market for credit reporting. The protracted delay would render entry inadequate to deter incumbent credit bureaus from engaging in anticompetitive conduct.

Likelihood. Data indicate that the number of credit reports issued increased consistently during the period 2020-2023, but the market is yet to recover from its 2019 level. In the absence of such recovery, however, the data are consistent with the conjecture that there is adequate space in the market to accommodate an additional credit bureau, all other things constant.

Sufficiency. The sufficiency of entry to deter anti-competitive conduct in the market for credit reporting is assessed based on the availability of critical inputs and the market's capacity to accommodate new credit bureaus. For credit bureaus to remain viable, it is essential for Providers to share data.

Accordingly, competitive entry is unlikely in the market for credit reporting due primarily to the delay to complete data-exchange agreements and the indifference of some Providers to enter these agreements.

The protracted delay in entering data-exchange contracts discourages competitive entry and thereby confer a distinct competitive advantage to incumbent credit bureaus (i.e., creates a first mover advantage). There are sufficient opportunities, however, for regulatory intervention to promote competitive entry.

The proposed regulatory measures regarding mandatory reciprocal data-exchange contracts would mitigate market distortions manifesting as a first-mover advantage in the market for credit reporting. This measure would also reduce market distortions manifesting as information asymmetries in the credit market.

Policy Imperatives

The analyses suggest that policy intervention is warranted to orchestrate the systematic improvements in the reliability of credit reports, in terms of accuracy and completeness, to exploit opportunities for greater financial inclusion through the incentives typically offered through competition.

Imperative # 1 [Mandate universal data-exchange contracts]

Policymakers should mandate that any provider which submits data to at least one credit bureau should be required also to submit data to all credit bureaus.

Imperative # 2 [Mandate data-exchange reciprocity]

Policymakers should mandate that any provider which pulls information from any credit bureau should be required to submit data to all credit bureaus.

Imperative # 3 [Standardised Information Technology Platform]

Policymakers should mandate that providers and credit bureaus adopt a standardised platform for the purpose of sharing credit information records between Providers and credit bureaus. Minimum standards ensuring interoperability/compatibility and adequate data security, cost-effectiveness, among other things, should be established.

Imperative # 4 [Improve Dispute Resolution Mechanisms]

Policymakers should develop and enforce guaranteed standards to give effect to the timely resolution of consumer complaints, as provided for in section 16 of the Credit Reporting Act.

Imperative # 5 [Target the Underserved Consumers]

Underserved consumers are defined as those who are not included in any credit bureau database despite managing at least one credit facility. Policymakers should strongly encourage, if not mandate, entities which serve underserved consumers to submit data to credit bureaus.

Expected Impact of Proposed Measures

This study completes a partial assessment of the expected impact of the FTC's intervention. The intervention, as described in Section IV, is expected to directly promote competition in the market for credit reporting. It is also expected to directly improve the efficiency of the market for credit and the market for credit reporting.

The intervention is expected to improve efficiency in the credit market, leading to greater financial inclusion, by mitigating market failure precipitated by asymmetric information. The intervention is also likely to improve efficiency in the market for credit reporting, leading to a faster pace of innovation by stimulating the competition being stifled by inequitable access to crucial input (credit information).

The measures are expected to deliver benefits of at least $54 million over a three-year period in the market for credit reporting.

I. INTRODUCTION

1. Financial intermediation typically improves economic welfare and is one of the foundational pillars of a thriving modern society. At its core, financial intermediation facilitates critical economic activities such as consumption, investment, and sustainable economic growth by redirecting financial resources from future periods of surplus to the current deficit period. In 2023, financial intermediation services added value at $151 billion, contributing approximately 5% to Jamaica's annual Gross Domestic Product.[4]
2. Critical to this process of financial intermediation is the financial system comprising lenders such as commercial banks, credit unions, building societies, microfinance companies, etc., which extend credit and thereby allow individuals to exploit opportunities for investments and consumption that could not have been afforded otherwise.
3. At the end of December 2023, the stock of outstanding loans for deposit-taking institutions was recorded at $1,424 billion. Of this amount, loans to local business clients amounted to $512 billion, while loans to individuals and/or households were just under $735 billion.[5]
4. Credit plays a pivotal role in driving demand for investment across various durable goods markets, including homes, motor vehicles, furniture, electronics, and appliances. Therefore, credit's role in enhancing consumer welfare cannot be overstated. The stock of residential mortgages held by deposit-taking institutions was recorded at $434 billion at the end of June 2024.[6]
5. Furthermore, credit plays a pivotal role in driving demand across economic sectors, including agriculture, manufacturing, construction, tourism, food and beverages, and entertainment.
6. By allowing individuals to access consumption goods during periods of financial constraint, credit enables smoothing consumption patterns across an individual's lifetime. Moreover, credit fosters economic mobility by providing individuals with the means to invest in socially desirable goods and services such as education, entrepreneurship and homeownership, thereby offering the opportunity to break the cycle of poverty and exploit socio-economic opportunities.
7. For credit markets to function effectively, lenders must have reliable information to assess the creditworthiness of prospective borrowers ('clients'). The absence of reliable information perpetuates information asymmetry, which may lead to market failure due to adverse selection and moral hazard issues that undermine market efficiency and stability. Access to the client's

[4] Statin website ((accessed on October 14, 2024))
[B]Bank of Jamaica website. (accessed on October 14, 2024).
[6] Bank of Jamaica website. ((accessed on October 14, 2024))

confidential track record of managing credit facilities ('credit history') is paramount to the efficient functioning of credit markets.

8. Traditionally, lenders have relied exclusively on internal methods such as in-house records and the client's declarations to assess requests for consumer loans. While the information gathered from internal methods may be adequate to determine some clients, it may be inadequate when the client has only a limited credit history with the lender. Recognizing the limitation of internal methods, some lenders outsource credit information gathering to credit reporting agencies ('credit bureaus'), which are authorized to disclose clients' otherwise private credit history.
9. As of December 2023, 122 Providers had signed contracts with credit bureaus to share their customers' data or access data from the credit bureau database.[7]
10. The credit reporting sector emerged as a critical mechanism for the collection, consolidation, and dissemination ('reporting') of credit information. By establishing credit bureaus, which serve as central repositories of credit information, the sector mitigates market failure induced by the asymmetric information between lenders and clients.
11. Three entities hold a licence to operate credit bureaus in Jamaica: CRIF Information Bureau Jamaica Limited (CRIF), EveryData Jamaica Limited (formerly Creditinfo Jamaica), and Credit Information Services Limited (CIS). Credit bureaus play a pivotal role in facilitating access to credit and promoting financial inclusion by providing lenders with reports summarizing the credit history of a given individual ('credit reports'). In 2018, credit bureaus issued 582,822 credit reports. In 2022, however, the number of credit reports issued decreased by 26% to 428,616.[8] Interestingly, the stock of loans held at deposit-taking institutions increased by 61 percent.[9]
12. The regulatory environment governing credit reporting is instrumental in shaping the competition dynamics among credit bureaus. This legislative framework delineates key stakeholders and provides guidelines for credit information collection, management, and dissemination.
13. Understanding the interplay between the regulatory framework, competition dynamics, and financial inclusion objectives is essential for optimizing the credit reporting sector's role in expanding access to credit and promoting socio-economic development. The complementarity between credit reporting initiatives and broader financial inclusion strategies, such as Jamaica's National Financial Inclusion Strategy (NFIS), holds immense potential for fostering inclusive economic growth and development.

[7] Bank of Jamaica, Annual Report.
[8] Information provided by Bank of Jamaica.
[9] Source: BOJ.

14. Aligned with Jamaica's Vision 2030 development plan, the NFIS addresses critical financial inclusion challenges, including cash reliance, economic vulnerability, inadequate financing, and low financial literacy. The strategy comprises four pillars: Financial Access and Usage, Financial Resilience, Financing for Growth, and Responsible Finance, supported by a robust infrastructure foundation.
15. The Financial Access and Usage pillar focuses on reducing cash reliance through innovative fintech solutions and expanding access to credit and other financial services. Reliable credit reporting is critical in this pillar because it enables a broader population segment to establish creditworthiness and access formal financial products.
16. Moreover, integrating mobile payment systems and other fintech solutions enhances data sharing within the sector, facilitating risk assessment and credit access. Implementing the Central Bank's Digital Currency (CBDC) further removes barriers to financial inclusion, expanding access to credit and other financial products for underserved populations.
17. Access to credit enhances financial resilience by providing a safety net during emergencies. It also fosters economic mobility and entrepreneurship, thereby contributing to socio-economic development.
18. A centralized credit information-sharing system is crucial to expanding the market for credit services. On the supply side, the favourability of loan terms is sometimes influenced by the lender’s access to credit information. A central credit information sharing system lowers the cost and opportunity for lenders to access reliable credit information, increasing the incentives to lend. On the demand side, lower interest rates resulting from the lender’s access to reliable credit information expand access for potential borrowers who would have been otherwise excluded from credit services. By accurately assessing risk and adjusting interest rates accordingly, lenders can attract a broader range of borrowers. A system that facilitates reliable information sharing potentially promotes financial inclusion by expanding access to the economic system.
19. For financially vulnerable individuals, such as those with irregular income or limited credit history, access to credit with favourable terms facilitated by reliable credit information can provide a lifeline during financial emergencies or economic instability.
20. The environment governing the collection and sharing of credit information (i.e., the credit reporting sector) is therefore important for the functioning of the market for credit services (the financial system). An environment that facilitates the sharing of complete and accurate (‘reliable’)

credit information would be more beneficial to the financial system than one that does not share such information.

21. There is a danger, that the incidences of unreliable information disclosed by Providers may prevent the financial system from fully exploiting the potential benefits of the credit reporting sector. In 2021, there were 3,860 complaints against Providers disclosing unreliable information. To put this number into context, credit bureaus issued 389,424 credit reports during that period. In 2022, a total of 4,413 complaints were lodged relative to the 428,616 reports issued.[10]

22. To the extent that a competitive environment offers adequate incentives for credit bureaus to disseminate reliable information, this study explores how the regulatory environment could accommodate more intense competition in the market for credit reporting.

[10] Source: BOJ.

II. METHODOLOGY

23. The research methodology is qualitative in nature and makes extensive use of primary data collection methods in the form of interviews and surveys. Secondary sources are also utilized to direct the objectives of the market study.
24. In a study released in 2016, the European Commission found that the legislation governing the market for credit reporting in the European Union had unclear or limited effects on entry or expansion.[11] Using a similar methodology, the FTC seeks to understand whether the legislative framework accommodates distortions to competition in the market for credit reporting services.[12]

Interviews with Credit Bureaus

25. The FTC invited all three credit bureaus to participate in one-and-one discussions but only two credit bureaus accepted the invitation.[13]
26. During the interviews, the discussion focused on the credit bureau's understanding of the market for credit reporting services, the challenges faced to enter and expand in the market, and perspectives on how competition could be promoted.
27. The interviews were conducted during May 2022.

Survey of Credit Information Providers ('Providers') and Credit Information Users ('Users')

28. Sampling and Data Collection: A stratified sample of 40 Providers was selected to participate in the survey. The initial strata were defined based on the categories of Providers outlined in Section 8 of the CRA. A sample was then taken for each stratum, relative to its population size, and the online application https://www.dcode.fr/random-sampling was used to select at random 50% of each stratum which constituted the final sample.
29. Of the 40 respondents selected, only 9 (23%) returned a completed questionnaire to the FTC.
30. The survey instrument was completed during October 2022.
31. Instrumentation: The questionnaire comprises eleven questions. Five questions covered the respondent's role as Provider while the other six questions covered the respondent's role as a User.

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[11] European Commission (2016), Study on the State of the Credit Rating Market, Available at https://finance.ec.europa.eu/publications/study-state-credit-rating-market_en, Accessed: September 8, 2023.

[12] The methodology of the market study conducted by the European Commission involved a literature review, an analytical framework describing the potential impacts both negative and positive of the Regulation with emphasis on the impact of competition, fieldwork which included surveys and interviews and data collection and analysis.

[13] EveryData Jamaica Jamaica Limited and Credit Information Services Limited.

32. The questions covered the following areas:

- Data-exchange reciprocity.
- Provider's requirements for sharing data with credit bureaus.
- User's alternatives to credit reports; and
- User's proposed improvements to the credit reporting market.

33. Data Analysis**:** A thematic analysis method is used to identify relevant themes from the data collected. The analysis aims to identify perceptions and challenges faced by market participants. Overarching trends in the responses are noted and outlying opinions are explored to better understand the reasoning behind those opinions. Secondary data are also utilized to explore global trends in the market.

Information request

34. Information was requested from the BOJ– the designated supervisory authority of credit bureaus. The questions covered the following areas:

- Process for granting credit bureau licence;
- Data-exchange reciprocity requirements; and
- Entry and exit restrictions for credit bureaus.

III. REGULATORY FRAMEWORK AND MARKET STRUCTURE

A. Legislative Framework in Jamaica

35. The Credit Reporting Act 2010 (CRA) enacted in 2010 substantially shifted the credit reporting sector. This act created a structured and regulated framework within which credit bureaus operate. Before this regulatory intervention, lenders predominantly based credit assessments on either their historical interactions with their clients or asked their clients to request their financial records from other lenders personally. The BOJ and the Financial Services Commission assumed central roles as the primary regulators overseeing the credit reporting sector.

36. The CRA was promulgated to provide for the sharing of credit information between specified bodies, the licensing of credit bureaus, and connected matters. Additionally, section 2 (2) of the CRA states the object of the legislation as follows:

> "…to ensure that the credit reporting is done through reasonable procedures that meet the needs of commerce for credit information in a manner that is fair and equitable to the consumer, having regard to the confidentiality, accuracy, relevance and proper utilization of such information by the provisions of this Act."

37. An enterprise seeking to be a credit bureau must be licensed as section 4(1) of the CRA prescribes. By the section, an application form must be submitted to the Minister, along with the prescribed fee and any other required information. Notably, the Credit Report Regulations, which took effect in 2011, deal with licensing issues, such as application forms, documentation requirements, and licensing fees.

38. The CRA provides for a supervising authority for credit bureaus. Section 2 of the Act states that a "supervising authority means the Bank of Jamaica or such other entity as may be designated by the Minister by notice published in the Gazette." The supervising authority is critical in granting a licence to operate as a credit bureau. The BOJ, as the designated supervising authority, is responsible for reviewing and recommending applications for a licence to the Minister. Accordingly, an enterprise may not obtain a licence unless the supervising authority indicates to the Minister in writing that its director is a fit and proper person and has adequate systems and arrangements to ensure compliance with the legislation. The company meets capital requirements that the Minister may prescribe based on the supervisory authority's recommendation. The BOJ is also responsible for maintaining general supervisory oversight of the credit reporting regime.

39. The legislation mandates several Providers and entities from which a credit bureau may obtain information under its business. Section 8(2) of the CRA details several Providers, such as credit unions, deposit-taking institutions, micro finance entities, statutory lending, trade creditors and utility companies, among others.

40. Users are anyone authorized to obtain credit information from credit bureaus to make a business decision regarding a consumer/business interest. This includes businesses and organizations that use credit reports to assess the creditworthiness of borrowers, tenants, employees, or insurance applicants. The various categories of Users include financial institutions, landlords, insurance companies, employers, Government agencies, utility companies, utility companies and retailers.

41. The provisions of the CRA do not limit the number of entities participating in the credit reporting sector. Notably, examining the legislation illustrates that there is no limit to the number of credit bureaus that may operate in Jamaica. Further, the CRA does not establish unduly high standards, which may deprive consumers of greater variety and lower prices.

42. Given the sensitive information handled by credit bureaus, the legislation, per section 11 (3), prevents a credit bureau from disclosing credit information unless consent has been given in writing by the consumer. Moreover, section 13 requires that every credit bureau, Provider, and employee, both past and present, of the same, or any persons with access to the credit information must keep all documents or information secret and confidential. In this regard, the standards needed to operate a credit bureau are in tandem with the nature of the business.

43. The CRA sets out the requirements for Users to access and utilize a client's credit report. These requirements include:
    - Obtaining a consumer's consent before obtaining a credit report.
    - Using credit reports for permissible purposes only.
    - Not disclosing credit report information to unauthorized third parties.
    - Taking steps to protect the confidentiality of credit report information.

44. While the CRA stipulates the requirements for entry into the credit reporting sector, an examination of the provisions indicates that the legislation is geared towards the operation of the credit bureau, the use and protection of the client's credit information, persons who can request a credit report, accessibility by customers to their credit information and providing reprieve to consumers where the credit bureau has provided incorrect information. Accordingly, the legislation is focused on consumer welfare.

B. Assessment of Impediments to Competition

45. Economists regard competitive markets as the best mechanism for achieving economic efficiencies. A competitive credit reporting sector offers numerous benefits to the financial system, such as reducing information asymmetry, improving capital allocation, and expanding credit. Identifying and mitigating impediments to competition is crucial to promoting competition, encouraging new entry, and stimulating innovation in the credit reporting market.
46. Economists classify markets based on critical structural characteristics: (i) the number of buyers and sellers; (ii) the extent of product substitutability; (iii) the ease at which entry/expansion/exit takes place; and (iv) the degree of information asymmetry between consumers and suppliers.[14] A competitive market is defined as one in which there are many buyers and sellers; products sold by different suppliers are perfect substitutes; it is easy to enter, expand, and exit; and there is no information asymmetry.
47. Some structural characteristics are more effective than others in mitigating, if not averting, anti-competitive conduct. Furthermore, certain strategic conduct can alter market structure to the extent that it takes on different characteristics.
48. Ex ante, competition authorities advise policymakers on policy proposals that could adversely affect market structure and/or the incentive of market participants to engage in behavior that promotes competition. Ex-post competition authorities assess participants' conduct to determine whether such conduct impeded competition.

<u>Market Structure</u>

49. The credit reporting sector comprises three primary segments: credit bureaus, Users, and Providers. The link between the segments are as follows. Providers generate credit information at a micro level. These records are shared with credit bureaus which compile credit reports for a given consumer using the information collected from multiple providers. Users offer credit facilities to consumers based on, at least in part, on credit reports issued by credit bureaus.
50. During 2023, the three credit bureaus issued a total of 450,801 credit reports.[15] These reports were issued based on information submitted by the 122 Providers which had signed contacts with credit bureaus during the period.

[14] ibid
[15] This figure includes free reports.

51. Entities participate in one or two segments depending on the nature of the business. For example, financial institutions participate in both the User and Provider segments, utility companies participate only in the Provider segment, and Landlords participate only in the User segment.

52. Seven of the eight commercial banks actively participate in the credit reporting sector.[16] Additionally, approximately twenty-five credit unions (2022) provide necessary financial services to individuals and small businesses. Eight investment firms contribute to the credit reporting industry.

53. Notably, as of October 2020, approximately six micro-financing companies were licensed by the BOJ. These companies are a potential source of additional revenue for credit bureaus. However, there may be over 200 micro-financing companies operating without a licence.[17] The BOJ has been actively working with unlicensed microfinancing companies to encourage compliance with the licensing requirements. Upon receiving their licence, these microfinancing companies will add to the potential revenue pool for the credit bureaus.

54. Microfinancing companies operate in a niche segment of the financial system by catering to clients who would have been deemed high-risk by traditional financial institutions such as commercial banks. Sometimes, the high-risk assessment arises due to an incomplete credit record rather than a documented record of poor credit management. The credit report prepared for these clients would be incomplete because it did not include records of all the credit facilities they manage.

55. Microfinanciers would welcome observing additional financial footprints of these individuals that may not be captured in credit reports—for example, records of the client's interaction with hire purchase companies. Furthermore, many clients utilize informal systems of credit facilities. For instance, Rotating Savings and Credit Associations (ROSCAs) are informal financial systems comprising individuals making fixed contributions and withdrawals to and from a common fund. In Jamaica, this informal system is commonly called a partner plan. ROSCAs are common among persons not included in the formal financial system.

56. The additional financial footprints would serve as a basis for extending credit to clients otherwise excluded from the traditional financial system. The study next describes the entry conditions for the credit reporting market.

<u>Prospects for Competitive Entry</u>

[16] Citi Bank N.A. does not participate in the credit reporting industry.

[17] https://jamaica-gleaner.com/article/business/20221019/microcredit-money-service-firms-tightening-aml-systems-amid-challenges

57. The primary focus of the CRA is the duties of credit bureaus. The CRA requires that the BOJ license all credit bureaus. To obtain a credit bureau license, an applicant must meet the following requirements:

- Be a company incorporated under the Companies Act of Jamaica.
- Have a paid-up capital of at least $100,000.
- Have a board of directors composed of at least three persons, one of whom must be a resident of Jamaica.
- Have a management team with the necessary experience and expertise in the credit reporting industry.
- Have a system to collect, store, and manage credit information securely and confidentially.
- Have a system to provide consumers access to credit reports and respond to complaints.

58. In the credit reporting sector, entities seeking a license to operate as credit bureaus must adhere to the regulations outlined in the CRA. To begin the process, a company must submit a formal application to the Minister in the prescribed format. Additionally, the application must be accompanied by the prescribed application fee and include all the necessary details specified by the relevant authorities [S.4(1)].

59. Section 4(2) and section 4(3) of the CRA provide further details regarding the requirements for obtaining a license. Specifically, section 4(3) establishes the BOJ as the supervisory authority for credit agencies. The BOJ plays a crucial role in the licensing process, as no license can be granted unless the supervisory authority confirms in writing to the Minister that the applicant meets the requirements.

60. According to section 4(3) of the CRA, the supervisory authority must be satisfied with the following before granting a license:

    (a) Fit and Suitable Persons: Applicants are assessed to ensure that every person serving as director of the applicant, performing corporate management functions, or holding 10 per cent or more of the voting shares (either directly or through a connected person) is considered a fit and suitable person for their respective roles.

    (b) Compliance Systems: The applicant must have implemented adequate systems and arrangements to ensure compliance with the provisions outlined in the Credit Reporting Act. This requirement underlines the importance of establishing robust mechanisms to handle sensitive consumer data and adhere to the prescribed reporting practices.

(c) Capital Requirements: The applicant must meet the capital requirements as prescribed by the Minister, based on the recommendations made by the supervisory authority. These capital requirements ensure credit agencies have sufficient financial resources to carry out their operations effectively.

In addition, section 5(2) of the CRA stipulates that credit bureaus must pay an annual license fee.

61. Assessing the competitive landscape by evaluating the extent to which competitive entry is feasible is often helpful. Competition authorities agree that competitive entry can be a binding competitive restraint. Entry is considered competitive if it is timely, likely, and sufficient to mitigate, if not deter anti-competitive conduct.

Timeliness

62. The timeliness of entry is a critical aspect to consider when assessing the competitive landscape of any market. Credit bureaus offered insights into the timeframe involved in setting up operations and meeting regulatory requirements.

63. EveryData Jamaica highlighted that the enterprise had to meet regulatory requirements and build credibility with Providers to establish its operations. The enterprise obtained its licence in 2011 and began operations in 2013. Overall, it took EveryData Jamaica approximately 5-7 years to become a viable operation. Three to five years were used to build credibility. Providers had to acclimate to sharing clients' information and learning the benefits of using credit bureau services. This sentiment was echoed by both credit bureaus interviewed.

64. Notably, upon satisfying regulatory requirements, entry typically occurred within a year. Building credibility with providers emphasizes the significant effort required to build a corporate reputation and gain the trust of data providers. This suggests that entry into the market demands substantial investment and a long-term commitment to developing solid relationships with Providers.

65. CIS, another credit bureau, had a setup period of approximately two years. Revision requirements requested by regulatory authorities influenced this duration. This indicates that regulatory processes and the level of cooperation and efficiency from regulatory bodies can affect entry speed.

66. CIS further highlighted the challenges in obtaining necessary approvals and revisions from regulators. The extended period of two years, as opposed to the typical one year, was primarily attributed to back-and-forth communication and delays in revising documents. This highlights the importance of providing clear and concise guidelines to prospective credit bureaus and the need for efficient regulatory processes to expedite entry.
67. A new entrant is expected to take an estimated one year to set up. This timeframe reflects the typical duration required for establishing a new credit bureau, assuming the entrant satisfies the regulatory process and adheres to best practices.
68. Significant investment is required to establish the necessary information technology infrastructure and relationships with Providers. The cost of replication is likely substantial, considering the complexities involved in building a credible and viable credit bureau.
69. The time taken to obtain licenses, permits, permissions, and regulatory requirements for credit bureau operations is comparable to the usual requirements for companies seeking business in Jamaica. Regulators impose additional requirements to ensure the safekeeping and appropriate handling of clients' data and facilities and to ensure ongoing adherence to the established requirements. License renewal is required annually, indicating a recurring regulatory obligation for credit bureaus. This suggests that new entrants must allocate resources and time to obtain and renew licenses and permits.
70. Several factors influence the timeliness of entry, including standard regulatory requirements, revisions, an annual licensing fee, and approval from regulatory authorities. Establishing operations and gaining the trust of Providers are crucial steps that require significant time and effort. EveryData Jamaica credits its speed of setting up and expanding operations to leveraging its expertise and know-how to reduce the learning curve.[18]

FTC Assessment of Timeliness

71. The FTC concludes that the three to five-year duration taken by new entrants to secure bilateral data exchange agreements with Providers constitutes a significant impediment to expansion in the market for credit reporting. The protracted delay would render entry inadequate to deter incumbent credit bureaus from engaging in anticompetitive conduct.

[18] https://jamaica-gleaner.com/article/business/20190417/EveryData Jamaica-expands-regionally-stores-information-jamaica

Likelihood

72. The likelihood of entry is another critical aspect to consider when assessing the competitive landscape of any market. Entry is likely if it would be profitable at pre-entry prices.

73. Credit Bureaus generate revenues by issuing credit reports to Users. A credit report is offered at a price of $1,150. Table 1 below shows that in 2019, credit bureaus issued 574,186 credit reports. The reports were issued with credit information for 895,116 clients (or subjects) submitted by the 103 providers, who entered data exchange information with the three licensed credit bureaus. If we presume that each report covered distinct clients, then we deduce that credit bureaus served as many as 64% of their client base in 2019.

Table 1. Indicators of Potential Demand for Credit Reports, 2019-2023

	2019	**2020**	**2021**	**2022**	**2023**
No. of reports issued during the year (excluding free reports)	574,186	355,446	380,333	418,717	437,872
Reported number of subjects in the database of the credit bureaus	895,116	925,114	971,902	1,046,543	1,145,635
No CIPs signed with credit bureaus	103	115	114	122	122
Credit bureau service rate[1]	64%	38%	39%	40%	38%
No reports that **could be** issued based on 2019 service rate	574,186	593,429	623,442	671,321	734,885

Source: Compiled from data published by BOJ.

1. Credit bureau service rate is the number of reports issued represented as a percentage of the number of subjects in credit bureau database.

74. In 2020, twelve (12) additional providers signed with at least one credit bureau, resulting in a 29,998 increase in the number of clients tracked by credit bureaus. Despite the increase in client base in 2020, the number of reports decreased by 218,740 (38%). These changes reduced the service rate from 64% in 2019 to 38% in 2020.

75. Between 2020 and 2023, the number of reports increased by 23% to 437,872; the number of clients increased by 24% to 1,145,635; and the number of Providers signed with credit bureaus

increased by 6% to 122. In contrast, the credit bureau service rate remained relatively stable at 38%, significantly below the 64% observed during 2019.

76. The underlying reason for the precipitous fall in the service rate is not immediately apparent, but the onset of the novel coronavirus (COVID-19) in March 2020 may offer a partial explanation. What is even less specific is the underlying reason for the absence of any sign of recovery, as the service rate has not inched any closer to its 2019 level three years after the drastic plunge. This could suggest that, among other things, credit reports are currently playing a less significant role in the extension of credit relative to the period before 2020.

77. Suppose the 2019 relationship between the number of subjects and the number of credit reports was maintained in 2023. In that case, the FTC estimates that as many as 734,885 credit reports could have been demanded in 2023, approximately 68 percent higher than the 437,872 reports observed.

FTC Assessment of Likelihood

78. The data indicate that the number of credit reports issued consistently increased from 2020 to 2023. However, the absence of any recovery in the credit bureau service rate is consistent with the conjecture that new entry would be profitable at current prices. Accordingly, entry is likely, all other things being constant.

Sufficiency

79. The sufficiency of entry to deter anti-competitive conduct in the credit reporting market is assessed based on the availability of critical inputs and the market's capacity to accommodate new credit bureaus. Credit bureaus need information from Providers to remain viable.

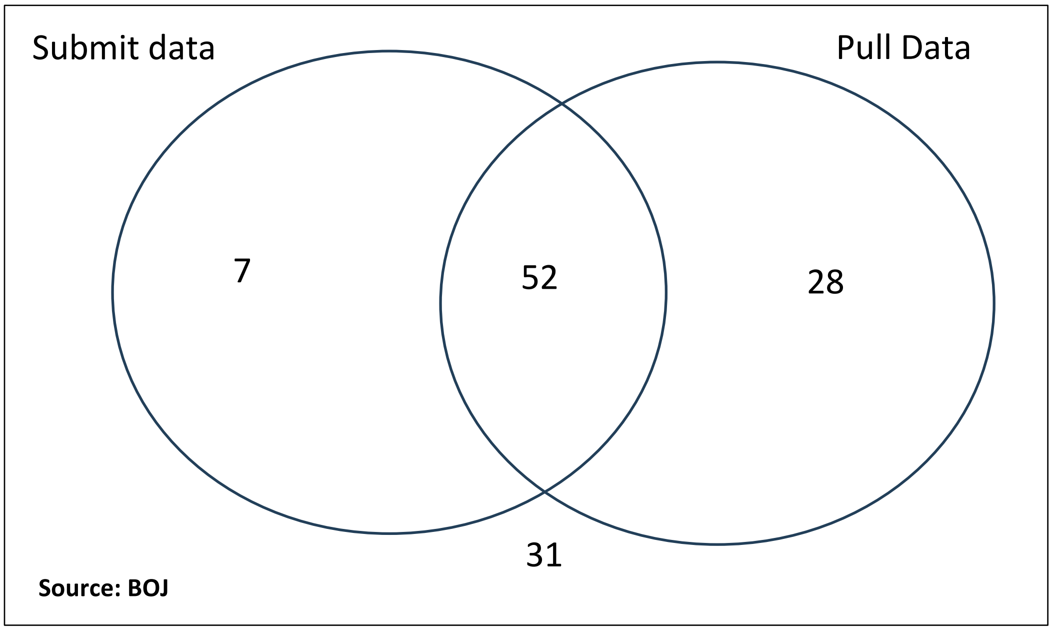
80. Table 1 above shows that the number of Providers signed to submit data to credit bureaus increased by 18 percent from 103 in 2019 to 122 in 2023. This signals an increase in the sources of credit information available to credit bureaus.

81. This increase in the sources of information is misleading, as it masks the inaccessibility of some of the Providers. One credit bureau expressed concern over the non-reciprocity of data-exchange contracts. The credit bureau pointed out that there are Providers who are also Users but do not share information with credit bureaus. The credit bureaus explained that this one-way relationship adversely affected the completeness of credit reports, given the absence of that Provider’s data.

82. Data from the BOJ supports the credit bureaus' accounts. The extent of data sharing as of September 30, 2022, is summarized in Figure 1 below.

Figure 1. Venn Diagram Showing Data-Exchange Status of Providers as of September 30, 2022

83.



84. Figure 1 above shows that of the 118 Providers that had entered contracts with credit bureaus to share/exchange their customers' data, as many as 59 (50%) did not submit data to credit bureaus. It is also seen that 80 Providers (68%) did not request credit reports from credit bureaus.
85. Respondents offer insights into strategic conduct within the credit reporting sector. They highlight Providers' preferences, their reasons for selecting specific credit bureaus, among other things. Based on the responses, it is evident that two credit bureaus, namely CRIF and EveryData Jamaica, were more widely used by Providers than the third credit bureau, CIS. Five of the nine respondents stated that they provided credit information to CRIF and EveryData Jamaica only, while one supplied information solely to CRIF. Two respondents provided information to all three credit bureaus, while one respondent reported that it did not supply information to any credit bureau.

FTC Assessment of Sufficiency

86. The FTC concludes that the inequitable access to a crucial input (Providers) constitutes a significant impediment to expansion in the market for credit reporting.
87. The overall conclusion in this section is that competitive entry is unlikely due primarily to the delay to complete data-exchange agreements and the indifference of some Providers to enter these agreements. The FTC next examines the consequences of the competition issues raised above.

C. The Consequence of Impediments to Competition

88. The information reviewed by the FTC suggests that inequitable access to Providers is an impediment to competition. As such, a new entrant or incumbent credit bureau is unlikely to have adequate access to credit information to expand market share or even remain viable in the market for credit reporting. a crucial input. An examination of the source of this inequity was undertake to devise remedial measures.
89. Providers cited multiple reasons for not supplying information to all credit bureaus. Some stated that the information from two credit bureaus (CRIF and EveryData Jamaica) was sufficient to assess clients' risks. In contrast, others cited incompatibility with the information technology platform of one credit bureau (CIS) as the reason for not supplying the information.
90. Additionally, unsubstantiated reports of exclusive contracts between credit bureaus and Providers may also explain why some Providers do not utilize the services of all credit bureaus.
91. When asked about their requirements for sharing data with credit bureaus, most respondents emphasized the importance of the credit bureau being licensed and registered. Three respondents also mentioned the need for credit bureaus to operate with a compatible information technology platform, while one highlighted data protection requirements.
92. Regarding the significance of credit reports in extending credit, seven respondents indicated that credit reports are significant in their decision process. Three respondents stated that credit reports influence interest rates offered, while four mentioned that credit reports and other factors affect interest rates. Two respondents, however, indicated that credit reports do not impact interest rates offered to clients. Additionally, it is noteworthy that seven respondents reported that clients must obtain credit reports from credit bureaus designated by the respondents, with two of the bureaus being preferred over the third bureau.
93. It is noted that the CRA does not compel Providers to share information with credit bureaus. The credit bureaus argue that, if necessary, the reliability of credit reports may be compromised. Providers do not share data with credit bureaus.

94. This highlights the need for a two-way (reciprocal) data exchange between Providers and credit bureaus to improve the reliability of credit reports in risk-assessment processes.
95. Both credit bureaus argue that Providers should be required to share information to improve the reliability of credit reports. The FTC supports this position.
96. The FTC concludes that mandatory data-exchange reciprocity promotes competition in the credit reporting market by mitigating significant sources of market distortion: asymmetric information and impediments to entry and expansion. Data-exchange reciprocity would also ensure that all credit bureaus (recent entrants and incumbents) have timely access to the data to compile reliable credit reports, facilitate the timely expansion of recent entrants, and enable competitive entry.
97. In the first instance, mandatory data-exchange reciprocity would reduce impediments to entering and expanding the market for credit reporting. Data-exchange reciprocity lowers impediments by reducing the time a recent entrant would take to conclude data-exchange agreements with an adequate number of Providers to expand and compete with incumbent credit bureaus. This would address the concern that a credit bureau is less competitive due to its data-exchange agreements with only a limited number of Providers compared to incumbent credit bureaus, particularly in the initial years of entering the market.
98. In the second instance, mandatory reciprocal data-exchange agreements reduce the incidence of information asymmetry in the credit market. Mandatory data-exchange reciprocity facilitates using more sources of credit information in the compilation of credit reports. Therefore, data-exchange compulsory reciprocity benefits clients and lenders by reducing the compilation of a complete record of the client's management of credit facilities, enabling a more reliable risk-assessment profile.
99. In addition to mitigating market distortions, mandatory reciprocal data-exchange contracts would promote competition in the market on non-price dimensions such as product differentiation and service quality. New entrants would have the opportunity to carve out a niche and compete effectively by leveraging their unique value propositions.
100. Early entrants in the credit reporting market have gathered comprehensive credit information over time despite challenges in engaging some Providers. This gives early entrants a first-mover advantage over later entrants and impedes entry and expansion. However, concerns exist regarding the reliability of credit reports, mainly if significant sources of credit information engage in the practice of not submitting data to every credit bureau. Mandatory reciprocal data exchange

agreements would address this issue, improving the reliability of credit reports used in risk-assessment processes.

101. In summary, the protracted delay in entering data-exchange contracts discourages competitive entry and thereby confer a distinct competitive advantage to incumbent credit bureaus (i.e., creates a first mover advantage). There are sufficient opportunities, however, for regulatory intervention to promote competitive entry. The proposed regulatory measures regarding mandatory reciprocal data-exchange contracts would mitigate market distortions manifesting as a first-mover advantage in the market for credit reporting. This measure would also reduce market distortions manifesting as information asymmetries in the credit market.

D. Market Conduct and Consumer Protection

i. Assessment of market conduct

102. The survey revealed that market participants' strategic conduct has differing effects on credit reporting and credit markets.

Alternative Tools of Risk-Assessment

103. Credit bureaus indicate that commercial banks are their prime source of clients and contribute significantly to their revenues through credit reports as a risk assessment tool. Commercial banks have highlighted, however, the growing use of alternative risk assessment tools. These alternative means include internal methods, such as in-house records (relying only on the client's history with the bank) and client disclosures (trusting the client's ties to the bank through guarantors, pledging of collateral or character).

104. Financial institutions' increasing use of alternative risk-assessment tools hurts the credit reporting market by reducing the (derived) demand for credit reports.

105. Contrastingly, the increasing use of alternative risk-assessment tools positively affects the credit market by stimulating the credit supply. The supply of credit increases because relaxing the submission of a credit report as a prerequisite for securing loans increases the pool of eligible clients of financial institutions.

Inaccessibility of All Providers to Credit Bureaus

106. Credit bureaus revealed several practices in the credit reporting sector that impede competition. Although the FTC did not independently confirm the veracity of the accounts, they point to

conduct so inimical to competition within the credit reporting market that policymakers should take steps to limit the opportunity for them to occur. The accounts, as described by the credit bureaus, compromise the reliability of credit reports and exacerbate financial exclusion.

107. The credit bureaus informed the FTC that they cannot access all designated Providers. One credit bureau alleges that it was blocked from retrieving information from a Provider that it considered a significant player in the sector. Another credit bureau advised the FTC that exclusive data-sharing contracts exist between the Provider and the credit bureau. It was believed that this practice was widespread in the market. The FTC was also advised that only one of the two major hire purchase companies entered a data-sharing agreement, and it did so with only one of the three credit bureaus.

108. The potential for the alleged conduct to harm the credit and credit reporting markets is illustrated below.

109. Hire-purchase companies are desirable to clients with limited disposable income. These clients are not financially able to finance the cost of the item upfront, and they are excluded from accessing credit from traditional financial institutions. However, they are willing and able to pay higher long-term prices as these payments are smaller per week/month, which is more manageable. Anecdotal data suggest that many financially excluded persons have a commendable credit history with hire purchase companies, often furnishing their homes through hire purchase. The absence of a record of the client's history with the hire purchase company would result in unreliable credit reports as it would exclude important transactions reflecting the client’s healthy credit history. Consequently, the absence of a complete record of the client’s credit history would also exclude the client from the credit market.

110. The FTC concludes that mandatory universal data-exchange contracts promote competition in the credit reporting market by mitigating significant sources of market distortion: asymmetric information and strategic impediments to entry and expansion. Universal data-exchange contracts dictate that any Provider that submits data to any credit bureau should be required to submit data to all credit bureaus. Reciprocity would also ensure that all credit bureaus (recent entrants and incumbents) have timely access to the data to compile reliable credit reports, facilitate the timely expansion of recent entrants, and enable competitive entry.

111. In the first instance, universal data-exchange would mitigate strategic impediments to entering and expanding the market for credit reporting. Universal data-exchange lowers impediments by reducing the time a recent entrant would take to expand and compete with incumbent credit

bureaus. This would address the concern that a credit bureau is less competitive due to its data-exchange agreements with only a limited number of Providers compared to incumbent credit bureaus, particularly in the initial years of entering the market.

112. In the second instance, universal reciprocal data-exchange agreements reduce the incidence of information asymmetry in the credit market. Mandatory universal data-exchange facilitates using more sources of credit information in the compilation of credit reports. Therefore, universal data-exchange benefits clients and lenders by reducing the compilation of a complete record of the client's management of credit facilities, enabling a more reliable risk-assessment profile.

113. In addition to mitigating market distortions, mandatory universal data-exchange contracts would promote competition in the market on non-price dimensions such as product differentiation and service quality. New entrants would have the opportunity to carve out a niche and compete effectively by leveraging their unique value propositions.

114. Early entrants in the credit reporting market have gathered comprehensive credit information over time despite challenges in engaging some Providers. This gives early entrants a first-mover advantage over later entrants and impedes entry and expansion. However, concerns exist regarding the reliability of credit reports, mainly if significant sources of credit information engage in the practice of not submitting data to every credit bureau. Mandatory universal data-exchange contracts would address this issue, improving the reliability of credit reports used in risk-assessment processes.

115. In summary, discriminatory access to Providers discourages competitive entry and thereby confer a distinct competitive advantage to earlier entrants (i.e., creates a first mover advantage). There are sufficient opportunities, however, for regulatory intervention to promote competitive entry. The proposed regulatory measures regarding mandatory universal data-exchange contracts would mitigate market distortions manifesting as a first-mover advantage in the market for credit reporting. This measure would also reduce market distortions manifesting as information asymmetries in the credit market.

116. This study now examines issues arising in the credit reporting sector from a consumer protection perspective.

ii. Consumer Protection: accessibility, accuracy, and availability of credit reports

117. Consumer protection in the credit reporting sector requires accurate credit reports. In this regard, credit bureaus must have robust mechanisms to verify and update the data they collect from various sources and disclose in credit reports.

118. In 2019, one out of approximately 150 credit reports issued triggered a consumer complaint. The incidence of consumer complaints doubled over the subsequent four years, reaching a point in 2023 where two out of approximately 150 credit reports issued triggered consumer complaints.[19]

119. Information is one of the best safeguards for clients against being disadvantaged. In this light, the CRA gives the consumer the right to access one credit report free of charge ('free credit report') each year. This allows clients to review their credit information and identify inaccuracies or discrepancies. However, the format of the free credit reports is reportedly not easily understood by the average client. Clients complained of difficulty understanding the information outlined in the free credit report.

120. Clients have the right to know the source of the information included in their credit reports. This transparency is crucial as it allows individuals to understand which entities or institutions have contributed to their credit reports. Credit bureaus should disclose the sources of information they rely upon and provide individuals with the information required to verify the accuracy and validity of the data. The credit bureaus were observed to honour this right by stating the sources of the credit information on the credit reports. Clients were able to tell what credit information was provided in the report and the source of the information.

121. Consumer protection in the credit reporting sector involves establishing effective dispute-resolution mechanisms. Individuals should be able to challenge and correct any errors or inaccuracies in their credit reports, and credit bureaus should have clear procedures to promptly and fairly address consumer disputes.

122. Complaints to the FTC often express clients' difficulty in removing erroneous or obsolete credit information from their reports. The inadequacy and inaccessibility of dispute resolution mechanisms to safeguard consumers' rights are critical areas in which credit bureaus must improve.

[19] Bank of Jamaica.

E. Market Performance and Innovation

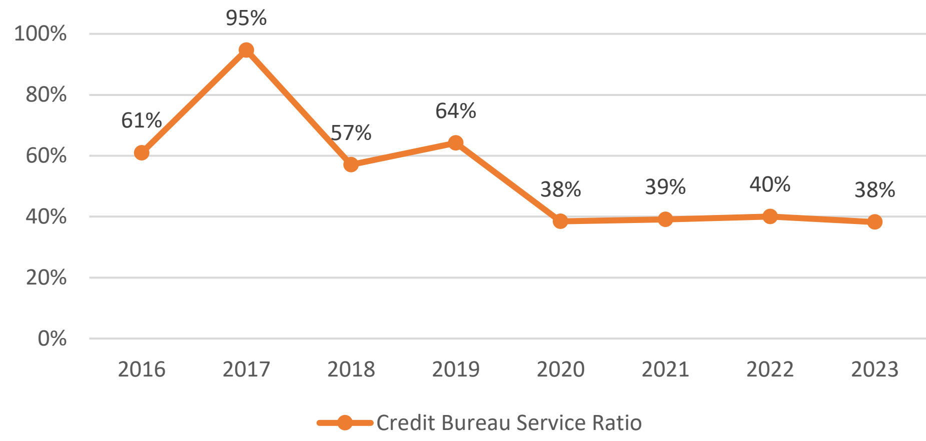
i. Analysis of market performance indicators

123. The performance of the credit reporting sector is evaluated based on several indicators, including the estimated demand for credit reporting services and the potential for market expansion.

124. Based on qualitative and quantitative data reviewed by the FTC, the significance of credit reports in extending loans has diminished in recent years compared to earlier periods.

125. Figure 2 below shows that during the period 2016-2019, the ratio of credit reports issued to the number of subjects (consumers) tracked by credit bureaus fluctuated between 57% and 95%.

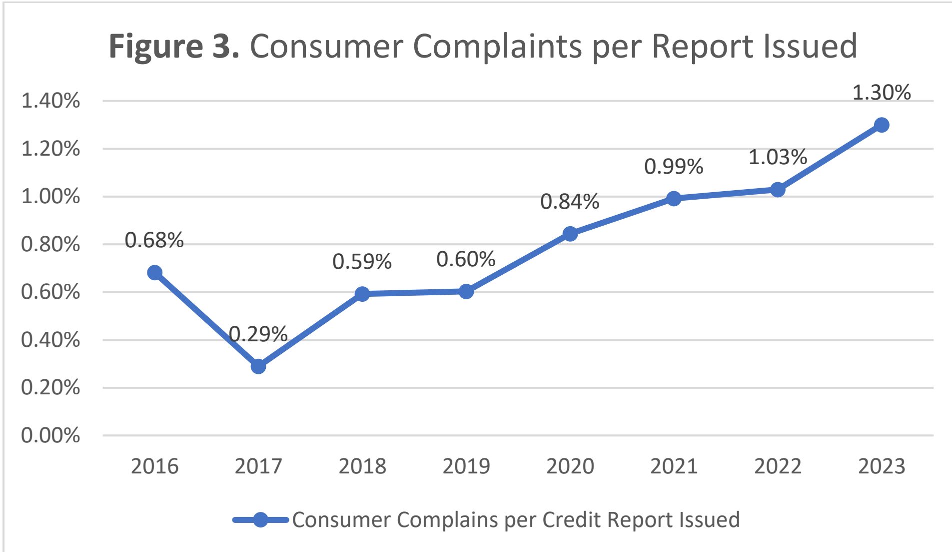
Figure 2. Line Chart Showing the Trend in Credit Bureau Service Ratio



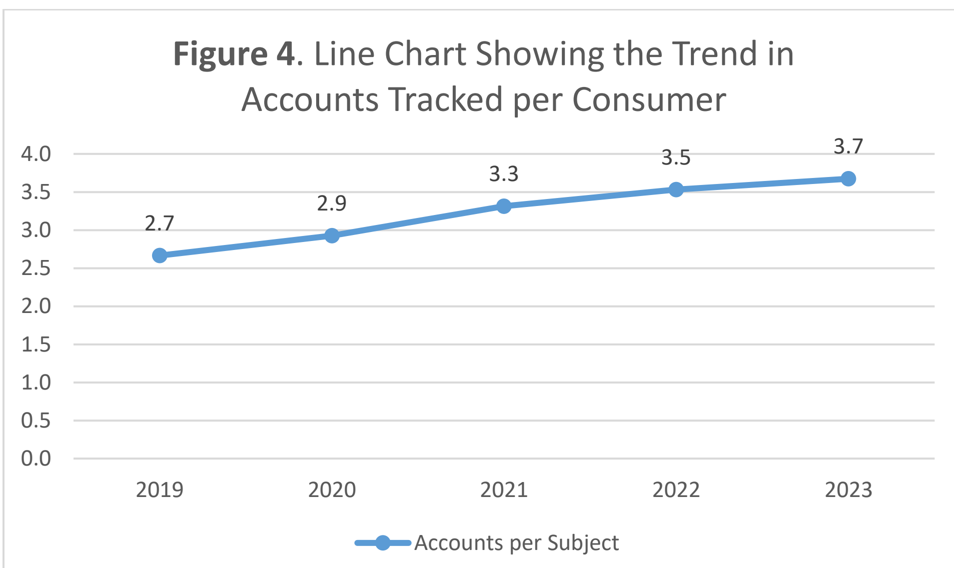
126. However, this ratio hovered between 38% and 40% in the subsequent four-year period. The fact that the outstanding loans increased during the period is consistent with the premise that the financial system has become less reliant on credit reports in recent times.

127. The FTC explored a possible explanation for this apparent diminished significance of credit reports in recent times. While the reason for this reduced reliance remains uncertain, data suggest that credit reports may have become an increasingly unreliable tool for risk assessment. This is the case as there is evidence that credit reports have been an increasingly less accurate tool.

128. Figure 3 below shows that credit reports have become increasingly inaccurate in recent times. This is evident by the increase in consumer complaints regarding incorrect information reported by credit bureaus. The table shows that the incidence of consumer complaints doubled during 2018-2023.



129. Figure 4 below shows that the completeness of credit reports has not improved significantly in recent times. This is evident as, in 2019, credit bureaus held information on two to three accounts, on average, for each consumer covered in their database. By 2023, the credit bureaus held information on about three to four accounts, on average, for each consumer covered.



130. Data gathered indicate a growing demand for credit reporting services. The FTC also uncovered evidence suggesting sufficient unserved demand, which could support the entry and expansion of

new credit bureaus. Identifying a niche within the market can be a strategic approach for new entrants to establish themselves successfully and grow market share.

131. Qualitative data from the survey assisted the FTC in refining initial inferences drawn from the qualitative data reported in the tables above. In particular, the allegation of exclusive data-exchange contracts is consistent with the hypothesis that the financial system may perceive credit reports as an incomplete tool for risk assessment. Also, confirmed reports that some providers do not submit data to credit bureaus also support the inference that the financial system may perceive credit reports as an incomplete tool for risk assessment.

132. The survey suggests that while credit reports are perceived to have some helpful value, there is room for improvement. This inference is drawn from lenders considering credit reports a necessary tool for risk assessment but insufficient. The seven respondents, who stated that a credit report is a requirement for securing loans, confirm the necessity of a credit report. As such, lenders perceive some practical value in using credit reports to establish risk-assessment profiles.

133. A highly valued risk-assessment tool should directly influence interest rates since interest rates on loans are typically directly proportional to the perceived risk, with individuals with a lower risk of default attracting lower interest rates. As such, evidence suggests that there is scope for improvement in using credit reports as a risk-assessment tool. Two respondents indicated that credit reports did not influence loan interest rates, while another four stated that credit reports and other measures influenced the interest rates. Three other respondents indicated, however, that interest rates varied based on the credit reports.

IV. POLICY IMPERATIVES

134. The analyses presented above suggest that policy intervention is warranted to orchestrate the systematic improvements in the reliability of credit reports, in terms of accuracy and completeness, to exploit opportunities for greater financial inclusion through the incentives typically offered through competition.

Imperative # 1 [Mandate universal data-exchange contracts]

135. Policymakers should mandate that any provider that submits data to at least one credit bureau must submit data to all credit bureaus.

Imperative # 2 [Mandate data-exchange reciprocity]

136. Policymakers should mandate that any provider that pulls information from any credit bureau should be required to submit data to all credit bureaus.

137. The anticipated benefit of Imperative #1 and Imperative #2 is that they will expand the credit information database used to generate credit reports and ensure that every credit bureau has equal access to this crucial input. This would increase the volume and scope ('comprehensiveness') of the credit information database accessible to any given credit bureau. This would also encourage competitive entry into the credit reporting market by significantly reducing an impediment to expansion, considerably reducing the time it takes a new entrant to enter contracts with Providers to access credit information. Since credit bureaus would have access to the same comprehensive database, they would have sufficient incentives and opportunities to innovate or otherwise differentiate themselves based on their respective credit reports' perceived value (such as reliability). Differentiation appears based on access to crucial input (credit information). A more reliable tool for risk assessment would mitigate information asymmetry in the financial system. With information asymmetry mitigated, there is a more significant opportunity for competition in the economic system. With competition in the financial market, there is a greater scope for efficiency. With a more efficient financial market, financial inclusion has a greater scope.

Imperative # 3 [Standardised Information Technology Platform]

138. Policymakers should mandate that providers and credit bureaus adopt a standardized platform for sharing credit information records. Minimum standards should be established to ensure

interoperability/compatibility, adequate data security, and cost-effectiveness, among other things.

139. The benefit of Imperative #3 is that it is expected to minimize the anticipated transaction costs of implementing recommendations #1 and #2 as it incorporates the prerequisites expressed by respondents for submitting data to credit bureaus.

Imperative # 4 [Improve Dispute Resolution Mechanisms]

140. Policymakers should develop and enforce guaranteed standards to give effect to the timely resolution of consumer complaints, as provided for in section 16 of the Credit Reporting Act.

141. The anticipated benefit of Imperative #4 is that it restricts the period in which inaccurate information is housed in the database used to compile the credit report of a given consumer. This would increase the accuracy of the credit information accessed by all credit bureaus. The increased accuracy of the credit information database would lead to credit reports becoming a more reliable tool for risk assessment in the financial system. A more reliable tool for risk assessment would mitigate information asymmetry in the financial system. With information asymmetry mitigated, there is a more significant opportunity for competition in the financial system. With competition in the financial market, there is a greater scope for efficiency. With a more efficient financial market, financial inclusion has a greater scope. For example, a more accurate consumer information database would prevent consumers from being excluded from participating in the financial markets solely due to inaccurate records utilized by credit bureaus.

Imperative # 5 [Target the Underserved Consumers]

142. Underserved consumers are those not included in any credit bureau database despite managing at least one credit facility. Policymakers should strongly encourage, if not mandate, entities that serve underserved consumers to submit data to credit bureaus.

143. The data may not have been submitted because the entity made a strategic decision or was not designated a Provider. Based on the survey, hire purchase companies and operators of partner plans may be prime targets for policymakers.

144. The non-submission of credit information by underserved consumers creates a negative externality and, therefore, market failure in the financial system, unduly excluding individuals from it.

145. The anticipated benefit of Imperative #5 is that it will mitigate the negative externality imposed by the non-submission of credit information and mitigate market failure. It does so by increasing the number of consumers tracked by credit bureaus, improving the efficiency of the financial system, and, therefore, expanding the number of consumers who participate in the economic system, thus promoting financial inclusion.

146. Imperative #5 will mitigate financial market failure by internalizing the negative externality imposed on underserved consumers by the non-submission of credit information.

V. EXPECTED IMPACT OF THE FTC'S INTERVENTION

147. This study completes a partial assessment of the expected impact of the FTC's intervention. The intervention, as described in Section IV, is expected to directly promote competition in the market for credit reporting. It is also expected to directly improve the efficiency of the market for credit and the market for credit reporting.

148. The intervention is expected to improve efficiency in the credit market, leading to greater financial inclusion, by mitigating market failure precipitated by asymmetric information. The intervention is also likely to improve efficiency in the market for credit reporting, leading to a faster pace of innovation by stimulating the competition being stifled by inequitable access to crucial input (credit information).

149. This study provides a quantitative assessment of the expected impact only on consumers in the market for credit reporting. Qualitative improvements in the credit market and the credit report market are expected to deliver quantitative benefits to suppliers and consumers in both markets. In this study, however, the FTC assesses expected benefits only for consumers in the market for credit reporting. Consumers in the market for credit reporting are expected to benefit from greater levels of dynamic and static efficiencies, which would be unlocked with a greater level of competition. In this study, however, the FTC assesses the expected benefits from the improvement in static efficiencies arising from this intervention.

150. This impact assessment is guided by the framework developed by the Competition Division of the Organisation for Economic Cooperation and Development (OECD). The size of the turnover affected determines the expected impact, the price increase removed or avoided, and the duration of the price effect.[20] To assess the static consumer benefits arising from this intervention, the FTC estimates that the turnover affected by the intervention is approximately $362 million. Also, the FTC estimates that the intervention will remove or avoid a price increase of roughly 5%. Currently, credit bureaus charge consumers a base price of $1,150 to submit credit reports to Users. Finally, the FTC conservatively estimates that the likely duration of the price increase absent the intervention is at least 3 years.

151. Based on the above, the FTC's intervention in the credit reporting market is expected to deliver static consumer benefits of $54 million over three years in the credit reporting market.

152. The information is summarized in Table 2 below.

[20] OECD (2014), Guide for Helping Competition Authorities Assess the Expected Impact of Their Activities, available at https://www.oecd.org/daf/competition/

`**Table 2**. Intervention Matrix Showing Policy Imperatives and Expected Outcomes (continues on next page)

Issue Identified	**Problems Created**	**Remedy Proposed**	**Outcome Expected**	**Beneficiaries** [Benefits]
Providers not submitting data to all Credit Bureaus	(i) Impedes competitive entry by creating inequitable access to a crucial input in the credit reporting market. (ii) Results in incomplete credit reports. (iii) Creates market failure by exacerbating asymmetric information in the market for loans	**Imperative # 1** [Mandate universal data-exchange contracts]	(i) Improved efficiency in the credit reporting market. (ii) More intense competition in the credit reporting market. (iii) Improved efficiency in credit market (	(i) **Credit Reporting Market** [improved efficiency]: **Consumers** [cost savings, $54 million] **Consumers** [complete credit reports] **Credit bureaus** [increased revenues; improved access to crucial input]. (ii) **Credit Market** [improved efficiency]: **Consumers** [access to more credit facilities]. **Lenders** [more reliable risk-assessment tool]. **Government** [greater financial inclusion]
Providers not submitting data to any credit bureau	(i) Results in incomplete credit reports. (iii) Creates market failure by exacerbating asymmetric information in the market for credit	**Imperative # 2** [Mandate reciprocal data-exchange contracts]	(i) Improved efficiency in the credit reporting market. (ii) More intense competition in the credit reporting market. (iii) Improved efficiency in credit market	(i) **Credit Reporting Market** [improved efficiency]: **Consumers** [cost savings, $54 million] **Consumers** [complete credit reports] **Credit bureaus** [increased revenues; improved access to crucial input]. (ii) **Credit Market** [improved efficiency]: **Consumers** [access to more credit facilities]. **Lenders** [more reliable risk-assessment tool]. **Government** [greater financial inclusion]

`**Table 2** (cont'd). Intervention Matrix Showing Policy Imperatives and Expected Outcomes (continued from the previous page)

Issue Identified	Problems Created	Remedy Proposed	Outcome Expected	Beneficiaries [Benefits]
Each data exchange contract requires the Provider and the Credit Bureau to have compatible information technology platforms.	Implementing Imperatives # 1 and #2 may pose significant coordination costs to affect the required compatibility across the market.	**Imperative # 3** [Standardised Information Technology platforms]	(i) Improved efficiency in the credit reporting market. (ii) More intense competition in the credit reporting market. (iii) Improved efficiency in credit market	(i) **Credit Reporting Market** [improved efficiency]: **Consumers** [cost savings, $54 million] **Consumers** [complete credit reports] **Credit bureaus** [increased revenues; improved access to crucial input, lower transaction cost of sharing information]. **Providers** [lower transaction cost of sharing information] (ii) **Credit Market** [improved efficiency]: **Consumers** [access to more credit facilities]. **Lenders** [more reliable risk-assessment tool]. **Government** [greater financial inclusion]
Inaccurate/stale information presented in credit reports	(i) Results in inaccurate credit reports. (iii) Creates market failure by exacerbating asymmetric information in the market for credit	**Imperative # 4** [Improve Dispute Resolution Mechanisms]	(i) Improved efficiency in the credit reporting market. (ii) Improved efficiency in credit market	(i) **Credit Reporting Market** [improved efficiency]: **Consumers** [accurate credit reports] (ii) **Credit Market** [improved efficiency]: **Consumers** [better terms on credit facilities]. **Lenders** [more reliable risk-assessment tool]. **Government** [greater financial inclusion]
Not all records of credit information are submitted to credit bureaus	(i) Some consumers are not tracked by any credit bureau. (iii) Creates market failure by imposing negative externality in the credit market	**Imperative # 5** [Target underserved consumers]	(i) Improved efficiency in the credit reporting market. (ii) Expanded customer base in credit reporting market (iii) Improved efficiency in credit market. (iv) Expanded customer base in the credit market.	(i) **Credit report market** [improved efficiency]: Consumers [more consumers being tracked by credit bureaus] (ii) Credit market [improved efficiency]: **Consumers** [access to more credit facilities] **Lenders** [expanded customer base] **Government** [greater financial inclusion]

VI. CONCLUSION

153. In conclusion, the credit reporting sector demonstrates significant demand and growth potential. A credit report is an essential tool for financial institutions undertaking risk-assessment processes, which, in turn, expands individuals' access to credit markets.

154. The CRA was enacted to facilitate credit information sharing, regulate credit bureaus, and ensure fairness and accuracy in credit reporting. The legislation aims to meet the needs of commerce for credit information while safeguarding the confidentiality and proper utilization of consumer information.

155. The legislation establishes the basic requirements for participating in the credit reporting sector, primarily focusing on consumer protection and providing accurate credit information.

156. Overall, the Credit Reporting Act (CRA) provides a comprehensive regulatory framework for the credit reporting industry in Jamaica. By setting licensing requirements, designating a supervising authority, and outlining standards for credit information providers, the legislation ensures the fair and accurate reporting of credit information while safeguarding consumer interests. The CRA's emphasis on consumer protection and industry regulation aims to strike a balance that supports the efficient functioning of the credit reporting industry. This framework contributes to developing a robust credit reporting system that facilitates credit access, promotes financial inclusion, and fosters economic growth in Jamaica.

157. Through this assessment, the Fair Trading Commission (FTC) has identified several issues that impedes the development of competition in the market for credit reporting and likely frustrating the efficient functioning of the credit reporting market and the credit market. The issues identified are market impediments and strategic impediments to competition which impedes competition. This assessment has also identified asymmetric information as a source of market failure. The issues identified are developed and discussed in greater detail in Section III.

158. The FTC has identified five measures which would be sufficient to mitigate the adverse effects of the issues identified. These measures are presented in Section IV.

159. The FTC estimates that the measures would stimulate competition and efficiencies in the market for credit reporting through which consumers would realise cost savings of approximately $54 million over a three-year period. A summary of the expected benefits of the intervention is presented in Table 2.