

# THE CLIENT PROTECTION PATHWAY

ACHIEVING EXCELLENCE IN CLIENT  
PROTECTION – ONE STEP AT A TIME

IMPLEMENTATION SERIES I

 cerise + SPTF



# Discussion points



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# ADOPTING A NEW PATHWAY

WHY A NEW PATHWAY AND HOW IT WAS ARRIVED AT



# Why the new CP Pathway?



- Smart Campaign's closure left a gap in the industry
- There continued to remain a **need and demand** for demonstrating commitment to client protection
- Client Protection had always been an integral part of the Universal Standards and the SPI4 evaluation tool
- Social investors and FSPs expressed strong demand for SPTF-CERISE to fill the gap
- SPTF-CERISE launched a consultation process between Sept 20 & March 21 to:
  - ◇ **Analyze existing practices** on CPP
  - ◇ **Optimize the value** of CP for FSPs and investors
  - ◇ **Ensure validity** of CP for ever-growing spectrum of actors and delivery channels
  - ◇ **Strengthen implementation** of CP in FSPs



**An new role for  
SPTF+CERISE**



# Consultation process and results (I/II)



**Mapping of ALINUS** with MFR and M-CRIL's proposals and build a proposal of minimum requirements

→ 49 indicators covering 28.5% of CPCS

**Investors** gathered in a sub-group to work on a proposal out of the full list of indicators

The various proposals were then merged into one

**New round of tests** where we found that only 1 certified institution would have passed the entry-level, and 38% of the sample would have had 10 gaps or more to fix before passing the entry-level.

**Survey of FSPs** indicating a large adherence to our proposals

Certifiers

SPTF

Test for high success rate

SIWG

SPTF

FSP

Final framework

**Proposals from MFR & M-CRIL** to consider entry-level minimum requirements, and different levels of achievement as public recognition

→ To address the limited uptake by FSPs for whom the barrier was too high

Carrying out of tests on **56 certified institutions** (44% of all time certified FSP), looking at how they stood when entering certification :

→ To verify that amongst certified institutions, there would have been a high success rate at entry

Mapping of the latter proposal with the **CPEWG result**, together with the test results, and identification of the achievable indicators where a clear consensus was found.

→ This resulted in a proposal with 61 indicators

Decision to split the minimum requirements into **3 categories with a higher success rate**

## Consultation process and results (II/II)



- Discussions with FSPs and investors revealed that:
  - ◇ Investors need an easy way to identify **committed** providers.
  - ◇ FSPs want to demonstrate **progress**, not just the “ultimate achievement” of certification.
  - ◇ Client protection standards and evaluation should remain also a **stand-alone** product.

# THE CP PATHWAY

UNDERSTANDING THE NEW PATHWAY AND ITS STEPS



# OUR RESPONSE: THE CP PATHWAY

- **The Client Protection Pathway** describes the steps that an FSP can take to improve its client protection practices and communicate this progress to investors.
- The Pathway gives providers a **roadmap** for implementing the Client Protection Standards and helps them stay on track.



## Client Protection Pathway

cerise + SPTF

Achieving client protection, one step at a time

1. Commit to  
implement client  
protection



2. Assess and  
improve  
practices



3. Demonstrate  
progress and  
achievements





# Step I : Commitment to implement



**1A: Sign the Client Protection statement of commitment.**



**1B: Disclose your CP evaluations.**

**Developed with FSPs, the SPTF Social Investor Working Group and rating agencies**, the Client Protection Pathway addresses the need for financial service providers to **demonstrate their commitment** to implement client protection practices and for investors to **identify committed partners**.

- Financial service providers will be invited to **sign up to the Pathway** and declare their commitment to implement client protection.
- The **FSP's profile is then listed on the SPTF website**. A contact will be provided so that investors can contact the provider.
- FSPs will be requested to **submit proof of a self-assessment**, external assessment, rating, or certification on client protection **within 6** months of joining the Pathway. Providers who don't submit an assessment within 6 months will be "unlisted."
- An FSP's profile on the webpage will be updated to indicate the names of the CP evaluations reported by the FSP. If they have received CP certification, their profile will indicate this.

## Step 2 : Assess and improve



**2A: Assess your state of practice in Client Protection.**



**2B: Improve your practices.**

- In this step, FSPs create an **action plan** based on their **assessment** towards the standards and essential practices, and continuously **improve their practices**.
- **CERISE + SPTF supports implementation by :**
  - ◇ Updating the SPI and CP assessment tools, and supporting use
  - ◇ Offering trainings and webinars on the indicators necessary to pass certification
  - ◇ Maintaining a resource library for implementation resources
  - ◇ Monthly newsletters
- Linking FSPs to our SPM Pro Network
  - ▶ Available SPM professionals around the world, trained by CERISE and SPTF to provide support to FSP



## Key links

- ▶ Getting familiar with the Client Protection Standards
- ▶ Sign-up for the CP Pathway
- ▶ FSP committed to Client Protection
- ▶ Client Protection Assessment tool
- ▶ Technical resources to support improvement and implementation
- ▶ ... And soon, the next module of CP Implementation Series webinars

### Main [webpage](#)



- ▶ [Detailed list](#) in several languages - *excel*
- ▶ [Join](#) the CP Pathway
- ▶ [List](#) of committed FSPs
- ▶ [CP SAT](#) tool - *excel*
- ▶ [SPTF Resource Center](#)
- ▶ [Dimension 4](#) of USSPM
- ▶ [Implementation Series](#)

# Step 3 : Demonstrate progress and achievement



3: Assess your state of practice in Client Protection.

## Certification will continue for the industry...

- FSP **seek certification** from an approved certification body.
- Provides an **independent and objective opinion** on the implementation

...but we updated the methodology



# REDESIGNING CP CERTIFICATION

DETAILING THE NEW CP CERTIFICATION AND  
ITS THREE LEVELS



# Redesigning the CP Certification



- Collaborative work with all stakeholders enabled us to redesign the **Client Protection Certification methodology**
  - ◇ The framework is the Client Protection **part of the Universal Standards for Social & Environmental Performance Management (USSEPM)**. It is a **compilation of policies and operational practices** considered necessary to provide standards of care to protect FSP clients
  - ◇ It also provides the opportunity for **recognition of different levels of achievement**



**This is a core difference from the earlier Certification process**

**01**

**Minimum requirements** have been identified to **serve as the entry-level** and “**must-haves**” in order to be issued a grade and certification

**02**

Framework is **followed by certifiers** approved by SPTF-CERISE, who will use it **for all certifications missions** from 2021 onwards.

# Step 3 : Demonstrate progress and achievement



Certification will continue for the industry, but we updated the **methodology**.

- Formerly, certification was a pass/fail ("all or nothing") exercise. Now, there are **three levels of recognition**, allowing FSPs to demonstrate their good practices as they move toward full compliance.
- **Gold level will require 95%** compliance, to cater for regional specificities or business models that do not allow an FSP to comply with 100% of indicators.
- Validity is now of **3 years** without check-in.
- All levels of certification will require **full compliance** with subsets of **minimum requirements**.
  - ◇ **Entry-level indicators** (n=40): These indicators address practice over policy, as well as key concerns for the sector, along the 7 standards .
  - ◇ **Progress-level indicators** (n=20): These indicators are the minimum expected by asset owners and social investors.
  - ◇ **Advanced-level indicators** (n=23): These indicators confirm practices with policies and processes and mitigate the biggest risks to clients.



FSP attains a BRONZE level by passing 100% of all **entry** level indicators and **≥ 65%** of total indicators



FSP attains a SILVER level by passing 100% of all **entry & progress** level indicators and **≥ 80%** of total indicators



FSP attains a GOLD level by passing 100% of all **entry, progress & advanced** level indicators and **≥ 95%** of total indicators



# RECOGNITION LEVELS AND MINIMUM REQUIREMENTS

DEEP-DIVING INTO THREE RECOGNITION LEVELS AND  
MINIMUM REQUIREMENTS FOR CP CERTIFICATION

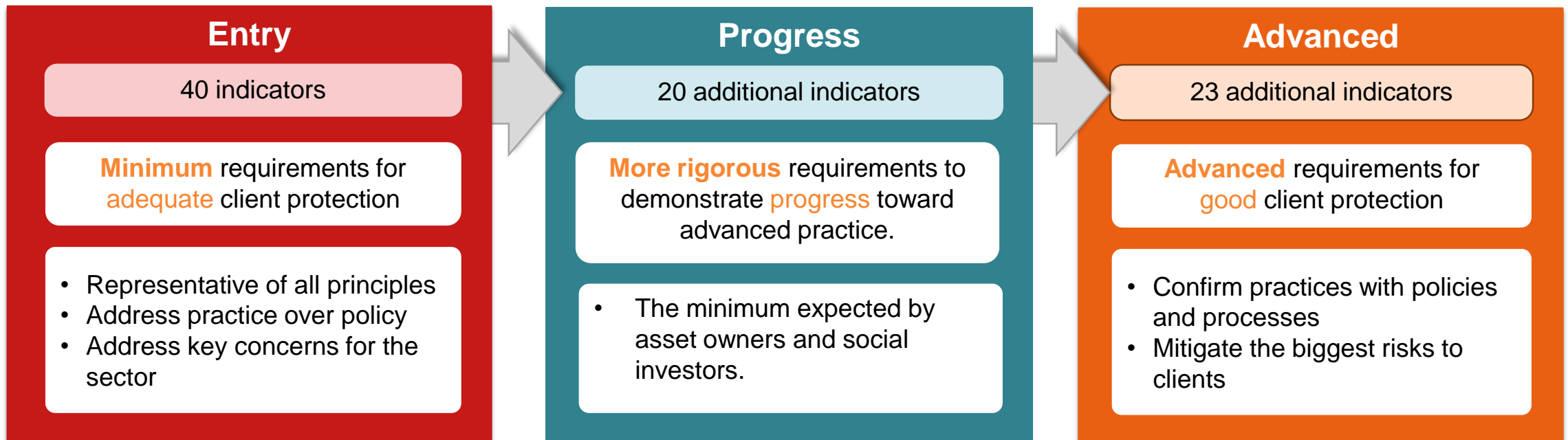




# 3 types of must-have indicators



In order to **encourage** FSPs to engage on a client protection pathway, we have designed the framework to provide **incentive for improvement** and **public recognition** which provides consistent levels of distinction






These requirements should be achievable to FSPs of all status, or country, irrespective of their level of maturity and their financial means and be representative of the non-negotiable practices that are required for responsible providers

# Certification scoring



- Certification will provide with **three levels of recognition**, depending on the percentage of compliance with the CP indicators.
- **Maximum level will require 95%** compliance, to cater for regional specificities or business models that do not allow an FSP to comply with 100% of indicators
- All levels of certification will require full compliance with the subset of **Entry** indicators

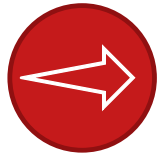
Requirement 1 - Comply with:			Requirement 2 - Total score	Achievement
100% of Entry indicators			Compliance with $\geq 65\%$ of total indicators	<b>Bronze</b> 
100% of Entry indicators	100% of Progress indicators		Compliance with $\geq 80\%$ of total indicators	<b>Silver</b> 
100% of Entry indicators	100% of Progress indicators	100% of Advanced indicators	Compliance with $\geq 95\%$ of total indicators	<b>Gold</b> 

# Let's take an example...



- Client Protection Standard : **Prevention of Over-indebtedness**

- ◇ **Essential Practice 1:** The provider has a sound policy and well-documented process for loan approvals and makes decisions using appropriate information and criteria.



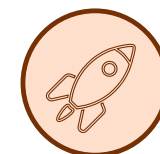
## Entry level

The loan approval process evaluates repayment capacity through a cash flow analysis and review of client indebtedness. The analysis considers income, expenses and debt service related to business and family and any other sources, including informal sources.



## Progress Level

The provider defines the maximum percentage of a borrower's disposable income that can be applied to debt service, including debt from the provider and other lenders, and uses this amount in determining maximum loan amounts and terms.



## Advanced Level

The provider has a rigorous internal control process to verify the uniform application of policies and procedures about client underwriting, and it can produce evidence of corrective measures taken in case of partial or incorrect implementation.

# THE CERTIFICATION BODIES

DEEP-DIVING INTO THE MINIMUM REQUIREMENTS FOR CP CERTIFICATION





# Approval of Certifiers



02

The Approval is issued by Cerise-SPTF. It authorizes organizations to **issue client protection certifications**.

The Approval is awarded to certification bodies that:

- Use SPTF's **common** evaluation criteria found in the Universal Standards for Social Performance Management.
- Have **robust** systems to ensure impartiality, **balanced** decision-making and **capacity** to perform client protection certifications.

*The Approval is **not an approval of individual certifications**. This remains under the responsibility of the certifying bodies.*

*CERISE+SPTF may only check individual reports based on complaints by FSP, investors, other rating agencies, etc.*

## Principles

- Impartiality
- Competence
- Accountability
- Transparency
- Confidentiality



# BENEFITTING FROM THE PATHWAY

WHAT ARE THE BENEFITS OF ADOPTING THE CP PATHWAY



# Joining the CP Pathway: Benefits for the FSP



It's **free!**

- ▶ Public recognition of commitment and progress. (website, newsletter, etc.)
- ▶ Clear roadmap for what to do next.
- ▶ Connection to the global community of like-minded organizations.
- ▶ Invitations to CP trainings from SPTF-CERISE.
- ▶ Communications from SPTF-CERISE about tools, resources, and webinars.

## Benefits to funders & others



- It is easy to identify committed providers.



- CERISE + SPTF support existing investees to improve their practices.



- The assessment tools help better target the technical assistance needs.



- The various CP Pathway steps can be used in funding agreements to ensure commitment to client protection and stimulate progress.

*We hope you will encourage your investees to join the CP Pathway and take a step further towards best practices!*



# THANK YOU

## CONTACTS

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<https://sptf.info/client-protection/the-client-protection-pathway>