Our Ref: B4/1C
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26 August 2022

By email and post

Mrs Lourdes A. Salazar
Chairperson
The DTC Association
Unit 1704, 17/F, Strand 50
50 Bonham Strand East
Sheung Wan
Hong Kong

Dear Mrs Salazar,

Commercial Data Interchange (CDI) and its Link with the Commercial Credit Reference Agency (CCRA)

Announced as part of the HKMA's "Fintech 2025" strategy, the CDI is a next-generation financial data infrastructure that aims to enable more efficient financial intermediation in the banking system. As mentioned in HKMA's Circular to all authorized institutions (AIs) dated 23 December 2021, the HKMA considers that with the ability to enhance banks' capabilities in risk management, the CDI will become an indispensable tool to the banking industry, and all banks with material small and medium-sized enterprise financing business are expected to join the CDI by end-2022. I am writing to address two issues in connection with the CDI as well as its link with the CCRA.

Consultation on Revised Supervisory Policy Manual (SPM) Module IC-7 "The Sharing and Use of Commercial Credit Data through a Credit Reference Agency" (IC-7)

The HKMA has been working with the operator of the CCRA to link up the CDI with the CCRA database via Application Programming Interface. This would enable AIs to access both conventional credit data in the CCRA database as well

as alternative credit data via a single connection to the CDI. The link is expected to be launched in Q4 2022. This will provide an opportunity for AIs to automate their credit approval process, reduce manual handling and the corresponding risk of human errors, and enhance overall operational efficiency. AIs are hence strongly encouraged to access the CCRA database via the CDI, particularly for those with frequent access to CCRA data. As a result, the HKMA plans to amend SPM module IC-7 to reflect HKMA's regulatory expectations in respect of the CCRA-CDI link, and invites your Association to comment on the proposed amendments.

Mark-up version of the revised module is enclosed. We would be grateful if your Association could provide its comments, if any, by 3 weeks from issuance of this letter by 15 September 2022. It is envisaged that subject to comments from the industry, the revised module will take effect from 30 December 2022.

Protection of information security for alternative credit data obtained via CDI

Section 5 of SPM Module IC-7 will, after revision, provide guidance on AIs' safeguards to protect information security of commercial credit data disclosed to or obtained from a CCRA regardless of whether access is made through CDI or designated terminal(s). For other alternative credit data obtained via CDI, we would like to remind AIs joining CDI that they should also adopt reasonable procedures to ensure that such alternative data are properly safeguarded, with regard to the confidentiality, accuracy, relevant and proper utilisation of the information.

Specifically, AIs should, where relevant and practical, observe the guidance laid out in Section 5 of SPM Module IC-7 when handling alternative credit data obtained via CDI. AIs should also observe the Rules for CDI, applicable requirements and relevant terms and conditions for joining CDI. Depending on the development of the CDI, the HKMA may consider issuing further guidelines on the use of alternative credit data through the CDI in the future if necessary. We shall be grateful if your Association can pass this message to your member institutions.

If your Association or individual member institutions have any question on this letter, please feel free to contact Ms. Debby Ng (Phone: 2878-1004; Email: dtnng@hkma.gov.hk) or Mr. Leonard Tso (Phone: 2878-8589; Email: lkmtso@hkma.gov.hk). For questions on the CDI and the CCRA-CDI link, please contact HKMA's Fintech Facilitation Office at cdi.hub@hkma.gov.hk.

We are writing in identical terms to The Hong Kong Association of Banks.

Yours sincerely,

Alan Au
Executive Director (Banking Conduct)

Encl.