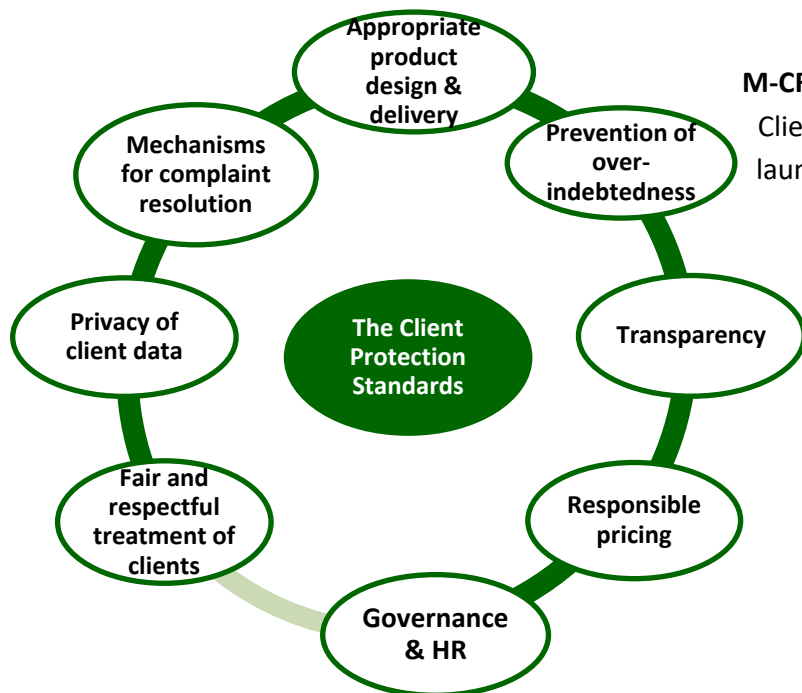


Client Protection Certification



M-CRIL has been licensed by SPTF and CERISE to conduct Client Protection Certifications using the recently launched **CP Certification Framework**.

M-CRIL has been a pioneer in developing standards around client protection for financial service providers since the beginning of the standard setting process and had been accredited by the erstwhile Smart Campaign (SC) as a Certifier since 2013.

Stakeholders including investors, regulators and clients of financial institutions agree on the value of a **standalone certification** as an independent and in-depth verification that promotes a client-centric approach and contributes to a more responsible industry for financial services provision to low-income households.

Client Protection (CP) Certification Framework: Following the NEW CP Pathway

The **Social Performance Task Force (SPTF)** and **Cerise** are managing the CP Pathway after the closure of the Smart Campaign at the end of 2020. Starting **May 2021**, all new assignments to certify compliance with the **Client Protection Standards** will follow the **CP Certification Framework** that has been developed by SPTF-CERISE in consultation with investors, financial service providers (FSPs) and rating agencies. Drawing on industry feedback and analysis of certifications over the past few years, the new framework covers the same standards and indicators as before. This evaluation methodology is based on the Client Protection Standards and offers a tiered system for awarding certification to provide incentive for improvement and consistent levels of distinction. Certification is now awarded on three levels: **gold**, **silver**, and **bronze** enabling FSPs to publicly demonstrate their good practices as they move towards full compliance.

M-CRIL offers FSPs serving low-income clients the opportunity to become **Client Protection Certified** through an **on-site mission** (depending on local restrictions). Certification involves evaluating a provider's policies, procedures, training, marketing, and operations against a set of **26 Essential Practices (EP)** and **153 Indicators** derived from the **8 Client Protection Standards**. Certification is decided by **M-CRIL's Certification Committee** of experts. Certification is valid for a period of **3 years**.

Institutions may undertake a **process of assessment**, to prepare for the Certification.

How is the new framework different from the Smart Campaign Certification?

Aspects	CP Certification Framework	Smart Campaign Certification
Number of indicators	153	172
Validity of certificate	3 years	4 years
Surveillance audit required	No	Yes, after 2 years from certification
Classification of indicators	3 levels – <i>Entry, Progress, Advanced</i>	No
Graded scoring	3 scores – <i>Bronze, Silver, Gold</i>	No
Progress Phase	2 months <i>Adjustment Phase</i> <u>only</u> for Entry level indicators	4 months

Levels of Indicators

Level	No. of Indicators	The indicators are
Entry	33	<ul style="list-style-type: none"> • <u>Minimum requirements</u> for adequate client protection • Addressing practice over policy
Progress	21	<ul style="list-style-type: none"> • More rigorous requirements to demonstrate progress toward <u>advanced practice</u>. • Required by <u>asset owners and investors</u>.
Advanced	24	<ul style="list-style-type: none"> • Demanding requirements to demonstrate <u>good practice</u>. • Addressing all the <u>biggest risk areas for clients</u>; confirm practice with policy

Certification Scoring

Based on adherence with the difference levels (Entry, Progress and Advanced) of indicators and with the total proportion of indicators, the financial services provider (FSP) will be awarded one of the following:

Compliance with...



Entry & **≥ 65% of all indicators**
(33 specific indicators)



Entry and Progress & **≥ 80% of all indicators**
(54 specific indicators)



Entry, Progress, Advanced & **≥ 95% of all indicators**
(78 specific indicators)

Adjustment Phase: a two-month adjustment phase will be provided to financial services providers (FSP) that are not compliant with a few of the **Entry** level indicators

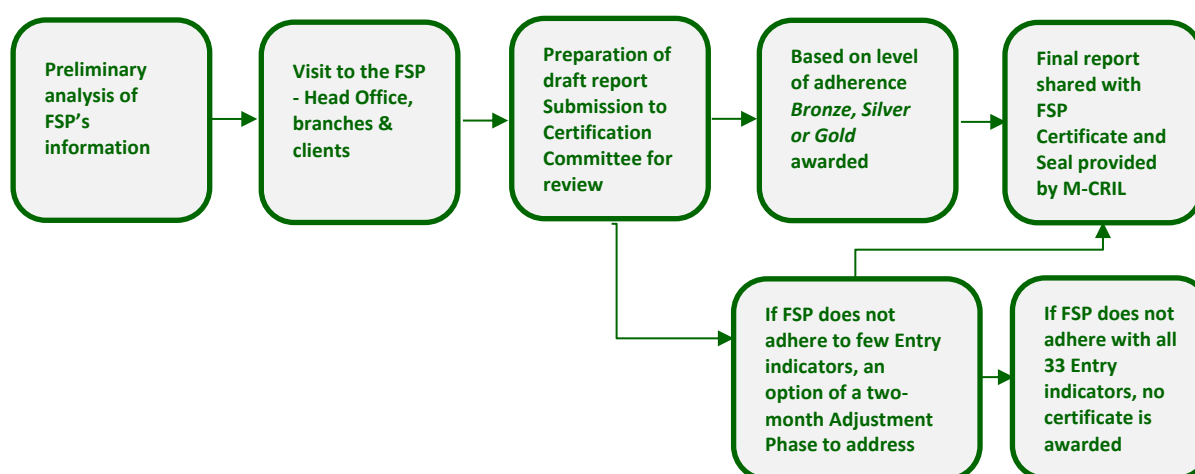
Benefits of Client Protection Certification

- Allows financial institutions to **publicly demonstrate** their commitment to client protection through an **independent, third-party evaluation** of their practices.
- Examines client protection from the **perspective of clients**, addressing the question, “Does this institution do what it should to ensure that its clients receive fair treatment?”
- Facilitates **addressing priorities** and areas which require corrective interventions on aspects of policy and/or product alignment to client needs.
- Represents **level of adherence to a set of uniform, harmonized, global standards and minimum** level of behaviour that most stakeholders expect from the sector, unlike ratings which convey relative performance.
- Highly valued by the industry, including microfinance networks as well as many investors and donors, as **doing no harm to clients**.

Why M-CRIL?

- **Conducted more than 50** client protection certifications or responsible finance assessments across the globe for **various business models**
- **Contributed to development of indicators** for the Smart campaign and the methodology for **SPTF and Cerise**
- **Rich, diverse experience** – over 1,700 ratings and assessments across 42 countries.
- Clients span a **wide range of organizational forms** from NGOs & non-bank finance companies to commercial banks having **varied lending models and products** including payroll & digital finance.
- **Review by Independent Certification Committee** of experts, to determine final result.
- **Sector expertise:** M-CRIL has contributed to global best practices and sector benchmarks.
- **Process and methodology** fully aligned with the methodology developed by SPTF and CERISE.

Certification Process



Client protection Assessment

This follows a similar process at the institution and provides a detailed gap analysis, and specific recommendations. Useful as a means to become Certification ready.

Certification follows after an appropriate interval during which the institutions implement recommendations and strengthens its policies and systems.

Client protection as part of ratings

M-CRIL’s ratings (microfinance institutional rating, social rating) include a section on client protection, aligned with the Client Protection Standards.

Thus, M-CRIL suggests combining the Client Protection Certification with ratings to better rationalise the time effort and cost for the FSP.

M-CRIL's Clients & Partners

M-CRIL has worked with leading development funders, UN and bilateral institutions, investors, global, regional, and country networks, investors, and financial service providers, including the Asian Development Bank (equity investor in M-CRIL), The World Bank/IFC, CGAP, UNCDF, DFID, Swiss Development Cooperation, ACCION International, Incofin, BlueOrchard, Economist Intelligence Unit, in addition to financial institutions and other development partners in 42 countries.



For more information, please contact:

Kalpna Kashyap, Assistant Vice President, Inclusive Finance
Shayandeep Chakraborty, Assistant Vice President and Country Manager, Cambodia
kalpana@m-cril.com, shayandeep@m-cril.com
www.m-cril.com