**NEW COUNTRY RESEARCH PROCESS INSTRUCTIONS**

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**TERMINOLOGY**

|  |  |
| --- | --- |
| Holding Company | *Group S.A.* (a Luxembourg public limited liability company (“société anonyme”) having its registered seat at 6, rue Guillaume Schneider, L-2522 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B 195.643). |
| Group | Holding company and its direct and indirect subsidiaries. |
| Board | Management Board of the Holding company. |
| Executive Committee (ExCo) | The Advisory body to the Board. |
| Research Process (RP) | A process starting from data gathering and drafting of RP Presentation and finishing at ExCo meeting, aimed to investigate the possibility to launch the Product in particular Research Country, consisting of quick screening and further detailed research. |
| RP Presentation | Country Research Presentation prepared by Group Research Manager reviewed at ExCo Meeting. |
| RP Process Owner | Group Research Manager responsible for collecting the data, drafting RP Presentations and delivering them for ExCo decision. |
| Research Country | A country where Research Process is performed. |
| Responsible Employees | Respective delegated employees of the respective involved divisions, departments or other units of the Group, which perform the functions of collecting data, reviewing RP Presentations: Group Legal, Group Marketing, Group Credit Risk, Group Payments. |
| Product | A Service or a product to be provided by and in the Research Country. |

1. **PURPOSE**

The purpose of this instruction is

* 1. to describe the scope of the Research Process;
  2. to establish criteria for the evaluation of Research Process results;
  3. to define actions of Responsible Employees, who are involved in Research Process.

1. **GENERAL PRINCIPLES**
   1. This Instruction is applicable for New Country Research Processes in Group.
   2. Research Process consists of quick screening phase (Step 1) and detailed research phase (Step 2).
   3. Research Process can be initiated by any ExCo member, performed by Responsible Employees.
   4. After the Research Process is finished and RP Presentation is delivered to the Executive Committee, ExCo decides on launching Product in the Research Country.
2. **QUICK SCREENING – STEP 1**
   1. Quick screening of Research Country is performed addressing following criteria:
      * 1. Population;
        2. GDP;
        3. Internet penetration;
        4. Mobile penetration;
        5. Banking penetration;
        6. Competition in Single Payment Loan (SPL), Instalment (IL), Line of Credit (LOC), Credit Cards (CC), Auto loan or Point of Sales (POS);
        7. Presence and accessibility of Credit bureaus;
        8. Licence requirements;
        9. Interest rate/APR caps, limitations on total cost of credit;
        10. Possibility to do business online.

Additionally, questions mentioned in 4.1 and respective sub-sections can be asked during Step 1 research upon instruction of Head of Development and/ or Group Research Manager.

* 1. Decision for further research is made by Head of Development and/or Group Research Manager after answers to abovementioned criteria are provided.

1. **RESEARCH QUESTIONNAIRE – STEP 2**

Research Questionnaire consists of multiple questions to cover Legal research, Marketing research, Credit Risk research and Payments research.

PROCEDURE OF MARKET RESEARCH

1. Market research (Step 1 or Step 2) can be initiated on the basis of ExCo decision or by request of Head of Development.

2. RP Process Owner informs and coordinates Group Legal, Group Marketing and other involved units in the Group or in the country, where research has to be executed, and specifying the type of research – quick screening (Step 1) or full research (Step 2).

3. RP Process Owner gathers research findings and presents the results of the research to ExCo. The ExCo may (i) require further follow-up questions to be researched or (ii) decide to proceed with next phase of research or (iii) to launch new product in new country or (iv) stop any activities in relation to the specific country for definite or indefinite period of time.

4. RP Process Owner shall inform Group Legal and other involved units, whether follow-up questions should be researched or Step 2 initiated.

5. The final research materials and ExCo presentation shall be stored on network drive [N:\Users\Shared Documents\Development\Market Research].

* 1. **Legal Research** (Information to be requested by Group Legal from selected law firm/legal adviser) includes the following questions:

*Legal form and licensing*

* + 1. Is there a requirement for a non-bank lender providing loans to personal customers to acquire a license or register prior to its commencement of financial activities? If yes, what are the conditions for obtaining the license and maintaining the license? Describe the application submission process, timelines and license renewal process and timelines.
    2. Which institutions regulate and supervise non-bank personal credit companies (lenders)?
    3. What should be a type of legal entity (e.g. JC, LLC) which is authorised to provide consumer loans? What is the minimum number of shareholders? How much time is it necessary to register a company? What is a minimum share capital and when it should be paid?
    4. What are the state fees for licencing and company establishment?

*Credit Agreement*

* + 1. Can consumer credit agreement be concluded online as a distance agreement? How can the customer approve the terms of the agreement - is it sufficient that the customer selects a checkbox when registering their online profile? Does the Company need to send the credit agreement to the customer and if yes – can it be done only via email or is a hard copy also required? What are the legal requirements for distance agreements?
    2. Does the law restrict any of the following – credit amount, credit term, commissions, annual interest rate, penalty fees, interest for delays, credit term extension? Can we continue charging interest on a credit after default? Are there any other significant limitations to provisions of consumer credit agreements?

*Data protection*

* + 1. Is clients’ (data subjects’) consent required to process personal data? If yes – are there specific requirements for consent form or way it can be given? May consent be given through a website, mobile application, or by phone? Is clients consent required if data processing is necessary to enter into and fulfil credit agreement, ensure AML measures, and credit checks (including data collection from 3rd party databases)?

*Other questions*

* + 1. Are there any drafts of regulations, laws that are passed but not taken effect that concern short-term lending business? Are there any discussions on imposing additional regulations on short-term lending business?
    2. Are there any regulations that affect the Company’s ability to start/ operate a short-term unsecured personal credit business?
  1. **Extended Legal Research** (Information to be requested by Group Legal from selected law firm/ legal advisor) includes the following questions in addition to questions listed under clause 4.1.:

*Credit Agreement*

* + 1. Does the Company have a legal obligation to evaluate customer’s income and, if yes, how can this be performed (local databases etc.)? Are there any debtors’ or income databases in the country and what is their legal status (are they officially established by a government authority or as privately held institution)? What are the conditions on utilization of such databases? What is the population coverage of these databases?
    2. What information does a non-bank lender have to provide for a customer on the webpage? What information does a non-bank lender have to provide in the credit agreement?

*Data protection*

* + 1. Are there any regulations on customer data protection: collection, usage, storing, sharing data with 3rd parties (e.g., credit bureaus, collection agencies, etc.)? What must be observed to comply with the law?
    2. What are requirements for processing data for Anti-Money Laundering/ counter-terrorism purposes, including sharing data with 3rd parties (AML data and software providers)?
    3. Is sending data to other locations outside of the country regulated? Can data be sent and stored in EU and/or US and under what requirements (if any)?

*Anti-Money Laundering*

* + 1. Are non-bank personal credit companies subject to the Anti-Money Laundering (AML) law? What does this imply? What are the potential legal and financial consequences in case of non-compliance with identification and other AML requirements? Is there any threat to revoke license or stop business in case of breach?
    2. What are the options for non-face-to-face (online) customer identification – what exactly is said in AML regulation, is it allowed and how the identification should be proceeded in non-face-to-face (online) business relations? Are such identification options acceptable, for example, but not limited to:

1. Customer takes a photograph of his/her passport or ID card and sends by email to the company for verification; or
2. Customer uses 3rd party online service to identify using his online banking credentials; or
3. We require the customer to transfer an identification payment – symbolic amount of money from his bank account, opened in country, to company’s bank account, opened in the country; then we transfer the credit to the customer’s bank account, from which the company received identification payment.
   * 1. If AML law requirements are applicable, in case of non-face-to-face (online) identification can the company apply risk-based approach and proceed with simplified or regular customer due diligence (CDD), or should the company mandatory proceed with enhanced due diligence (EDD)?

*Debt collection*

* + 1. What regulations the Company should comply with for internal and outsourced debt collection?
    2. Which actions should be performed in the customer registration / debt collection process to ensure that the case can be accepted by the court (e.g. is letter sending required by the local law)? Are there any mandatory communication activities we should make during the collection process (for example, an obligation to send a letter by registered post before commencing the debt collection in court, etc.)?
    3. What should be included in the Terms and Conditions of the credit agreement to be able to process debt collections through direct debits and/or debit cards?
    4. What are the allowed debt collection methods (what communication channels are allowed, how often can one send reminders, etc.)?
    5. What additional fees (e.g. penalties, fee for processing, fee for delivery, fee for insurance, fee for reminder letter, fee for creating repayment schedule, debt management fee) can be charged from the customer in case of a delay? What are the limits on these fees?
    6. Please provide general overview of debt collection process through the courts and process of submission loan credit cases to the court (e.g. can it be done electronically, who is paying the state duties, what are the amounts of state duties).
    7. How long does the enforcement take and who bears the costs? Please provide approx. court cost estimates.
    8. Are there any restrictions regarding extension of the loan term (how many times can it be extended and is there any maximum term of extension, is it possible to extend after due date)?
    9. In case the client has delayed a payment, and we agree with the client on a new repayment schedule by phone, is it required that the client somehow confirm these changes agreed?
       1. Must a client sign something?
       2. How must we send the information about agreed schedule to client? Is it enough with an e-mail with new payment schedule?

4.2.21 Is there any period of time in which we must commence the debt collection process (for example, if we have not started any activities regarding the collection of a debt in X years from repayment date, we will not be able to go to court to collect this debt anymore)? Is it possible to extend this term?

4.2.22 Are there any limits for maximal penalty rate and maximal penalty amount?

4.2.23  Are we allowed to calculate the penalty for delay only from the loan amount or loan + interest? Can we calculate penalty on fees after due date?

* 1. **Market Research**

*Macro-economic data (Information to be requested from freelancers selected through Upwork.com platform and can be collected through open sources, World Bank data, etc.)*

* + 1. Global indicators:

1. Population, working-age population, urban/rural residents, life expectancy in birth, unemployment ratio, literacy rate, education level;
2. Distribution of population by age groups;
3. GDP, GDP per capita, GNI (Atlas), GNI per capita, Annual GDP Growth, inflation, etc.;
4. Internet and Smartphone penetration, size of e-commerce (people buying products/services online) incl. trend.
   * 1. Financial sector:
5. Total gross loans, Bank non-performing loans to gross loans, Gross savings (incl. trend);
6. Lending interest rate, real interest rate, deposit interest rate, treasury bill rate;
7. Personal remittances, received.
   * 1. Yearly personal disposable income:
8. Average salary, PIT ratio, salary/wages cycle (bi-weekly, monthly, etc.). Primary way of transferring salary- cash, check, wire transfer;
9. Usual expenses, basket of goods;
10. Interest paid per capita.
    * 1. Languages in Country including % split:
11. Official language;
12. Other languages spoken in the country;
13. Is business conducted in English;
14. How common is it to speak in English.
    * 1. Target group (people aged 20-55) analysis showing the penetration levels of credit, debit and prepaid cards, bank accounts, level of savings, Internet/mobile Internet, smartphone/tablet and online banking.

*Market overview (Information to be requested from freelancers selected through Upwork.com platform)*

* + 1. What is most popular way for individuals to obtain an “emergency loan” (Termed as “fast money”, obtaining a small amount of money quickly)? Short review of potential substitutes/replacement products (in relation to “fast money” for pocket expenses or/and utility bills – i.e. credit cards, extension of overdraft limits, borrowing from family and friends, pawn shops).
    2. Top 5 companies (by turnover and/or number of clients) in the Single Payment, Instalment loans, Point-of-sale, Credit cards, Line of Credit and Auto loan segments operating in the online/offline sector. Name, brand and domain.
    3. Competitors’ (as described in 3.2.7.) financial data (revenues, profit) and other data like client base (number of customers), establishment date and product (term, amounts, annual percentage rate). Competitors’ (as described in 4.3.7.) product (loan amount, term, interest rate), application process, identification process, agreement signing and loan disbursement process, distribution network.
    4. Information about possible Brand X[[1]](#footnote-1) name usage:
  1. Is Brand X domain name registered in the market;
  2. Have any valid trademarks identical to Brand X been registered in relation to financial services or other services in class 36 of the Nice Classification in the market;
  3. Have any company names identical to Brand X been registered in the market;
  4. Possible brand name spelling in local language (negative associations, etc.).
     1. Are there any lead generators[[2]](#footnote-2)?
     2. Is an Affiliate network[[3]](#footnote-3) present in the market?
     3. Are there any comparison websites[[4]](#footnote-4) available for the short-term credit (up to 30 days) category?
  5. **Marketing research**

Information to be requested from selected marketing agency.

* + 1. If available, advertising market size, personal credit (unsecured loans up to 1000 EUR, credit cards, overdrafts) category advertising investment (in ‘000 and % from advertising market), Single Payment credit advertising investment (in ‘000 and % from personal credit category advertising investment) for past 3 years.
    2. Information about competitors (Single payment loans) advertising activity on TV for past 3 years (if Single payment loan, cover indirect competition – personal loans) – level of investment, GRP amount (natural and 30” weighted), creative materials used (TVS length, media sponsorship, etc.), key messages communicated in advertisement activities.
    3. Are there any surveys, researches, studies about how consumers address their emergency cash needs, other consumer insights, market insights, purchase behaviours, aspirations?
    4. Information about media CPT for All 20-55 age group (for TV, Radio, Print, OOH and Online media). Any further information in personal loan category (market monopoly, price wars, etc.).
    5. Target group analysis (based on TGI or similar survey information). Following questions to be covered (for each sub-point (a-h) information on the audience size in ‘000 and in % from total population is needed):
       - 1. Number of people in 20-55 age group (target group);
         2. Statistics for personal loan, bank credit card, bank debit card: number/penetration in society, demographic profile (gender, age, family status, income, etc.);
         3. Identify the number of people who have a bank account, deposit/savings book: number/penetration in society, demographic profile (gender, age, family status, income, etc.);
         4. Identify the number of people who are using Internet banking: number/penetration in society, demographic profile (gender, age, family status, income, etc.);
         5. Identify number of people who are using e-commerce, incl. trend (online shopping, direct commerce): number/penetration in society, demographic profile (gender, age, family status, income, etc.);
         6. Identify number of people who usually have “unexpected situations” which they couldn’t get through without external financial support in amount 100-400 Euros: number/penetration in society, demographic profile (gender, age, family status, income, etc.) (if possible/available);
         7. Optimism – what do consumers think their financial prospects will be in the future?
         8. Questions related to attitude to borrowings. Readiness to borrow money from friends, relatives, neighbours and demographic profile of those people (if possible).
    6. Information about Internet and mobile internet penetration among target group aged 20-55.
    7. Information about smartphone and tablet penetration among target group 20-55.
    8. Information about online search habits – market share of Google in search, share of other search engines.
    9. Information about lead generators:
       1. Is it possible to acquire leads via 3rd parties (lead generators);
       2. Top 3 lead generators – names, turnovers in last year;
       3. Cost per lead estimation for Top 3 lead generators.
    10. Information about affiliate market:

1. Top 3 Affiliate networks – names, turnovers in the last year;
2. Lead amount per month in personal credit category;
3. Lead amount per month in Single Payment credit category;
4. Top 5 Single Payment credit (if not present – personal loan) players – their average pay-out, payment type (CPL, CPS), average earnings per click.
   * 1. Information about Single Payment loan category awareness (among target group aged 20-55 and total population) and Single Payment loan category penetration (in ‘000 and in % from total population).
     2. Information about potential product distribution channels (name large retail chains (in number of locations) available in the market (for example, post office, kiosks, and gas stations) which offer different financial services (utility bill payments, mobile phone subscription payments, credit company payments.).
     3. If offline channels are available, are payments accepted inbound and outbound – ability to withdraw funds. Are operations executed by an operator or via computer/payment terminal?
     4. Information about possible Brand X[[5]](#footnote-5) name usage:
   1. Is Brand X domain name registered in the market;
   2. Have any valid trademarks identical to Brand X been registered in relation to financial services or other services in class 36 of the Nice Classification in the market;
   3. Have any company names identical to Brand X been registered in the market;
   4. Possible brand name spelling in local language (negative associations, etc.).
      1. Information about competitive product (Single Payment loan) offerings:
   5. Describe positioning and distribution channels;
   6. Describe average application process, credit size and pricing of competitive products.
      1. Information about comparison (aggregators) sites for the category (name, domain).
      2. Internal advertisement check (information to be derived by HQ Marketing from information delivered by Marketing agency and freelancers) - Cost per customer acquisition *(should be calculated given average loans to registrations rate in subsidiaries and acquisition costs provided by Marketing Agency)*.
   7. **Credit Risk Research**

Information to be requested from freelancers selected through Upwork.com platform or/and from reputable credit bureau with local presence.

* + 1. What kind and how many personal identity documents are usually and customarily issued within the Country (e.g. passport, ID cards, driver license, foreign passport, etc.). Which document is most frequently used?)
    2. Is there a unique parameter for person’s identity check (e.g. personal ID number)? If yes, what kind. What information is incorporated in the unique parameter (e.g date of birth, place of birth, gender etc.)?
    3. Availability of credit bureaus and other data bases (e.g. debt collection companies that share their registers thus allowing lender to evaluate creditworthiness (solvency and credit history of the customer)). Is it possible to receive personal ID and address from the credit bureaus? Conditions on using these registers and potential costs (if possible).
    4. Availability of official registers, databases where existence of customer, customer’s address and other customer’s personal data can be checked (preferably based on personal ID or other unique parameter). What is the population coverage of these databases? Conditions on using these registers/databases and potential costs (if possible). Are there any online services which combine all banks or other institutions that are required to perform KYC procedures in the Country to verify customers’ identity?
    5. Level of credit risk (share of non-performing loans, write-off level or any other relevant ratios that help to measure credit risk for microloans in the Country).
  1. **Payments Research**

Information to be requested from freelancers selected through Upwork.com platform.

* + 1. What are the most popular methods for making regular payments, payments for utility bills, tax payments, mobile phone subscriptions (e.g. internet bank, direct debit, automated card charging, ATM applications or similar, bank branch, cash terminals, e-wallet, cash, etc.), provide % split if possible.
    2. What are the most popular methods of withdrawing cash from a bank account – banks, ATM withdrawals, POS cash back at retailers.
    3. Potential payment tools for credit disbursement, repayment and collection (bank transfers, payment terminals, debit of Visa/MC, direct debits, etc.). Company names, contact details, costs, requirements, types of IT integration (if possible).
    4. Please name top 10 retail banks that operate in the market (bank name, brief description, capital, assets, offline, by customers, coverage of population and IT integration options, if possible).
    5. ATM and POS penetration in the country.
    6. How quickly is money transferred between accounts in the same bank and two different banks (bank clearing cycles)? What are the working days and hours for Internet banks (i.e. is money transferred during weekends and late evenings)?
    7. Describe presence of the payment gateways: companies that are able to send money to customers’ accounts of their payment cards and have accounts with most of the banks. Please mention clearing frequency (how often during working days), pricing.
    8. Information about potential product distribution channels (name large (in number of locations) retail chains available in the market (for example, post offices, kiosks and gas stations) which offer different financial services (utility bill payments, mobile phone subscription payments, credit company payments.). Describe the channels available, are payments accepted inbound and outbound – ability to withdraw funds. Are operations executed by an operator or via computer/payment terminal?
    9. Name Top 5 mobile operators (indicate if they are virtual), population penetration.
  1. **Other questions**

Information to be requested from freelancers selected through Upwork.com platform

* + 1. Are there any Microfinance, Leasing, Credit Union or Banking associations in the Research Country? If yes, please provide name, general description, members and contact details.

1. **CRITERIA FOR MARKET PRIORITIZATION – STEP 3**
   1. **Legal**

Legal form and licensing:

* No requirement for registration as a banking entity;
* License not necessary or easy to obtain;
* Before license is suspended or revoked, the regulator issues a warning and there is timeframe sufficient to rectify the non-compliance;
* Reasonable requirements for shareholders and share capital amount.

Credit agreement:

* Credit amount, term, interest and commissions, penalties – no caps that affect profitability;
* No limitations on credit term extensions;
* No requirements to perform solvency check or limitations on debt to income ratio;
* Electronically concluded agreement is accepted by law;
* Agreement on durable medium may be emailed/ posted;
* No requirement for certified electronic signature;
* Credit Assessment – payslips and bank statements are not required;
* No requirements for webpage content.

Data protection:

* No consent for data processing is required or consent may be given by online confirmation;
* No requirement for certified electronic signature in order to obtain consent to data processing;
* Customer’s data is allowed to be transferred to EU countries and US without requirements or when data subjects online consent is sufficient for such transfer.

Anti-Money Laundering:

* Not subject to AML law or simplified customer due diligence is accepted by law;
* Non-face-to-face (online) identification allowed with a single method;
* No requirement for ID document upload.
  1. **Risk**
     1. Credit Risk Management:
* Identification – unique personal code for each person is available for cross check in state register/bank transfer;
* Credit Checks – one or more credit bureaus are available that cumulatively satisfy the following requirements;
* Population coverage >80% of target audience (age 20-55);
* Positive/negative credit history available for customers using bank and non-bank financial product and reflects negative history of utility bills. Data for identification cross-check as well as address and phone no. is beneficial in high fraud profile markets.
  1. **Research**
     1. Market Potential:
* Population > 1 mln;
* Internet penetration >50%;
* Bank account penetration >50%;
* Savings rate <20%;
* No direct competition in online short-term credit category.
  1. **Marketing**
     1. Market Potential:
* If competition exists:
  + - * + Low cost of TV advertising;
        + Developed affiliate market – more than 2 players that work with fast-credit campaigns.
    1. Online marketing - Pay-per-click:
  + Existing search volume generates potential monthly sales >500;
  + Potential cost per sale <10 EUR.
    1. Affiliates - potential cost per sale <10 EUR.
    2. Offline media investment:
* CPT (cost per thousand) on TV <4 EUR;
* CPS (cost per sale) from offline advertising <10 EUR;
* Minimal media budget (to secure 10% Share of Expenditure in Finance category, No.1 position from short-term loans and No 2-3 from banks):
  + - * 3-month test period <100k EUR (for 3-month period);
      * Yearly budget <300k EUR.
  1. **IT**
     1. Banks
* Payments import/export files available in specific machine readable format (XML, CSV, etc.);
* Bank Clearing cycle is more than 1x per day;
* Similar Import/Export format for all banks (e.g. SEPA);
* Real time statement files from bank available;
* Bank statement files return Name & Surname of customer, Personal ID, Bank account number and other details.
  + 1. Payment gateways - available e.g. work with short-term lending.
    2. Offline payments - offline distribution network is available, reasonable integration costs.
  1. Based on the above mentioned criteria countries are prioritized for further researches or, if no further research is necessary – for further decision making as described in the Clause 2.4.

1. **FINAL PROVISIONS AND ANNEXES**
   1. Document owner is responsible for maintenance, review and update of the document, including all relevant and associated documents.
   2. The chronology of the document:
      1. This is a second version of the instruction. It becomes effective on the day of approval.
   3. The document has been agreed with:

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| --- | --- |
| **Name / Position** | **Signature** |
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1. Brand X – selected brand name for researched country, e.g. Vivus, Onea, Zaplo, etc. [↑](#footnote-ref-1)
2. *Lead generation is the process of creating sales leads which might convert into sales for the Company. The leads may come from various sources or activities, for example, digitally via the Internet, through calls, through advertisement, events and list purchase for the short-term credit (up to 30 days) and/or financial product category?* [↑](#footnote-ref-2)
3. *An affiliate network is an intermediary between affiliates (publishers) and merchants (or business purpose websites) in the context of an affiliate marketing program. Merchants looking for affiliates to promote their product need to find and recruit them. Affiliates looking through the web for promising products to promote need to invest a lot of time and effort in this search. Affiliate networks help to solve these problems for both parties.* [↑](#footnote-ref-3)
4. *A vertical search engine which allows users to filter and compare products based on price, features, and other criteria. Most comparison websites aggregate product listings from many different retailers but do not directly sell products themselves.* [↑](#footnote-ref-4)
5. Brand X – selected brand name for researched country, e.g. Vivus, Onea, Zaplo, etc. [↑](#footnote-ref-5)