

## Karnit Flug: Israel's Credit Information Bill

Remarks by Dr Karnit Flug, Governor of the Bank of Israel, to the Knesset Economic Committee regarding the Credit Information Bill, Tel Aviv, 14 March 2016.

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In recent years, the Bank of Israel has been acting in various ways to increase competition in the banking system in general, and in the retail credit market in particular. An important component of increased competition in the credit market is providing a solution to the problem of asymmetric information. The banking ID card that all banking customers received a few days ago is an important measure in this area. The credit information database is expected to provide a complete solution to this issue. The database will serve as an additional tool in increasing competition and expanding access to credit while reducing the discrimination derived from a lack of information. In addition, the database and the anonymous information it will include will assist the Bank of Israel in monitoring developments in the credit market from the standpoint of financial stability.

In view of this, and since the Bank of Israel has the experience and the know-how necessary to advance projects of this kind, the Bank of Israel has decided to take upon itself the challenge of establishing and operating the database, with all that this involves.

To that end, the Minister of Finance and I have appointed a higher steering committee led by the Deputy Governor of the Bank of Israel and the Director General of the Ministry of Finance, and including the Director General of the Bank of Israel, the Deputy Budget Director at the Ministry of Finance, and representatives of the National Economic Council and the Ministry of Defense. We have also established professional teams at the Bank of Israel to deal with ways to handle the challenges posed by the project, including: establishing and operating the database; security of the information that will be fed into the database, found in it and provided by it; maintaining the interests of customers and protecting their privacy; and more.

The higher steering committee and the work teams are working in synergy with all parties involved in the process, and with the utmost cooperation of the Ministry of Finance, the Ministry of Justice, the National Economic Council, and other entities.

I would like to take this opportunity to thank the representatives of the various ministries who took part in the formulation of the bill, and particularly the representatives of the Bank of Israel in the legislative process: the Deputy Governor and the Director General of the Bank of Israel, who took upon themselves the leadership of this complex and important project, and Adv. Shirley Avner, who led the legal aspect.

I would like to relate to a number of main points that arose during the discussions in this committee:

1. Protection of privacy: The Bank of Israel attributes tremendous importance to the protection of privacy, and we are aware of the responsibility placed upon the Bank in the context of establishing and operating the database. We are certain that the Supervisor of Privacy Protection, whom I will appoint in accordance with the bill, will fulfill the role in the best way possible, and will assist us in ensuring maximum protection of privacy as part of the credit database.
2. "Consumer protection": The Bank of Israel attributes great importance to giving the proper attention to the protection of the rights of consumers regarding whom information will be held in the database. For this purpose, the bill sets out, inter alia, that I am to appoint a credit information supervisor, whose roles will include maintaining the interests of customers and ensuring the proper actions of the credit information bureaus and other entities. The supervisor will also constitute the address for clarifying and handling public enquiries regarding the activity of the credit bureaus, sources of information sent to the database, credit information users, paid representatives, and any other entity involved in the database. In addition, as part

of the bill, the supervisor will be given control and supervision authorities over the activity of the credit bureaus, including concerning the statistical models, among other things.

By the way, the consumer supervision standard that will be implemented regarding the database, similar to the existing standard at the Banking Supervision Department, is worthy of being implemented for customers of all financial entities, both those already existing and those that will be established.

3. The sources of information and entities that will be required to provide information for the database: In determining the scope of information to be found in the database, a balance will be struck between the various objectives of establishing and operating the database. It is important to us that the information appearing in the database will be comprehensive and broad, but at the same time, we do not want to collect information that is not relevant or that is not of sufficiently high quality.

It is important to note that the value of the information in the credit database for increasing competition and improving the customer's status will increase as the financial literacy of the public becomes deeper, because the consumer's ability to derive benefit from the solution to the information problem I outlined depends first of all on his own financial behavior. It is therefore important that the government act to advance actions that will help increase financial literacy among the public.