AUSTRALIAN
RETAIL
CREDIT
ASSOCIATION

Principles of Reciprocity and Data Exchange (PRDE)

Application for revocation of existing authorisation number A91482 and substitution of new authorisation

25 June 2020

Restriction of Publication of Part claimed

Executive Summary

Application for revocation and substitution	Through revocation of existing authorisation number A91482 (3 December 2015) (**2015 Authorisation**), and substitution of new authorisation, ARCA seeks continued authorisation of certain provisions of the Principles of Reciprocity and Data Exchange (**PRDE**) and the Australian Credit Reporting Data Standards (**ACRDS**) relating to the business-to-business rules and data standards under which credit reporting information is exchanged between credit providers. The ACCC's 2015 Authorisation will expire on 25 December 2020. Revocation and reauthorisation for a further 6 years is therefore sought by ARCA on behalf of itself and proposed current and future PRDE Signatories (including parties who are not members of ARCA) to make, and give effect to, particular provisions of the PRDE.
Significant public benefits	In its 2015 Authorisation the ACCC concluded that there was general acceptance of the range of public benefits arising from wide and improved access to comprehensive credit reporting (**CCR**) in Australia. The ACCC concluded that the PRDE would enable more of the benefits of CCR to be realised than under a purely voluntary system due to the reciprocity, consistency and enforceability provisions. ARCA submits that the PRDE has been integral to the realisation of the anticipated public benefits of CCR as recognised in the ACCC's 2015 Authorisation authorising the key principles contained in the PRDE. The 2015 Authorisation has enabled CCR to be established over time, with a major milestone being achieved in September 2019 when the major banks were substantially contributing all their CCR data and the financial services industry overall reached 85% participation in terms of number of accounts. The level of participation is at a level that is allowing the public benefits of CCR to be achieved. Since the 2015 Authorisation, the necessity for the PRDE framework has been increased further by a range of legislative and regulatory developments (e.g. mandatory CCR

and hardship legislation,[1] responsible lending[2] and prudential credit risk management guidance[3]). The PRDE framework has also been enhanced by industry-based developments (including enhancements to the PRDE-enabled data standards, data quality improvements, and guidelines for reporting repayment history information (**RHI**) and defaults) which are directed towards achieving the public benefits of CCR. Legislative developments such as mandatory CCR have incorporated the PRDE's principles, recognising their necessity in achieving the public benefits of CCR. Other legislation such as that establishing the Consumer Data Right (**CDR**) is also directed towards creating frameworks for data access and use that will lead to innovation, competition and improved consumer value propositions and experiences. The CDR regime has also recognised the importance of principles such as reciprocity and standards for data exchange. Implementation of the CDR will be complementary to CCR and enable an even higher level of public benefits to be achieved.

Following independent review of the PRDE and drawing on the experience of managing the PRDE over the past five years, improvements to the PRDE and its operation are also being implemented which are directed towards enhancing the implementation of CCR under the PRDE and achieving a greater level of public benefits over the next six years following reauthorisation.

The proposed amendments to the PRDE being implemented will enhance achievement of public benefits but do not touch on matters that have any potential for public detriments considered by the ACCC in 2015.

Reauthorisation of the relevant provisions of the PRDE in the next six years will strengthen the ongoing consumption of CCR information by existing signatories, and new organisations will initiate participation. The PRDE framework has provided the necessary assurance to participants to enable participation in CCR exchange. The participation of existing signatories, and the participation of new signatories continues to hinge on the ongoing operation of this framework.

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[1] See The Parliament of the Commonwealth of Australia, House of Representatives, National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019

[2] See Australian Securities and Investments Commission (ASIC), REPORT 643: Response to submissions on CP 309 Update to RG 209: Credit licensing: Responsible lending conduct, December 2019,P17

[3] See Australian Prudential Regulatory Authority (APRA), Prudential Standard APS 220 Credit Risk Management, January 2021, para 44, page 11

Without reauthorisation of the relevant provisions of the PRDE, substantial efforts in the public and private sector will unwind and set back the development of CCR.

Pro-competitive effects – no competitive public detriment

In 2015 the ACCC concluded that the public detriments associated with the PRDE were minimal and, in any event, were significantly outweighed by the benefits associated with the conduct.

ARCA's view remains consistent with the ACCC's conclusions there are no public detriments associated with the PRDE, and even if there were to be public detriments, these are minimal and continue to be outweighed by the benefits of the authorised conduct. For completeness, ARCA has provided further information in relation to matters the ACCC considered in 2015 to assist its review.

The ACCC considered market feedback regarding the costs associated with the PRDE as a potential public detriment in 2015. The ACCC concluded that the costs would likely arise regardless of authorisation of the PRDE, and that the annual fees were likely to be small relative to the revenues and cost bases of most CPs and CRBs and unlikely to affect signatories' competitiveness[4]. Nonetheless, ARCA recognises the ACCC would want to understand the impact of costs of the PRDE for the purposes of reauthorisation. The costs of the PRDE have either been the same, or less, than anticipated (namely, implementation costs, PRDE Administrator Entity fees and enforcement/governance costs). The cost of consistency, namely the supply of data to multi-CRBs has been slightly more significant than the incremental cost anticipated by ARCA in the original application, but this is due to differences in data validation by CRBs as well as long term data issues in CPs – both of which are not created by the PRDE.

The reporting of financial hardship arrangements and settlement of defaults were also issues raised in 2015, but the ACCC's view was that these issues were beyond the scope of the PRDE. ARCA remains firmly of the view that resolution of how hardship arrangements are reported in the credit reporting system cannot be achieved through the PRDE. Reform enabling financial hardship information is currently set out in legislation before the Senate. Likewise, the Privacy Act and CR Code[5] set out what information constitutes default

[4] Australian Competition and Consumer Commission (ACCC), Application for authorisation lodged by Australian Retail Credit Association Ltd in respect of the Principles of Reciprocity and Data Exchange, Determination A91482, ACCC, Canberra, 3 December 2015, paragraphs 315, 322

[5] Privacy (Credit Reporting) Code 2014

information and the requirements to be met before default information can be disclosed and hence remains outside the scope of the PRDE.

It remains the case that participation in the PRDE is voluntary. As the ACCC found in 2015, the incentives to participate (including those arising from participation of a sufficient number of CPs and CRBs, and compliance with responsible lending obligations) may make participation compelling but still did not make participation mandatory. In fact, the network effect created by PRDE participation and the increased incentive to participate would be a factor indicating the PRDE has been successful; it is not a sign of a public detriment.

The issues raised in 2015 have not led to public detriments in operation of the PRDE. ARCA is also of the view that there no part of the proposed amendments to the PRDE nor changes in the operation of the relevant area of competition which would give rise to any public detriments not previously considered by the ACCC.

Counterfactual

In 2015 the ACCC concluded that the alternative to the PRDE was likely to be some variation to the PRDE that involved high level principles that were subject to bilateral contractual arrangements, but that this would result in a less complete sharing of information, and information shared risked being more fragmented among CRBs, raising the costs of participation. ARCA agrees with the ACCC's conclusion and submits that an alternative future that relied on bilateral contracts between CPs and CRBs would not result in the same level of participation or public benefits. ARCA submits that the PRDE's obligations of reciprocity, consistency and enforceability are still necessary for credit providers to have sufficient incentives and confidence to participate in CCR. This was true in 2015 and remains true in 2020, especially now that participation in CCR is strong and the public benefits associated with CCR are now being delivered.

The PRDE is also necessary to maintain continued incentives for new participants and sectors to start contributing CCR data – everyone who is eligible under the Privacy Act may join on the same terms as existing participants, and immediately benefit from the critical mass of data already available.

The market dynamics that gave rise to the need for the PRDE still remain under the surface – they are latent and would emerge in the absence of the PRDE. In the absence of the PRDE, unless some other arrangement was created with similar terms and enforceability of the PRDE, we would expect to see the level of compliance around reciprocity to start breaking down. We would also certainly see consistency of

data supplied to CRBs fall away, and would see contractually enforced exclusivity of data supply re-emerge.

The PRDE has removed major areas of mistrust between participants in the market. With the level playing field created by the PRDE, the focus has shifted from gaming the rules of data exchange to maximising the value of data being exchanged, allowing CPs and CRBs to focus on competing between each other through innovation in products and services that add value to their customers. Without reauthorisation of the relevant provisions of the PRDE, the significant efforts to date of industry and the Government that have been built on the framework of the PRDE would be set back.

Application for Revocation and Substitution of Authorisation

Applicant	Australian Retail Credit Association (ACN 136 340 7961) (**ARCA**) 345 Bourke St MELBOURNE VIC 3000 (03) 9863 7859	Michael Laing Chief Executive Officer [redacted]

ARCA is the peak industry association for businesses that use credit reporting or consumer data for credit risk and credit management in Australia.

Our Members include Australia's leading banks, credit unions, finance companies, fintechs, and credit reporting bodies. Collectively, ARCA's Members account for well over 95% of all consumer lending in Australia.

ARCA developed the business-to-business rules and data standards under which credit reporting information is exchanged between credit providers comprising the Principles of Reciprocity and Data Exchange (**PRDE**) and the Australian Credit Reporting Data Standards (**ACRDS**).

ARCA's subsidiary, the Reciprocity and Data Exchange Authority (**RDEA**), is the PRDE Administrator Entity.

Email address for service	[redacted]
Authorisation to be revoked	Through revocation of existing authorisation number A91482 (3 December 2015) (**2015 Authorisation**), and substitution of new authorisation, ARCA seeks continued authorisation of Proposed Conduct outlined in this cover note. The 2015 Authorisation will expire on 25 December 2020. Revocation and reauthorisation is therefore sought by ARCA on behalf of itself and proposed current and future PRDE signatories (including parties who are not members of ARCA) to make, and give effect to, particular provisions of the PRDE.
Authorisation to be substituted	A copy of the PRDE (as proposed to be amended) is at Appendix A. The full scope of the authorisation is set out in the attached submission.
Other persons and classes of persons party to current authorisation/ proposed to engage in Proposed Conduct	Any credit provider (**CP**) or credit reporting body (**CRB**) that is eligible under the Privacy Act to take part in credit information exchange can become a signatory to the PRDE at any time. There are currently three CRB signatories to the PRDE and 46 CP signatories. In addition, it is anticipated that CP Members of ARCA that are not currently signatories to the PRDE will become signatories to

the PRDE (however there is no requirement that signatories to the PRDE become ARCA Members).

Signatory CRBs comprise Australia's only three nationally operating CRBs:

Equifax ACN: 000 602 862	Level 34 / 140 William Street Melbourne, VIC, 3000
Experian ACN: 150 305 838	Level 6, 549 St Kilda Road Melbourne VIC 3004
Illion ACN: 101 620 446	Ground Floor, 479 St Kilda Road Melbourne, VIC 3004

Current signatory CPs:

86400 Ltd ACN: 621 804 813	Level 2, 1 Margaret Street, Sydney NSW 2000
American Express Australia Ltd ACN: 108 952 085	12 Shelley Street, Sydney NSW 2000
AMP Bank Ltd ACN: 081596009	33 Alfred Street, Sydney NSW 2000
Athena Mortgage Pty Ltd ACN: 619536506	3/33 Erskine Street, Sydney NSW 2000
Australia & New Zealand Banking Group Ltd ACN: 005 357 522	L6A / 833 Collins Street Docklands, VIC 3008
Australian Military Bank Ltd ACN: 087 649 741	Level 18, 45 Clarence Street Sydney NSW 2000
Bank Australia Limited ACN: 08765160	222 High Street Kew VIC 3101
Bank of China (Australia) Ltd ACN: 110 077 622	Level 6, 140 Sussex Street Sydney NSW 2000
Beyond Bank Australia Ltd ACN: 087 651 143	Level 12, 100 Waymouth Street Adelaide SA 5000
BMW Australia Finance Ltd ACN: 007 101 715	783 Springvale Road Mulgrave VIC 3170
Citigroup Pty Ltd ACN: 004 325 080	Level 15, 2 Park Street Sydney NSW 2000
Commonwealth Bank of Australia ACN: 123 123 124	N1E / 1 Harbour Street, Sydney NSW 2000
Credit Union Australia ACN: 087 650 959	GPO Box 100 Brisbane QLD 4001
Fair Go Finance Pty Ltd ACN: 134 36 574	Level 5, 28 The Esplanade Perth WA 6000
Firstmac Ltd ACN: 094 145 963	PO Box 7001 Brisbane QLD 4001
FlexiCards Australia Pty Ltd ACN: 099 651 877	Level 7, 179 Elizabeth Street Sydney NSW 2000
Greater Bank Ltd ACN: 087651956	103 Tudor Street, Hamilton NSW 2303

Harmoney Australia Ltd ACN: 604 342 823	Level 33, Australia Square, 264 George Street, Sydney, NSW, 2000.
HSBC Australia Bank Ltd ACN:006434162	Level 36, Tower 1, International Towers Sydney, 100 Barangaroo Avenue, Sydney NSW, 2000
Illawarra Credit Union ACN: 087 650 771	38-40 Young Street Wollongong NSW 2500
ING Bank (Australia) Ltd ACN: 000 893 292	60 Margaret Street Sydney, NSW 2000
Latitude Financial Services Australia Holdings Pty Ltd ACN: 603 161 100	800 Collins Street Docklands VIC 3008
Macquarie Bank Ltd ACN: 008 583 542	1 Shelley Street Sydney NSW 2000
Members Equity Bank Ltd ACN: 070887679	Level 28, 360 Elizabeth Street Melbourne VIC 3000
Mercedes-Benz Financial Services Australia Pty Ltd ACN: 074 134 517	Level 1, 41 Lexia Place Mulgrave VIC 3170
Money Place AFSL Ltd ACN: 601 061 438	266 Victoria Street, North Melbourne VIC 3051
MoneyMe Financial Group Pty Ltd ACN: 163 691 236	Level 3, 131 Macquarie Street Sydney NSW 2000
MyState Bank Ltd ACN: 067 729 195	137 Harrington Street Hobart TAS 7001
National Australia Bank Ltd ACN: 004 044 937	10/700 Bourke Street Docklands, VIC 3008
Newcastle Permanent Building Society Ltd ACN: 087 651 992	307 King Street Newcastle West, NSW 2302
NOW Finance Group Ltd ACN: 158 703 612	Level 6 / 468 St Kilda Road Melbourne, VIC, 3004
Pepper Group Ltd ACN: 094 317 665	Level 9, 146 Arthur Street North Sydney, NSW 2600
R.A.C.V. Finance Ltd ACN: 004 292 291	Level 7, 485 Bourke Street Melbourne VIC 3000
RateSetter Australia Ltd ACN: 166 646 635	Level 5, 14 Martin Place Sydney, NSW 2000
Right Road Finance Pty Ltd ACN: 165 915 864	Level 17, 60 City Road Southbank, VIC 3006
Society One Australia Pty Ltd ACN: 151 627 977	Level 17, 56 Pitt Street Sydney, NSW 2000
Suncorp Metway ACN: 010 831 722	Level 28, 266 George Street, Brisbane Qld 4000
Symple Loans Pty Ltd ACN: 624 150 849	Level 3, 24-26 Cubitt St, Cremorne VIC 3121
Taurus Motor Finance ACN: 625 555 464	Governor Macquarie Tower Level 19, 1 Farrer Place Sydney NSW 2000

Teachers Mutual Bank Ltd ACN: 087 650 459	28-38 Powell Street Homebush, NSW 2140
Think Tank Group Pty Ltd ACN: 117 819 084	100 Miller St, North Sydney NSW 2060
ThinkMe Finance Pty Ltd ACN: 165 799 315	Level 12, 100 Skyring Terrace Newstead, QLD 4006
Toyota Finance Australia Ltd ACN: 002 435 181	Level 9, 207 Pacific Highway St Leonards, NSW 2065
Volt Bank Ltd ACN: 622 375 722	Level 3, 41 McLaren Street North Sydney NSW 2060
Westpac Banking Corporation ACN: 007 457 141	Level 8, 275 Kent Street Sydney, NSW 2000
Wisr ACN: 119 503 221	Suite 31, 58 Pitt Street Sydney, NSW 2000

ARCA Member CPs that are not listed as PRDE signatories:

Nissan Financial Services Australia Pty Ltd ACN: 130 046 794	260-270 Frankston-Dandenong Rd Dandedong VIC 3175
Police & Nurses Limited (t/a P&N Bank) ACN: 087 651 876	Level 6, Kings Square 556 Wellington Street Perth WA 6000
Police Bank Ltd ACN: 087 650 799	25 Pelican Street Surry Hills NSW 2010
Bank of Queensland Limited ACN: 009 656 740	100 Skyring Terrace, Newstead QLD 4006
Bendigo and Adelaide Bank Limited ACN: 068 049 178	The Bendigo Centre Bendigo, Vic 3550 Australia
Twelve members of the Customer Owned Banking Association's Small Australian Mutuals Network	SAM Network c/o Suite 403, Level 4 151 Castlereagh Street Sydney NSW 2000

Proposed Conduct

The PRDE involves cooperation between CPs and CRBs that compete with each other in relation to a number of services. Accordingly, the Applicant wants to mitigate the risk that making or giving effect to any aspect of the PRDE could be in contravention of the *Competition and Consumer Act 2010 (Cth)* (**CCA**).

ARCA, on behalf of itself and potential present and future signatories to the PRDE, seeks re-authorisation pursuant to sections 88(1) and 91C(1) of the CCA in relation to particular provisions in the PRDE (in the form provided at Appendix A, or in substantially similar form). In particular, ARCA seeks authorisation on behalf of itself and current and future signatories of the PRDE to make and give effect to certain provisions of the PRDE that fall into the following categories:

	• **Reciprocity provisions**: credit providers can only receive consumer credit information from credit reporting bodies up to the same level at which they are willing to supply information: paragraphs 4,[6] 8, 10, 14, 34, 35, 36, 38, 39 and, by way of anti-avoidance, 11, 12[7] and 44; • **Consistency provisions**: credit providers must supply the same consumer credit information to all credit reporting bodies with whom they have a services agreement: paragraphs 9, 15 and 16[8]; and • **Enforceability provisions**: procedures and sanctions to address non-compliance with the PRDE: paragraph 89,[9] (together, the **Proposed Conduct**)
	ARCA seeks authorisation for the Proposed Conduct as it may contain cartel provisions within the meaning of Division 1, Part IV of the CCA.
Reauthorisation sought for 6 years	ARCA seeks authorisation for a period of 6 years from the date authorisation is granted. Paragraph 109 of the PRDE requires an independent review of the PRDE after the PRDE has been in operation for 3 years (the inaugural independent review) and thereafter at least every 5 years. The inaugural independent review was completed in September 2019 and the RDEA's response to the inaugural independent review included an amendment process which was only finalised in June 2020 (and resulted in a number of amendments contained in the now current PRDE Version 19 as well as proposed amendments included in proposed PRDE Version 20 which is the subject of this Application). ARCA seeks a six year period of authorisation in order to enable time for the independent review to be completed and responded to ahead of any future application for authorisation from the ACCC.
Details of relevant market participants	See Appendix G.

[6] As amended in PRDE Version 19

[7] As amended in PRDE Version 19

[8] As amended in PRDE Version 19

[9] As amended in the proposed PRDE Version 20.

Glossary of terms

ACL	Australian Credit Licence, provided for under the NCCP and regulated by ASIC
ACRDS	Australian Credit Reporting Data Standard, the technical input data standard for credit information. *Principle 3 of the PRDE requires PRDE signatories to use the ACRDS for data supply*
ADI	Authorised deposit-taking institution, being an entity regulated by APRA
APRA	Australian Prudential Regulation Authority
ARCA	Australian Retail Credit Association, the Applicant
ASIC	Australian Securities and Investments Commission
BNPL	Buy Now Pay Later, finance companies offering short-term finance
CCLI	Consumer credit liability information which includes information about the type of account, open/close dates, name of CP, credit limit and other terms & conditions of the credit, for example repayment requirements (principal and interest, interest only etc) and whether the credit is held jointly or not
CCR	Comprehensive credit reporting, which collectively refers to the reporting of 'new' data sets being CCLI and RHI
CDFB	Credit Data Fact Base, a report generated by ARCA capturing data on CCR participation by CPs
CDR	Consumer Data Right
CP	Credit provider
CRB	Credit reporting body
CR Code	Privacy (Credit Reporting) Code 2014. The CR Code seeks to provide operative effect to Part IIIA of the Privacy Act
FHI	Financial Hardship Information, being the proposed new form of credit information to be enabled under the 2019 Bill
IDG	Industry Determination Group, which is the industry peer review group that is able to deal with reports of non-compliant conduct under the PRDE
NCCP	National Consumer Credit Protection Act 2009
Privacy Act	Privacy Act 1988, with Part IIIA containing the relevant provisions enabling the functioning of the credit reporting system

RDEA	Reciprocity and Data Exchange Administrator, being the PRDE Administrator Entity
RHI	Repayment History Information
SACC/MACC	Small amount credit contract/ Medium amount credit contract, also known as different forms of payday loans
2018 Bill	National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Bill 2018, this was proposed to enable mandatory CCR and lapsed without passing Parliament
2019 Bill	National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019, this is proposed to enable both mandatory CCR and hardship flag reporting
2015 Application	Australian Retail Credit Association (ARCA), Principles of Reciprocity and Data Exchange (PRDE) Submission in support of Application for authorisation, 20 February 2015
2015 Authorisation	Australian Competition and Consumer Commission (ACCC), Application for authorisation lodged by Australian Retail Credit Association Ltd in respect of the Principles of Reciprocity and Data Exchange, Determination A91482, ACCC, Canberra, 3 December 2015

Submission in support of application

1 Description of Market

1.1 Credit reporting industry

1. The PRDE facilitates and improves the operation of comprehensive credit reporting (**CCR**) in Australia by providing a set of industry rules and standards for contributing and accessing credit related personal information by PRDE signatories.

2. Credit reporting is a system whereby Credit Reporting Bodies (**CRBs**) collect credit information about consumers from Credit Providers (**CPs**)[10], and make consolidated credit reporting information about individual consumers available to CPs on a commercial basis. Consumers can obtain basic access to their own credit reporting information held by a CRB for free or extended access on a commercial basis. The Australian credit reporting system is regulated by Part IIIA of the Privacy Act 1988 (**the Privacy Act**).

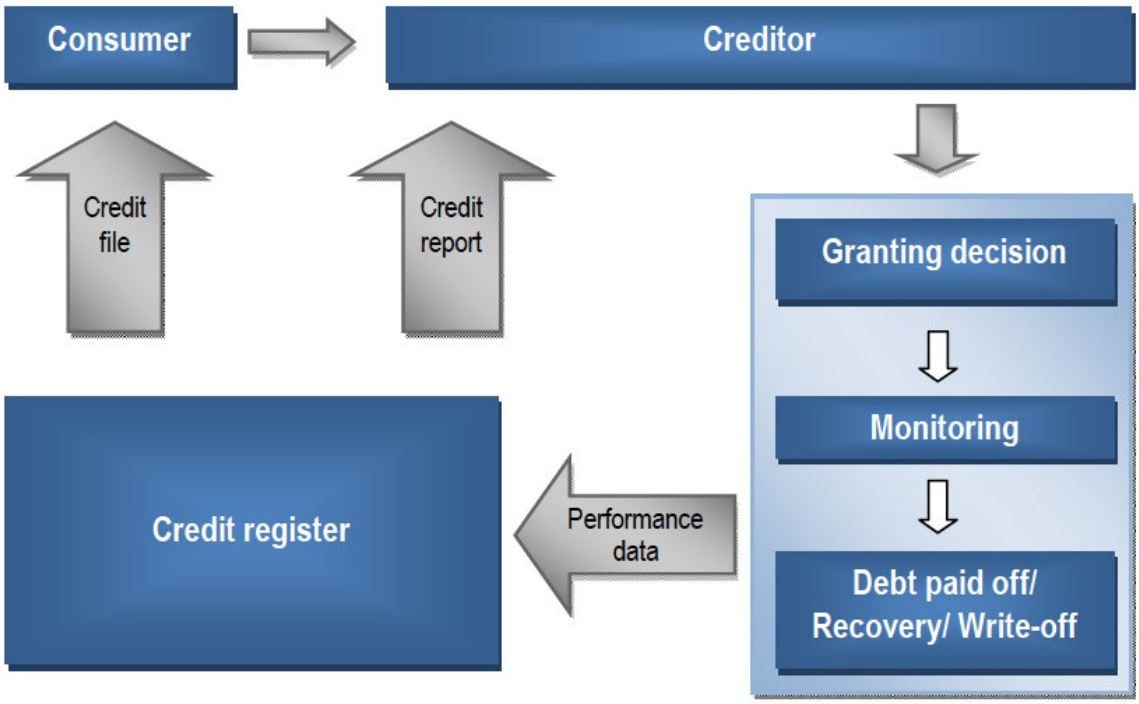
3. The role of the CP in the credit reporting system is that of both:

   - a data supplier, in that the CP contributes credit information to a CRB into the credit reporting system when the consumer applies for credit and as the consumer (upon being granted credit) utilises and repays the credit; and
   - a data user, in that a CP subscribes to commercial services provided by CRBs for the receipt of credit reporting information and other information-related services.

4. The role of the CRB is to collect credit information in order to develop and provide suitable products that are in turn provided under commercial terms to that CRB's customers (being, CPs and consumers).

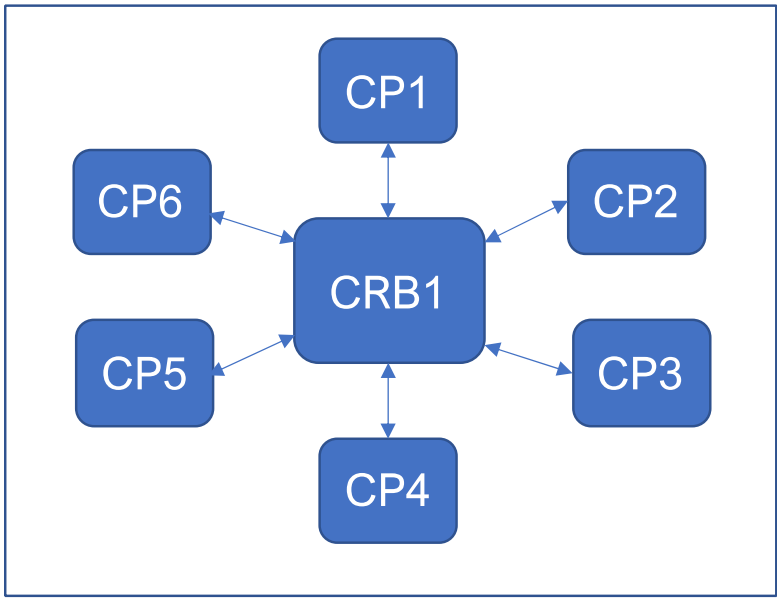
[10] And other credit information that is both publicly available and allowed to be collected and reported such as some court records such as bankruptcies.

Figure 1: A Typical Credit Reporting Cycle[11]



5. CRBs may receive and hold credit information about the same consumer from a number of CPs that it deals with. Effectively, CRBs act as an information exchange, consolidating data on consumers across the CPs each consumer may deal with, and supplying this consolidated data back out to the CPs that utilise the CRB.

Figure 2: CRB Data Exchange with CPs



[11] Figure from Centre for European Policy Studies, European Credit Research Institute, Steinbauer & Pyykkö, "Towards Better Use of Credit Reporting in Europe", CEPS-ECRI Task Force Report, September 2013, page 12

1.2 Credit reporting bodies

6. In 2020, the CRB participants in the Australian market are essentially the same as those existing in 2015, albeit with new owners and a greater focus on the opportunities created by CCR[12]. As described in section 2.6 'Public benefits of consistency', the provisions of the PRDE have created greater consistency in CCR data held by each CRB than that which existed historically for "negative" only data, and improved consistency in data has resulted in a greater innovation and competition between CRBs.

7. The three CRBs currently operating in Australia are Equifax (formerly Veda), illion (formerly Dun & Bradstreet), and Experian. Equifax is a large international CRB headquartered in the US which in November 2015 announced its acquisition of Veda, Australia's largest CRB, for US$1.8B. Earlier in June 2015 private equity firm Archer Capital announced its purchase of the Australian and New Zealand arm of Dun & Bradstreet for $220M.

8. Compuscan, a CRB headquartered in South African established a credit bureau in Australia in 2015, but was subsequently acquired by Experian in December 2018 as part of a larger acquisition focused on Compuscan's African business[13].

9. The Tasmanian Collection Service (TASCOL) which was operating as a CRB in Tasmania in 2015 is now operating as an agent/reseller of Equifax services.

1.3 Credit providers

10. There are a broad range of CPs operating in Australia, and all are able to become PRDE signatories and participate in credit reporting to the extent permitted under the Privacy Act[14]. From a PRDE perspective, there are no additional restrictions on the participation.

11. CPs are defined under section 6G of the Privacy Act. For credit reporting purposes, a primary distinction can be made between those CPs that are required to hold an Australian Credit Licence (**ACL**) under the National Consumer Credit Protection Act (**NCCP**) and those that are not. A distinction may also be drawn between credit provided by Authorised Deposit-taking Institutions (**ADIs**) and other financial institutions, and that provided through non-financial services institutions, such as telecommunications companies and utilities providers. Nevertheless, for the purposes of credit reporting, the key issue is whether the CP holds an ACL.

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[12] See Appendix B, 'Market Information', for more detail on the evolution of the structure of the CRB market since 2015.

[13] Experian press release, 'Experian agrees to acquire Compuscan, extending our bureau presence in Africa,' 10 December 2018. Accessed 23 June 2020 at https://www.experianplc.com/media/news/2018/experian-agrees-to-acquire-compuscan-extending-our-bureau-presence-in-africa/

[14] See Appendix B, 'Market Information', for more detail on the evolution of the structure of the CP market since 2015.

12. ACL holders are responsible for the majority of consumer credit (both by account volume[15] and by lending value) in Australia, and are also able to participate most fully in CCR, with the Privacy Act allowing them to both contribute and access repayment history information (**RHI**) from the credit reporting system as well as consumer credit liability information (e.g. account open and close dates, type of credit, credit limit) (**CCLI**) and "negative" information (e.g. defaults, bankruptcies). Non-ACL holders are restricted from participating in RHI exchange, but may participate and exchange CCLI and negative information.

13. ADIs are responsible for the majority of consumer credit provided by ACL holders. While the number of ADIs in Australia has declined since 2015, there have also been a significant number of new ADI licences granted to start-ups such as 'neobanks' 86400, Judo bank, Volt bank, and Xinja Bank, and a restricted ADI licence granted to IN1 Bank. Existing ADIs have also launched new competitors into the market such as Up (Bendigo and Adelaide Bank) and Ubank (NAB).

14. There have also been a significant number of new non-ADI ACL holding lenders entering the market. These 'fintechs', like the neobanks, have developed new business models emphasising innovative technology to deliver largely digital-only customer propositions that integrate and leverage data throughout all processes. The largest proportion of fintechs (such as MoneyPlace, NOW Finance, RateSetter, SocietyOne, and WISR) have focused on the unsecured personal loan market, though others (such as Athena) have focused on the home loan market. These fintechs have been enthusiastic and early participants in CCR – in fact the first four CPs to sign up to the PRDE were all fintechs.

15. The other notable sector to have emerged in recent years is the Buy-Now-Pay-Later (**BNPL**) sector which emerged in Australia with AfterPay and ZipPay launching in 2015, later followed by humm (Flexigroup), BrightePay, Klarna, Latitude Pay, LayBuy, Openpay, and Payright. An ACL is not required for these BNPL products, and as yet they are not participating in CCR (though, as non-ACL holders, the Privacy Act limits their participation so that they cannot exchange RHI[16]).

1.4 The relevant area of competition

16. In granting its original authorisation, the ACCC concluded that while it did not consider it necessary to precisely define the relevant markets:

> "For the purpose of the current matter, the ACCC considers that the relevant areas of competition are the national supply of:
>
> a. credit reporting services, which includes:
>
> i. the supply of consumer credit information by credit providers to credit reporting bodies

[15] Excluding non-financial service credit providers such as telcos and utilities.

[16] While BNPL products might be unregulated and not require an ACL, many BNPL providers also offer products that are regulated and hence an ACL is held. Depending on the corporate structure of the entity, this might allow them to fully participate in CCR. For example, the business that provides the ZipPay product also offers the ZipMoney product, which is regulated by the NCCP and requires the provider to hold an ACL.

ii. the supply of consumer credit reporting services by credit reporting bodies to credit providers

b. various credit/lending products and services to consumers".[17]

17. In reaching this conclusion, the ACCC referred to its prior analysis of these markets, where it had concluded there is a national market for the provision of credit reporting services, and that these services are distinct from the provision of credit[18].

18. ARCA concurred with the ACCC analysis, noting in our 2015 Application that the conduct that is the subject to authorisation affects the national market for credit reporting services, including the supply of credit reports by CRBs to CPs (and consumers). Specifically, in this market we stated:

- "CRBs compete with each other for the establishment of relationships with CPs (to expand their network and increase the information to which they have access); and
- CPs establish relationships with one or more CRBs to obtain access to credit reports"[19].

2 Significant public benefits

2.1 The ACCC concluded the PRDE was likely to result in significant public benefits

19. In its 2015 Authorisation the ACCC concluded that there was general acceptance of the range of public benefits arising from wide and improved access to CCR in Australia.

20. The ACCC further considered that the free rider concern would be likely to inhibit the full and complete implementation of comprehensive reporting without adequate reassurance in the framework for sharing of information.

21. The ACCC concluded that the PRDE would enable more of the public benefits of CCR to be realised than under a purely voluntary system of bilateral contracts due to the PRDE's reciprocity, consistency and enforceability provisions.

22. The ACCC's view was that the principle of reciprocity was fundamental to the comprehensive data exchange and would likely lead to the following public benefits:

- Improvement of the lending and risk management decisions of signatory CPs as a result of the availability of improved information to assess credit risk
- The promotion of competition between smaller and large CPs, potentially limiting the barriers of entry into the market, particularly for small CPs

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[17] Australian Competition and Consumer Commission (ACCC), Application for authorisation lodged by Australian Retail Credit Association Ltd in respect of the Principles of Reciprocity and Data Exchange, Determination A91482, ACCC, Canberra, 3 December 2015 (**2015 Authorisation**), paragraph 141

[18] Ibid paragraph 139, referring to ACCC Public Competition Assessment – Experian Australia Credit Services Pty Ltd – proposed joint venture – 19 September 2011, http://registers.accc.gov.au/content/index.phtml/itemId/1143914

[19] Australian Retail Credit Association (ARCA), Principles of Reciprocity and Data Exchange (PRDE) Submission in support of Application for authorisation, 20 February 2015, (**2015 Application**) section 2.2, p9

- Consequent benefits for borrowers, in terms of increased financial inclusion and less over-indebtedness
- Time and cost efficiencies associated with a more standardised, reliable and timely exchange of comprehensive data

23. The ACCC considered the principle of consistency would:

- Counter the tendency for data fragmentation or the emergence of a dominant CRB
- Facilitate a more complete exchange of information between CPs and each CRB, encouraging the development of financial and analytical services tailored for CPs and the innovation of new financial products
- Lead to the lowering of barriers to entry and expansion for smaller CRBs, and assist smaller CPs to compete with larger CPs
- Assist CPs to comply with responsible lending practices
- Lead to consumer benefits including increased access to a consumer's credit profile, avoid applications to all CRBs for a single credit report, and lead to better lending decisions for CPs.

24. Finally, the ACCC concluded the PRDE enforcement mechanism was necessary to maintain the integrity of the PRDE and is likely to encourage compliance with the reciprocity and consistency provisions, leading to the attainment of public benefits.

2.2 Summary of public benefits

25. ARCA submits that the PRDE has been integral to the realisation of the anticipated public benefits of CCR as recognised in the 2015 Authorisation.

26. The 2015 Authorisation has enabled CCR to be established over time, with a major milestone being achieved in September 2019 when the major banks were substantially contributing all their CCR data and the financial services industry overall reached 85% participation in terms of number of accounts.

27. The level of participation is at such a level that it is allowing the public benefits of CCR to be achieved.

28. Since the 2015 Authorisation, the necessity for the PRDE framework has been increased further by a range of legislative and regulatory developments (e.g. mandatory CCR and hardship legislation,[20] responsible lending[21] and prudential credit risk management guidance[22]). The PRDE framework has also been enhanced by industry-based developments (including enhancements to the PRDE and ACRDS, data quality improvements, and guidelines for reporting RHI and defaults) which are directed towards achieving the public benefits of CCR.

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[20] See The Parliament of the Commonwealth of Australia, House of Representatives, National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019

[21] See Australian Securities and Investments Commission (ASIC), REPORT 643: Response to submissions on CP 309 Update to RG 209: Credit licensing: Responsible lending conduct, December 2019,P17

[22] See Australian Prudential Regulatory Authority (APRA), Prudential Standard APS 220 Credit Risk Management, January 2021, para 44, page 11

29. Legislative developments such as mandatory CCR have incorporated the PRDE's principles, recognising their necessity in achieving the public benefits of CCR. Other legislation such as that establishing the CDR is also directed towards creating frameworks for data access and use that will lead to innovation, competition and improved consumer value propositions and experiences. The CDR regime has also recognised the importance of principles such as reciprocity and standards for data exchange. Implementation of the CDR will be complementary to CCR and enable an even higher level of public benefits to be achieved.

30. Following independent review of the PRDE and drawing on the experience of managing the PRDE over the past five years, improvements to the PRDE and its operation are also being implemented which are directed towards enhancing the implementation of CCR under the PRDE and achieving a greater level of public benefits over the next six years following reauthorisation.

31. The proposed amendments to the PRDE[23] will enhance achievement of public benefits but do not touch on matters that have any potential for public detriments considered by the ACCC in 2015.

32. Reauthorisation of the relevant provisions of the PRDE for the next six years will strengthen the ongoing consumption of CCR information by existing signatories, and new organisations will initiate participation. The PRDE framework has provided the necessary assurance to participants to enable participation in CCR exchange. The participation of existing signatories, and the participation of new signatories continues to hinge on the ongoing operation of this framework.

33. Without reauthorisation of the relevant provisions of the PRDE, substantial efforts in the public and private sector will unwind and set back the development of CCR.

2.3 The public benefits of comprehensive credit reporting are being realised

34. The PRDE has been and continues to be fundamental to the operation of the CCR exchange. Contribution of CCR data under the PRDE began in 2016, but substantial quantities of data were not contributed until the first quarter of 2018.

35. Currently most CPs of significant scale have completed or are on track to complete their transition to CCR – and all are doing this under the terms of the PRDE. By the end of September 2019 when the last of the four major banks completed their migration to CCR, 85% of consumer credit accounts in Australia had CCR data contributed.

36. As at June 2020, 92% of consumer credit accounts in Australia are "live" with CCR being reported under the PRDE, and a further 5% of consumer credit accounts are either committed to go live or are planning to supply CCR but are yet to complete testing. By the end of 2020, most accounts in the system will have at least two years' worth of RHI being reported, so the system from a contribution perspective at least will be largely complete and fully operational.

37. The PRDE has been critical to achieving this level of participation and means the public benefits of CCR are able to be realised. Ongoing participation will result in ongoing and enhanced public benefits, as industry continues to further integrate CCR data into its credit decisioning and management.

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[23] Set out at Appendix A to this Application.

38. This section describes how the implementation of CCR occurred over time.

2.3.1 Tracking Transition to CCR through ARCA's Credit Data Fact Base

39. In 2017, ARCA identified that there was no systematic way to track the progress of implementing CCR in Australia. Individual CPs did not publish their account numbers, and no industry wide measurement of total accounts existed. To fill this gap, ARCA facilitated the creation of the Credit Data Fact Base (**CDFB**) to track industry-wide progress on the transition to CCR. The CDFB also assisted CPs with their internal decision-making and planning processes by communicating industry progress towards CCR.

40. The CDFB Report has been published nine times between March 2017 and June 2020[24]. The CDFB has been circulated to industry participants, regulators, government, and other stakeholders.

41. Data in the CDFB Report includes an overall assessment of the size of the credit market, expressed by the number of open and active credit accounts, and the number of accounts for which CCR data is being tested in pre-production or 'private' mode or being reported in production or 'public' mode. Combined with timing of actual or intended participation in CCR under the PRDE, these account numbers enabled forecasting for how the volume of CCR data would grow over time.

2.3.2 Industry Size

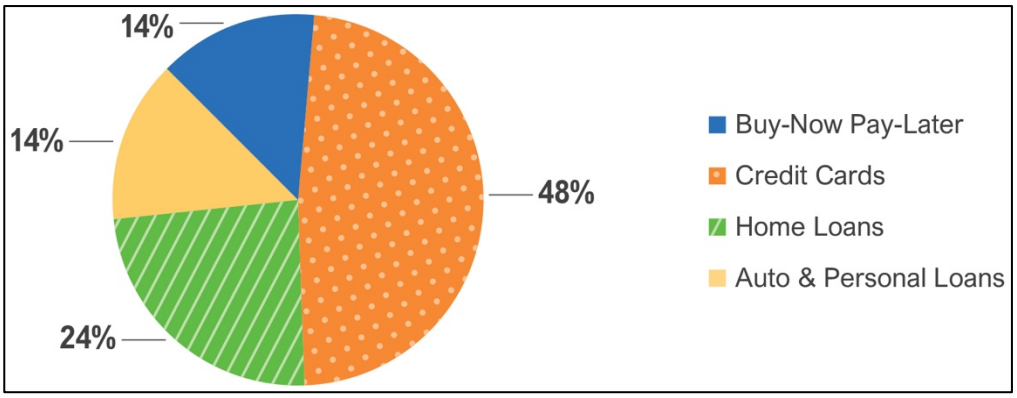
42. ARCA estimates that there are 30.1M open and active credit accounts in Australia[25]. The estimate only includes CPs offering financial service products, i.e. CPs from other sectors such as telecommunications and utilities are excluded.

43. Of the 30.1M credit accounts, nearly half are estimated to be credit cards, with the next largest product type being home loans. The personal loans category includes a range of products including auto loans, overdrafts, and payday loans. In terms of numbers of accounts, the fast-growing BNPL sector is as large as the overall personal loan sector, though in dollar terms BNPL is much smaller.

[24] See Appendix C, ARCA Credit Data Fact Base Report Vol 9, June 2020

[25] Based on ARCA's most recent update of the market size analysis undertaken in September 2019

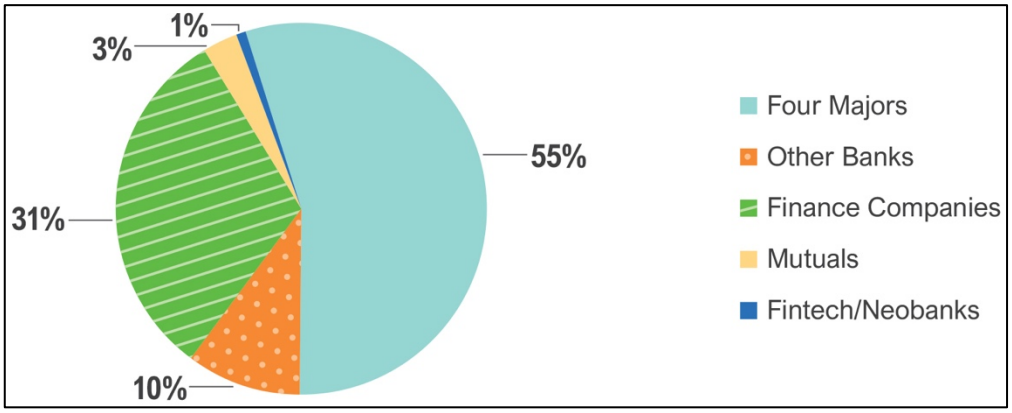
Figure 3: All open active credit accounts by product category | Total 30.1M accounts



44. Looking at the number of credit accounts from an industry sector perspective, Figure 4 shows that banks and mutuals account for over two-thirds of the estimated 30.1M credit accounts. Australia's four major banks hold 55% of all credit accounts.

45. Outside the major banks, finance companies account for 31% of accounts. The finance company sector is broad, including specialist consumer finance providers, motor vehicle financiers, and BNPL providers. ADIs and finance companies (excluding BNPL-only providers) who operate using the fintech/neobank predominantly online business model have also been split out from other categories in the chart.

Figure 4: All open active credit accounts by industry sector



2.3.3 Progress with CCR as at 30 June 2020

46. Figure 5 reports the participation rate for the industry with and without the BNPL sector included. In terms of industry progress towards CCR, ARCA focuses primarily on the market excluding the BNPL sector, both because the product category is not subject to the same regulatory environment as other products, and because the product had only recently been launched when the PRDE was authorised in 2015.

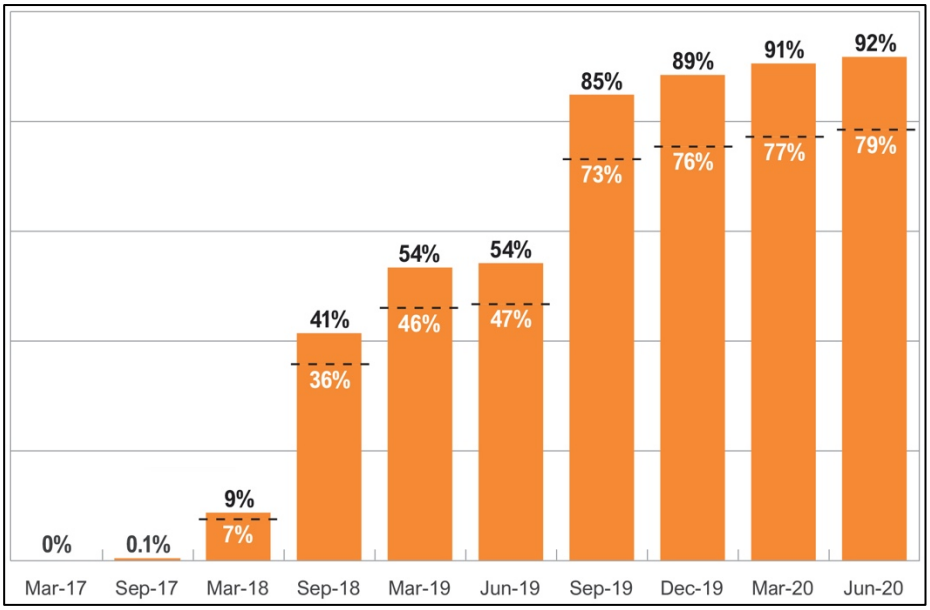
47. By the end of June 2020, 92% of all accounts for the major product categories (credit cards, home loans, and auto and personal loans) will have CCR data being reported.

This is a significant increase from March 2018 when only 9% of accounts were being reported and June 2019 when 54% of accounts were being reported.

48. When the BNPL product category which is currently not participating in CCR is included, the overall participation in CCR at June 2020 drops to 79%.

49. By the end of June 2020, 42 CPs are expected to be supplying CCR data in public mode.

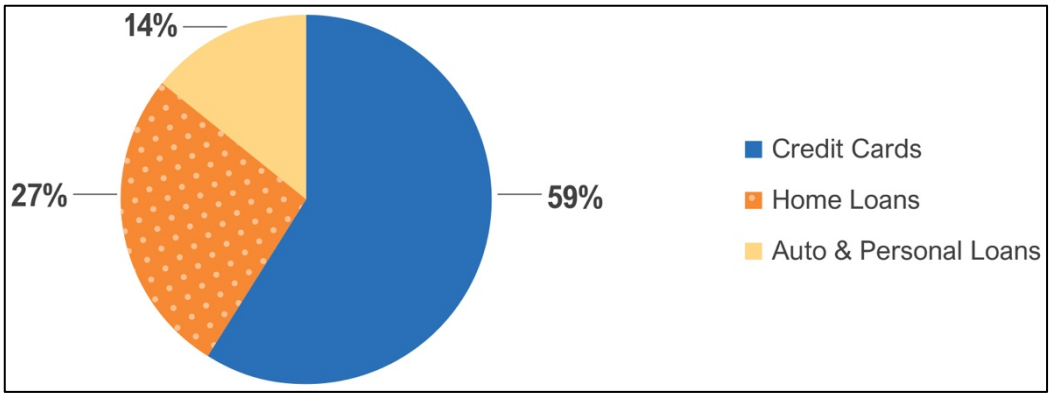
Figure 5: Percentage of CCR accounts reported publicly



Note to Figure 5: Percentages above columns based on the market size excluding buy-now pay-later accounts. Percentages below "dotted line" include buy-now pay-later accounts.

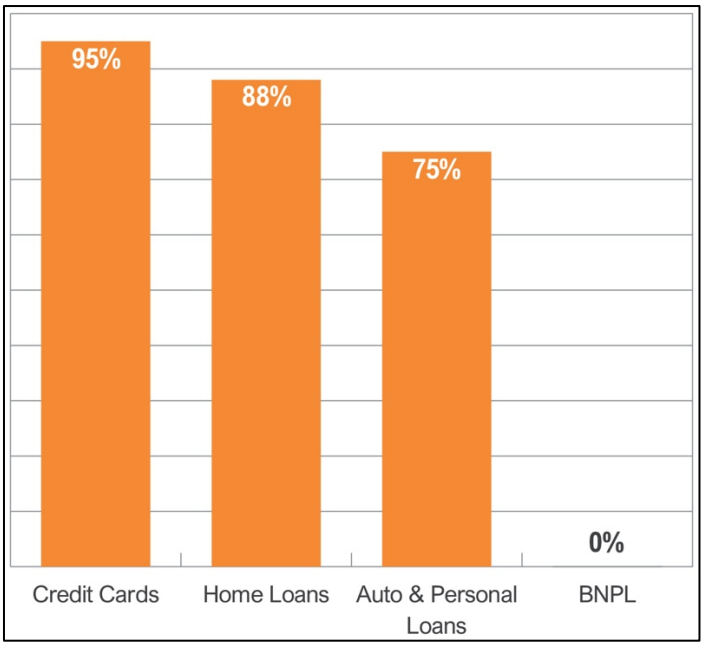
50. Figure 6 breaks down the CCR accounts being reported into product type. Credit cards make up 59% of accounts currently being reported, home loans make up 27%, while auto and personal loans make up 14%. The reason credit cards make up a higher percentage of accounts being reported than they represent in the consumer credit reporting sector is that most CPs who offer a broad range of product types tended to implement CCR first for their unsecured credit portfolios, especially credit cards. Being the largest portfolio for many CPs, they could meet their PRDE obligations to transition to CCR with a minimum 50% of accounts when they first participated, and follow that up within the required 12 month period with the range of other products they offered that were often fragmented across multiple systems.

Figure 6: CCR accounts Reported publicly by product type



51. Overall (see Figure 7), it is estimated that 95% of all credit card accounts and 88% of home loans now have CCR reported, compared to 75% of auto and personal loans. No BNPL accounts currently have CCR information being reported.

Figure 7: Proportion of accounts reported by product type



52. Figures 8 breaks down the accounts for which CCR is currently being reported according to the industry sector of CPs, while Figure 9 reports the progress of each sector towards CCR participation.

53. Figure 8 shows that the four major banks are responsible for nearly 70% of accounts for which CCR is being reported, while Figure 9 shows they have effectively completed their migration to CCR. Figure 9 also shows that other industry sectors that have begun CCR implementation are more than 50% progressed towards CCR

Figure 8: CCR accounts reported by industry sector

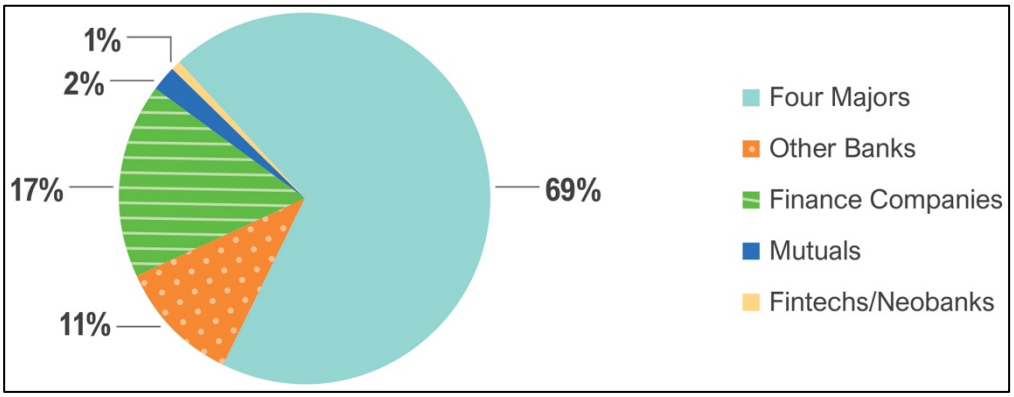
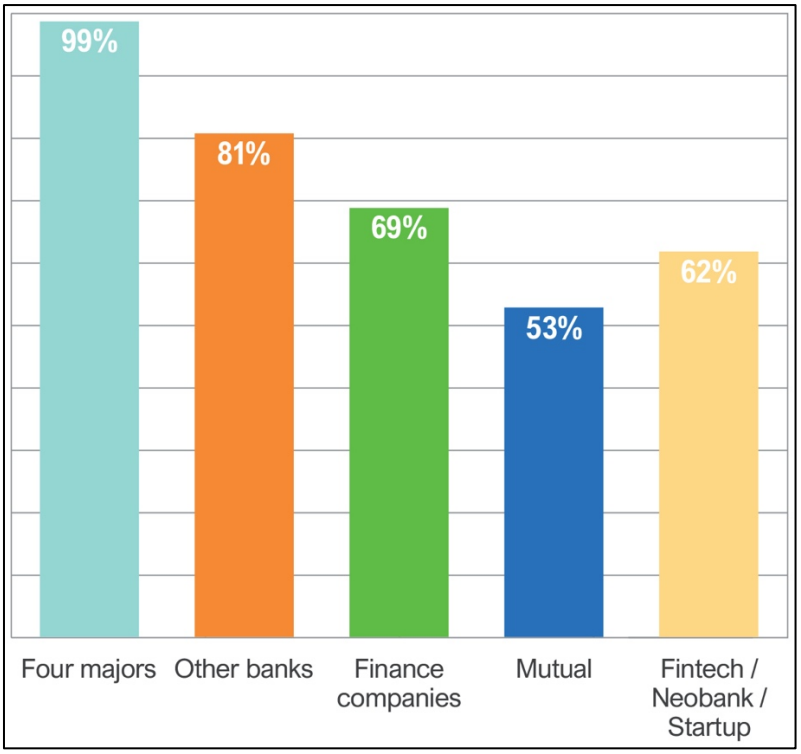


Figure 9: CCR progress by industry sector



2.3.4 CCR Implementation Pathway

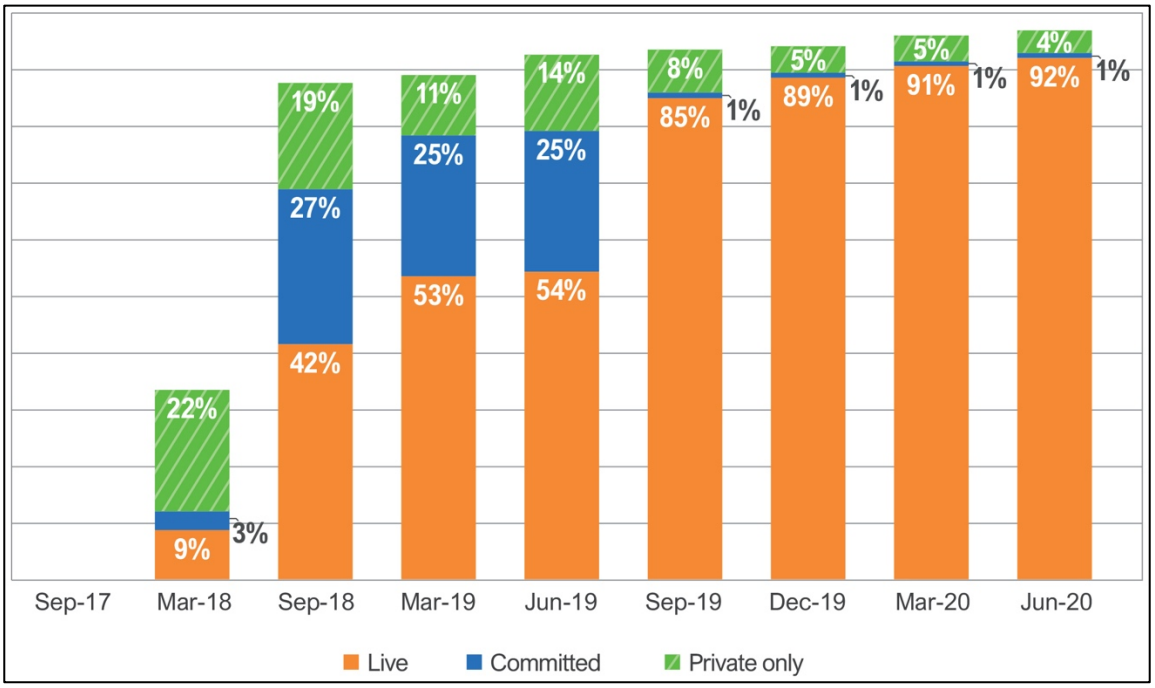
54. Figure 10 illustrates how the rollout of CCR has occurred over the last two years, highlighting how CP portfolios transitioned from 'testing' or 'pre-production mode' through to being reported in 'public' mode (i.e. 'live' in the credit reporting system, visible on a consumer's credit report and available to other CPs participating in CCR). In Figure 10, 'live' and 'committed' accounts represent those held by CPs who have signed the PRDE. 'Committed' accounts are the accounts held by PRDE signatories that will go live within 12 months, as per the transitional obligations in the PRDE.

55. The accounts that are in 'pre-production' or 'testing' mode are held by CPs who are yet to sign the PRDE or are yet to go 'live', but have made their intentions known to ARCA, and are testing their interfaces at the CRBs that enable them to contribute CCR.

56. Figure 10 shows that until March 2018, there was little CCR data in the credit reporting system. To that point, the only participants were four fintech "pioneers", but their portfolios were small. NAB's participation in February 2018 and HSBC's in March 2018 delivered the first significant portfolios to the credit reporting system. Citigroup and Teachers Mutual Bank followed in June 2018, the other three major banks in September 2018, and Latitude Financial Services in December 2018. By March 2019, nearly 80% of accounts had CCR data being reported either in public mode or committed to be reported within 12 months. The PRDE was key to enabling this commitment to participate in CCR, and assuring that participation would reach the critical mass necessary to achieve the public benefits of CCR.

57. As at June 2020, apart from the 92% of accounts that are already 'live', a further 5% of accounts are either committed to go live or are planning to supply CCR but are yet to complete testing.

Figure 10: Percentage of CCR accounts reported



58. Outside of the CPs who are already live or have indicated they will go live in the near term, there is a very long 'tail' of small CPs yet to participate. For many of these (e.g. small ADIs) the incentive for their participation is large given regulatory expectations and the risk they may face from adverse selection. Many smaller lenders are already taking part in CCR under the PRDE and ARCA is actively working with a number of other smaller lenders with projects in train to participate in CCR, affirming that participation under the PRDE – and therefore the public benefits of CCR – is accessible and valuable to all eligible CPs industry-wide.

2.4 Additional developments since 2015 which enhance the public benefits of CCR and the PRDE even further

59. In the period since the 2015 authorisation of the PRDE, there have been a series of legislative, regulatory and industry-based developments which have enhanced the public benefits of CCR and the PRDE even further.

60. A key feature of many of these developments has been the existence and ongoing operation of the PRDE as the means to facilitate participation in the exchange of CCR data.

61. These developments have included:

- Mandatory CCR legislative reform initiated by the Federal Government which explicitly recognises and reinforces the PRDE as the necessary framework for CCR data supply
- Hardship reporting legislative reform initiated by the Federal Government which creates a new category of credit reporting information (financial hardship information or FHI) allowing hardship arrangements to be identifiable in the credit reporting system and RHI reported against those arrangements
- Open banking and CDR reform which enables consent-based data sharing, and complements the operation of CCR
- Enhanced responsible lending guidance and prudential standards which reinforce the role CCR data plays in supporting compliance with both responsible lending and prudential requirements
- Review and variations of the Privacy (Credit Reporting) Code 2014 (**CR Code**)
- Review of the ACRDS and publication of Version 2 of the ACRDS.
- Industry-based initiatives to support improved data validation and consistency.

62. The section below provides a brief overview of some of the more critical of these developments, with full details of all of these developments set out in Appendix D, 'Additional Developments Since 2015'.

2.4.1 Mandatory CCR

63. Since November 2017, the Federal Government has signalled an intent to mandate CCR for the large ADIs. While legislation has yet to pass (with the National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019 (**the 2019 Bill**) passed in the House of Representatives on 5 February 2020 but not progressed in the Senate due to the COVID-19 pandemic), the prospect of this legislation galvanised participation in CCR.

64. Notably, the mandatory CCR legislation significantly reflects the framework created by the PRDE. The Explanatory Memorandum to the 2019 Bill makes this explicit by noting:

> "The mandatory comprehensive credit regime recognises that industry stakeholders have already taken steps to support sharing comprehensive credit information. This includes the Principles of Reciprocity and Data Exchange and supporting Australian Credit Data Reporting – Industry Requirements & Technical Standards.

> To the extent possible, the mandatory comprehensive credit reporting regime operates within the established industry framework but also provides scope for future technological developments"[26].

65. The draft legislation also adopts much of the PRDE framework and principles, including the key PRDE principles of reciprocity and consistency. The Explanatory Memorandum to the 2019 Bill highlights the importance of the rationale underlying them:

> "The 'consistency principle' is important. It ensures that all credit reporting bodies have the same information and no credit reporting body has a competitive advantage on the basis of the information it holds. It provides an environment which encourages product innovation and supports competitive pricing of credit reporting information"[27]

> "The Government expects that regulations would be made which reflect 'principles of reciprocity'. The mandated regime will only apply to large ADIs and their subsidiaries on the expectation that the critical mass of information supplied by these ADIs will encourage other credit providers to supply comprehensive credit information. However, this relies on the 'principle of reciprocity' – a credit provider must contribute information to receive information."[28]

2.4.2 Hardship arrangement reporting

66. The 2019 Bill making CCR participation mandatory for certain CPs also incorporates reform of the Privacy Act which will affect all CPs and enable hardship reporting.

67. In March 2018, the Attorney General's Department initiated a review into whether and how hardship arrangements should be reported in the credit reporting system.

68. Ultimately, the outcomes of the review resulted in a model for hardship reporting being incorporated into the 2019 Bill. The 2019 Bill included a new category of information to created known as "financial hardship information" (**FHI**) that would be reported alongside RHI when a consumer received either a permanent variation to the terms of their consumer credit contract or temporary relief from or deferral of the individual's obligations. Importantly, when a consumer received temporary relief from or deferral of the individual's obligations, RHI is reported reflecting compliance with those revised obligations and not according to the terms of the contractual obligations.

69. This legislation, should it be ultimately passed, will improve the value of information in the credit reporting system for industry and consumers, and make it more likely that the public benefits of CCR will be achieved.

2.4.3 Open banking and consumer data right

70. In parallel to the legislative and regulatory activity in relation to credit reporting, since the PRDE was authorised there has been recognition of the importance of data in

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[26] The Parliament of the Commonwealth of Australia, House of Representatives, National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019 (**2019 Bill**) Explanatory Memorandum, paragraphs 1.23-1.24, p7

[27] ibid, paragraph 1.145, p31

[28] ibid, paragraph 1.170, p34

driving the modern economy through the passage of legislation to create a general "consumer data right" (CDR) with banking the first sector designated to operate under the framework created. The data potentially available through the CDR is both far broader than that available through CCR, and is subject to far fewer restrictions (primarily the consumer's consent).

71. The rationale for the CDR initiative is focused on driving greater innovation and competition within industry, and improving the customer experience and choice facing consumers, and the value they receive. This is the same underlying rationale driving CCR (although the CDR is targeted beyond the provision of credit, including other activities such as product comparison and selection).

72. The CDR rules are designed to ensure consumers are protected, in the same way the Privacy Act and CR Code achieve this for credit reporting. Like CCR, the CDR framework also incorporates rules and standards that incentivise participation by industry and ensure participation is on the same terms. Key to this is the principle of reciprocity. Considerable work has also been done to develop data standards to reduce friction in the system, both to reduce costs for industry participants but also to ensure a consistent experience for consumers.

73. The development of the CDR supports the broader data ecosystem, alongside the CCR data exchange. While there are overlaps, the CDR framework is complementary with the PRDE and CCR data exchange rather than a direct substitute. Importantly, the CDR system relies on a consumer disclosing what debts they have and giving consent for a CP to access data on them, whereas the credit reporting system gives a CP the information as a right. Hence they come from two fundamentally different philosophical positions (one based on disclosing to a consumer that the credit reporting system will be used, the CDR system based on a consumer consenting to their information being accessed). Further, the information asymmetry between CPs and consumers that led to the creation of credit reporting systems worldwide is not removed under the CDR. The potential for CPs to leverage the CDR and provide better products, services, and consumer experiences definitely exists, but it is more likely to be in addition to the credit reporting system, not as an alternative to it.

74. For this reason, ARCA submits that CCR and the CDR are complementary sources of information directed toward the same competitive and consumer outcomes (although the CDR has a broader coverage than the provision of credit only), and the PRDE is as necessary to the operation of CCR as the CDR rules are to the operation of the CDR. Furthermore, ARCA submits that the improvement to the overall data ecosystem bought about by operation of both CCR and CDR will enhance the public benefits of both systems.

2.4.4 Developments to Responsible Lending guidance and prudential standards

75. CCR has been recognised by the Australian Securities and Investments Commission (**ASIC**) as a potential means by which CPs can better meet their responsible lending obligations.

76. In its recent review and update of guidance around responsible lending obligations, ASIC re-iterated its view that what reasonable steps a CP could be expected to undertake were not static, and would be influenced by industry's adoption of innovations such as open banking and CCR.

77. Importantly, ASIC noted that:

> "We consider our guidance should have the effect that licensees are less likely to compete on the amount of information they have regard to when assessing an application. That is, a consumer who applies for a particular type of product should expect that a similar level of information will be considered regardless of who they choose to deal with"[29].

78. Likewise the Australian Prudential Regulatory Authority (**APRA**) has highlighted the value of CCR as a tool to verify borrowers' existing debt commitments. As noted by, the Chairman of APRA Wayne Byres:

> "CCR will provide much greater visibility of a borrower's existing debt commitments, and in turn should furnish banks with an ability to enhance not only their serviceability assessments for new borrowers but also risk analytics for the mortgage portfolio overall."[30]

79. This has been further reinforced through APRA's updated Prudential Standards APS 220 Credit Risk Management that will require ADIs to "verify commitments and total indebtedness" and consider the "borrower's repayment history"[31]; both of which will be efficiently enabled through CCR.

2.4.5 Other developments

80. Since 2015, there have been a series of additional developments in the credit reporting framework, which have further enhanced the overall operation of the system and, in doing so, improved data quality and the overall functioning of the data exchange.

81. These developments have included changes to the CR Code which have refined definitions of both consumer credit liability information (being information about consumer credit accounts) and RHI, ensuring greater consistency in the reporting of these datasets by PRDE signatories.

82. Furthermore, these developments have also included changes to the ACRDS, which have focused on achieving greater consistency in data supply. This has enhanced the public benefits for PRDE signatories both in improving the ease of data supply and promoting more consistent data validation by the CRBs, as well as flowing through to data consumption, so PRDE signatories are more assured that the manner in which they have contributed data is also then reflected in the manner in which they are able to then consume data.

83. Finally, these developments have included industry-based initiatives, driven by ARCA which have focussed on development of guideline material and other tools, such as a look up table which compares the error codes generated by different CRBs and provides suggestions on rectifying the relevant error. The development of industry-based guidance has assisted PRDE signatories in providing a clear set of

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[29] Australian Securities and Investments Commission (ASIC), REPORT 643: Response to submissions on CP 309 Update to RG 209: Credit licensing: Responsible lending conduct, December 2019, p17

[30] Australian Prudential Regulation Authority (APRA), Preparing for a rainy day. Speech by Wayne Byres to Australian Business Economists, July 2018

[31] Australian Prudential Regulatory Authority (APRA), Prudential Standard APS 220 Credit Risk Management, January 2021, paragraph 44, p11.

expectations, and enforcing data quality and consistency, whilst also recognising that each PRDE signatory should have flexibility in adapting to this material, aligning adaptation with overall data supply and consumption projects. In this way, ARCA has sought to enhance the public benefits of the PRDE data exchange, but to also avoid causing undue public detriment by avoiding unnecessary prescription.

2.4.6 Enhancements to the PRDE during its operation

84. The operational experience in managing the PRDE and the Independent Review of the PRDE in 2019 identified improvements to the PRDE which will further enhance the attainment of public benefits.

85. These variations, including their background and objective are set in Appendix E 'Governance and Operation of the PRDE'.

86. As a result of these enhancements, the current PRDE Version 19 includes recent amendments improving the operation of the PRDE. For example, PRDE Version 19 includes:

- RHI reporting exceptions which improve the value of RHI that is reported for both CPs and consumers, by helping avoid reporting RHI that may be viewed as misleading (or unfair)
- Clarifications to the operation of the PRDE for example: clarifying how the PRDE applies in circumstances where a CP holds no consumer credit information, and clarifying the langue in Principle 5 to make the compliance process more accessible.

87. Additionally, the proposed PRDE Version 20[32] – relevant paragraphs of which are the subject of this Application– includes amendments that would improve the PRDE Administrator's ability to satisfy its responsibilities under the PRDE. These improvements are largely focussed on enhancing the PRDE Administrator Entity's compliance function with the addition of a formalised guidance role, and mechanism to identify non-compliant conduct.

2.5 The PRDE has achieved the public benefits anticipated and reauthorisation will deepen these benefits

2.5.1 Public benefits of reciprocity

88. The reciprocity obligations[33] mean that CPs will 'get what they give' and CRBs are, in turn, restricted from giving data to a CP which has not reciprocated by contributing the same available data. Reciprocal data exchange is critical to attainment of public benefits, given the absence of reciprocity can lead to data asymmetry and fragmentation.

[32] Appendix A of this Application.

[33] Reciprocity obligations contained in PRDE paragraphs 4, 8, 10, 14, 34, 35, 36, 38, 39 and, by way of anti-avoidance, paragraphs 11, 12 and 43

2.5.2 The free rider concern was a factor and will continue to be a factor which supports the PRDE exchange

89. The 'free rider' concern is the concern that an organisation contributing CCR-data into the credit reporting system may be taken for a 'free ride' by organisations who access that data, but do not contribute their own data and, as such, are at a competitive advantage to the organisation contributing its CCR data. Participation in the PRDE exchange has reinforced that the free rider concern is a real concern and remains an ongoing concern for CPs.

90. This is borne out by the numbers: to date, 46 CPs (representing over 93% of the total credit accounts in Australia) have signed the PRDE. We expect at least a further 4% of accounts to be committed to PRDE participation in the next 12 months[34]. We understand that there may be at least one other CP contributing CCR data to at least one CRB outside the PRDE, but the account numbers are insignificant (and some relate to run-off portfolios), and the CP or CPs involved are not consuming CCR data, choosing to supply data for other reasons[35].

91. Experian has observed that their interaction with CPs supports the view that the framework and structure provided by the PRDE was necessary to enable participation, and CPs have relied on the PRDE being in place to support approval from internal stakeholders for participation in CCR[36]. These comments are broadly echoed by Equifax, who has noted the reciprocity rules, and transparent and clear processes around the PRDE rules helped motivate participation in CCR. Although it has also been acknowledged by Equifax and other stakeholders that regulatory pressure, including the Federal Government's proposed mandatory CCR legislation as well as the statements from both ASIC and APRA also played a role in enabling participation[37].

92. In that regard, as is highlighted in section 2.4.1 'Mandatory CCR' above, the 2019 Bill seeks to further embed the PRDE framework as the framework for CCR data exchange within Australia. The proposed regulation 28TB of the National Consumer Credit Protection Regulations 2010[38] provides that, where credit information is supplied by a mandated CP to a CRB, the on-disclosure requirements in section 133CZA of the NCCP[39] will be addressed if both the relevant CP and CRB have signed the PRDE.

93. The free rider concern has persisted for new entrants, and even existing PRDE participants. For example, the development of the mortgage default listing guideline

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[34] Note that these statistics are based on all current signatories to the PRDE whether they are operational and 'live' with CCR or not.

[35] See Appendix F, Statement of Paul Abbey, MoneyPlace, dated 17 June 2020, paragraph 10. See Australian Financial Review, 'Mandated Comprehensive Credit Reporting Looms,' 1 May 2017, which refers to participation including by Nimble (a non-PRDE signatory) at https://www.afr.com/companies/financial-services/mandated-comprehensive-credit-reporting-looms-20170501-gvw5wq

[36] See Appendix F, Statement of Tristan Taylor, Experian, dated 22 June 2020

[37] See Appendix F, Statement of Lisa Davis, Equifax, dated 25 June 2020

[38] Inserted by the National Consumer Credit Protection Amendment (Mandatory Credit Reporting) Regulations 2020

[39] Inserted by the National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019

emphasised the degree to which free rider concerns persisted. In the case of mortgage defaults, there was uncertainty as to what constituted a 'reasonable timeframe' for disclosing mortgage default information[40]. CPs were unwilling to contribute mortgage default information at all without assurance as to what constituted a 'reasonable timeframe' for disclosure, and further assurance from other participants to also disclose their mortgage defaults adhering to the guideline.

94. These views are reinforced by industry participants, such as Latitude, who say:

> "If you erode the PRDE, the whole thing falls apart. Reciprocity is such a critical principle to the whole regime"[41].

95. ARCA's conversations with industry participants indicate they have confidence that participants are meeting their reciprocity obligations. CPs generally observe that the credit reporting system operating under the PRDE is transparent, and as they consume data from CRBs they have not detected material non-contribution from another CP (subject to known industry wide data contribution issues such as those impacting the supply of RHI for consumers granted hardship arrangements).

2.5.3 The PRDE reciprocity obligations mean improved lending decisions and that responsible lending obligations can be more easily met

96. The first anticipated public benefit flowing from enabling a reciprocal data exchange was an improvement in lending decisions, with improved quality and more complete data reducing information asymmetries and supporting better lending decisions and ultimately, responsible lending. The role CCR data plays in supporting responsible lending was accepted by the ACCC, and is well-established, having formed the basis for the 2014 Privacy Act amendments which enabled CCR in Australia.

97. As established in section 2.3 of this Application, the PRDE has enabled implementation of CCR and the resulting public benefits are now being delivered. Industry participants overwhelmingly reinforce the role CCR data has played in supporting responsible lending. For many CPs, access to information about an individual's current credit accounts[42] has had the most immediate impact on the CP's ability to verify an individual's financial position and has improved the existing information asymmetry which exists between CPs and potential customers.

98. CPs with access to this data cite figures of under or undisclosed debt within the region of 25% to 35%, with examples provided of failures to disclose $200,000 of

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[40] It should be noted that in the original ACCC authorisation (paragraphs 151 to 153), reference was made to ARCA's conclusion that incentives existed for CPs to share negative information without reciprocity, however this was not a consistent position for all credit portfolios (and that in this regard the PRDE would improve negative data supply). To clarify, customers who have defaulted for a home loan portfolio have, in the past, been unlikely to have this reflected as a default on their credit report.

[41] See Appendix F, Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraph 16

[42] Information about current credit accounts is also known as consumer credit liability information (CCLI) which, under the PRDE, is partial tier level information. CCLI includes information about the type of account, open/close dates, name of CP, credit limit and other terms & conditions of the credit, for example repayment requirements (principal and interest, interest only etc) and whether the credit is held jointly or not.

liabilities, and borrowers with multiple undisclosed credit cards[43]. Access to this account information also helps to identify customers who have been cycling debt between different CPs, without ever having made inroads into reducing their overall debt position[44].

99. Better information about an individual's liabilities has resulted in better lending decisions, although CPs do note the additional inquiries required to verify the under or undisclosed liabilities have, at times, slowed the lending process. However, when necessary to do, this has enabled CPs to reassess a customer's ability to afford the credit (the subject of the application) and either proceed with the application, reduce the credit amount (to align with the re-assessment of affordability) or reject the application.

100. CPs do note that using a credit report to undertake this verification exercise with customers is also easier; there is less friction simply in being able to point to a discrepancy between a credit report and application, rather having discovered the liability through other processes, such as review of transaction statements[45]. Even CPs who have built lending models utilising customer transaction data accessed through so called 'screen scraping'[46] have found that CCR data will include information about accounts not evident from transaction data, because the customer has apparently cherry-picked the account information provided to the CP and excluded certain accounts.

101. Use of RHI to support responsible lending is currently less advanced than identifying under or undisclosed liabilities. With the major banks having completed full contribution of CCR data in September 2019, this has meant there has only recently been a critical mass of data in the system. RHI for an account, when complete, provides a 24-month view of that individual's repayment behaviour. For many accounts, that full 24-month view is not yet complete.

102. More importantly, as anticipated in ARCA's 2015 Application, the size of the effort for CPs to consume CCR data is substantially larger and will occur over a much longer timeframe than the task to contribute CCR data. This is because to consume CCR data a CP must upgrade or replace its scorecards, and credit rules, policies and processes. This is a resource and time intensive process which needs to be replicated across different product categories. It is also dependent on having an adequate timeseries data set as well as sufficient observed behavioural understanding on the impact of CCR data on a CP's risk appetite, decisioning and credit management to ensure that the rules, policies and processes are robust and appropriate.

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[43] See examples provided in Appendix F, Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraphs 1 – 2; Statement of Paul Abbey, MoneyPlace, dated 17 June, paragraph 17; Statement of Andrew Ward, NAB, dated 25 June 2020, paragraph 5; Statement of Megan Readdy, CUA, dated 25 June 2020, paragraph 13;Confidentiality claimed

[44] See Appendix F, Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraph 1

[45] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 6

[46] Screen scraping is the practice whereby a CP obtains the customer's consent to access their internet banking records, and therefore their transaction data. Open banking will eventually remove reliance on screen scraping as the means to access transaction data. See also Appendix F, Statement of Paul Abbey, MoneyPlace, dated 17 June 2020, paragraph 17

103. Noting the comparatively slow transition to the use of RHI data to support credit decisions, many CPs have commenced use of this data. These CPs have noted a 'swap in' factor impacting on decisioning; that is, using RHI data to support lending money to a customer who (in the absence of RHI data) would have been rejected[47]. For instance, if a customer had some negative information on their credit report, but also a history of positive payment behaviour, the positive payment behaviour can provide better context to understanding the customer's overall position, and support the customer's ability to service new credit[48].

104. Another CP notes that while the 'swap in' factor may not always be present, incorporating RHI into a customer's application score has led to an overall increase in application scores calculated for their customers, which in some instances have meant customers may be able to access a higher credit limit (than without use of the RHI data)[49].

105. Processes supporting lending decisions have also improved with the use of CCR data. CPs have implemented automated or more simplified decisioning processes[50], which have been facilitated by broader credit decision rules that incorporate CCR data. For instance, pre-CCR a CP had less ability to make an automated decision, because the available credit data was only information about credit enquiries, defaults and other negative data sets. Automation was limited to not approving applications based on a default or other negative information. However, with CCR data, CPs are able to automate decisions to approve a customer for credit based on positive payment behaviour and the number and size of existing liabilities. Some CPs who have used automated decisioning only for refinancing credit of existing customers, are now – with the inclusion of a greater depth of CCR data – looking to improve their decisioning to extend this to new-to-bank customers[51].

106. Confidentiality claimed

For CPs in the mutual sector, in particular, access to these scorecards can make a significant impact; they provide an insight into overall credit trends and behaviour, which may not be apparent from a scorecard developed based on that CP's own customer base only. Not only has this improved the predictive nature of credit decisions, it has led to significant cost savings and process efficiencies, all of which can ultimately lead to public benefits through greater competition and the lower cost of credit.

2.5.4 The PRDE reciprocity obligations have improved competition between credit providers

107. The reciprocal operation of the CCR data exchange was anticipated to improve CP competition, by ensuring all signatory CPs have equal access to the CCR data for an individual. This ensures that larger CPs (with a significant customer base and access to transaction data for those customers) are not automatically at an advantage

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[47] See Appendix F, Statement of Paul Abbey, Moneyplace, dated 17 June 2020, paragraphs 18 and 20; Statement of CLN Murphy, Citi, dated 24 June 2020, paragraph 4

[48] See Appendix F, Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraph 3

[49] See Appendix F, Statement of Tim Brinkler, Latitude, dated 25 June 2020

[50] See Appendix F, Statement of Megan Readdy, CUA, dated 25 June 2020, paragraph 15

[51] See Appendix F, Statement of Andrew Ward, NAB, dated 25 June 2020, paragraph 6

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compared to smaller CPs (with a less significant customer base and therefore less access to transaction data for new customers).

108. The evidence provided by a range of CPs supports the improvements already experienced in competition between CPs. The fintech sector, in particular, appears to be a key beneficiary. As noted in section 1.3 of this Application, since 2015 a large number of ACL holding fintechs and neo-banks have entered the credit market. Access to CCR data has been critical for these fintechs and neo-banks.

109. Fintech lender, WISR Credit, says that without the PRDE it is unlikely fintechs would have been able to enter the market. WISR further says the PRDE framework and particularly the reciprocal exchange embedded as part of that framework have been necessary to give assurance to smaller CPs of having access to larger CPs' data[53]. This has created a more even playing field for competition. WISR also note the fact that fintechs have been able to attract top-line talent from larger banks demonstrates that the fintechs are 'in the game' from a competition perspective. The ability to attract talented and experienced credit staff is due, in part, to the belief that there are real gains to be made in the fintech space[54].

110. The more established CPs have also benefited from the 'even playing field' created by the PRDE.Confidentiality claimed

. Similarly, Latitude, which does not offer home loans, has benefited from access to mortgage data contributed by PRDE signatories[56]. Likewise, ARCA understands that the mutual bank sector which often does not have a customer's debit and credit 'transactional' accounts have benefited from being able to see CCR data including the full range of credit accounts and repayment history.

111. Even the major banks have observed improvements in competition, or certainly a 'neutral' shift in competition[57]. The greater access to data has enabled these banks to develop strategies for lending to 'new-to-bank' customers and improved lending processes for existing customers. However, it is also observed from discussions with industry participants that these incumbents are required to work harder to maintain their competitive position, with fintechs seen to be particularly good at taking advantage of improvements in the use of technology.

2.5.5 Better lending decisions and improved CP competition have resulted in public benefits for consumers

112. The inclusion of CCR data in the credit reporting system was anticipated to lead to public benefits including greater financial inclusion, better credit decisioning and more accurate pricing and greater choice for consumers. At the outset, it is acknowledged that the relative infancy of the CCR data exchange means that consumer benefits are yet to be fully realised. Furthermore, the restrictions in the

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[53] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 2

[54] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 2

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[56] See Appendix F, Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraph 8

[57] See Appendix F, Statement of Andrew Ward, NAB, dated 25 June 2020, paragraph 9

Privacy Act[58] which prevent payment behaviour being reported for telecommunications and utilities providers, as well as the burgeoning BNPL sector, mean that certain consumer segments (particularly 'thin file' customers or new-to-credit customers) are less likely to receive the benefits of having a credit report with a more meaningful data set (e.g. better access to credit, including that offered by 'mainstream' CPs). The 'payday' lending sector has also minimal involvement in CCR, despite being able to participate. Full participation by these sectors in the CCR data exchange will likely be a significant factor in promoting greater financial inclusion.

113. Nonetheless, despite these factors, CPs have consistently identified that their use of CCR data to support better credit decisions has led to benefits for their customers[59]. Invariably, it has meant that credit is a 'better fit' for the customer, so that a credit limit is more appropriate for a customer's circumstances, or credit is declined where it would likely result in substantial hardship, or instead credit is approved where (in the past) negative-only information would have meant the customer was automatically declined.

114. These views are supported by research conducted by the University of Sydney in August 2019, based on review of a three-month sample of CCR files provided by illion[60]. The researchers found that CCR data allowed for better separation of good and bad credit risks and overall evidence of good payment behaviour was likely to lead to an improved credit score (and access to a greater choice of CPs and cheaper interest rates) for individuals who were younger, from higher risk geographical areas, with lower estimated incomes and wealth and from less established households. This means consumers who may have once been financially excluded on the basis of geographic and demographic factors, may now be able to rely on the presence of objective credit data to enable greater financial inclusion and better consumer outcomes.

115. Fintechs especially have observed that consumer's increased knowledge of credit and the power of data is giving them real choice, and they are now dealing with a more savvy, sophisticated customer than they were pre-CCR[61]. The existence of the fintech sector, supported by the CCR data exchange, and the increased choice these new lenders offer demonstrate clear public benefits.

116. Financial literacy continues to remain an issue, and this is an area where it is expected improvements can continue to be made, as consumers become more aware and educated about credit and data. Industry participants observe that many consumers still have the mindset that 'any information on my credit report is bad

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[58] Under which only ACL holders can disclose and access RHI.

[59] See example Annexure F, Statement of Paul Abbey, MoneyPlace, dated 17 June 2020, paragraph 20; Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraphs 1 and 5; Statement of Andrew Ward, NAB, dated 25 June 2020, paragraph 7; Statement of CLN Murphy, Citi, dated 24 June 2020, paragraphs 2 to 4

[60] Andrew Grant, The University of Sydney Business School, 'The Impact of the Introduction of Positive Credit Reporting on the Australian Credit-Seeking Population', August 2019 at https://sbfc.sydney.edu.au/program/papers/P204_Named.pdf

[61] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020 and Statement of Paul Abbey, MoneyPlace, dated 17 June 2020

information', without yet appreciating that CCR data can be quite powerful and positive for consumers.

117. However, this attitude is starting to change. In the 2019 to 2020 period, Equifax has observed a 33% increase in requests for access to free credit reports, due in part to CCR rollout by the major banks, greater financial literacy – and less positively – the influence of the credit repair sector[62]. CPs have also observed a shift in consumer behaviour and awareness, with a greater understanding that a CP will obtain information from a credit report which may impact the outcome of an application and a greater awareness of data quality[63]. WISR has actively sought to provide an education function for consumers, so even where consumers have been declined for a loan, they are provided with information educating them about what changes they can make to their behaviour to improve their creditworthiness into the future[64].

2.5.6 The PRDE has led to reduced over-indebtedness, which will continue to provide public benefits

118. An anticipated flow-on benefit of better lending decisions was an overall decline in over-indebtedness of consumers, which, in turn, leads to broader macro-economic benefits including the strengthening of the credit sector and overall economic resilience.

119. As noted in paragraph 98 above, the improved identification of under or undisclosed liabilities is the key means by which CPs have used CCR data to prevent consumers becoming overindebted. For those consumers either declined credit which they were unlikely to afford without substantial hardship, or provided credit at a more appropriate, affordable limit, the public benefits may not immediately be appreciated. However, these credit decisions could ultimately lead to less financial stress which could impact not only the financial wellbeing of individual's but their overall wellbeing.

120. In terms of broader trends, such as declines in overall default rates or broader macro-economic trends, given the relative infancy of the CCR data exchange, it is too early to accurately quantify these public benefits. Moreover, movements in default rates may be difficult to link directly to CCR data at this stage, given other macro-economic factors (including the decline in house prices in the second half of 2019, and the COVID-19 crisis) occurring simultaneously. It is expected that with the reauthorisation of the PRDE, there will be a greater ability to track the impact of CCR data in the context of overall macro-economic trends.

2.6 Public benefits of consistency

121. The consistency obligations[65] require a CP to contribute credit information to any CRB it deals with, on a consistent basis. In its itself, the consistency obligation does not require a CP to contribute to any or all CRBs, instead it only applies when a CP has a relevant services agreement in place with a CRB. Consistency requires a CP to contribute credit information for all consumer credit accounts across all credit portfolios.

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[62] See Appendix F, Statement of Lisa Davis, Equifax, dated 24 June 2020, paragraph 20

[63] See Appendix F, Statement of CLN Murphy, Citi, dated 24 June 2020, paragraph 9

[64] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 10

[65] Consistency obligations – PRDE paragraphs 9, 15, 16

122. The purpose of the consistency obligations is to minimise the degree of data fragmentation in the market. In this regard, the consistency obligations work in tandem with the restriction imposed on CRBs preventing them from including in service agreements requirements that prohibit a CP from supplying credit information to another CRB[66] i.e. CRBs may not require exclusivity in data supply whether that be for the entirety of a CP's data supply or the supply of an individual credit portfolio. In the absence of the consistency obligations and prohibitions on exclusivity in data contribution, the concern was that data could be significantly fragmented among CRBs, or that a single dominant CRB would emerge.

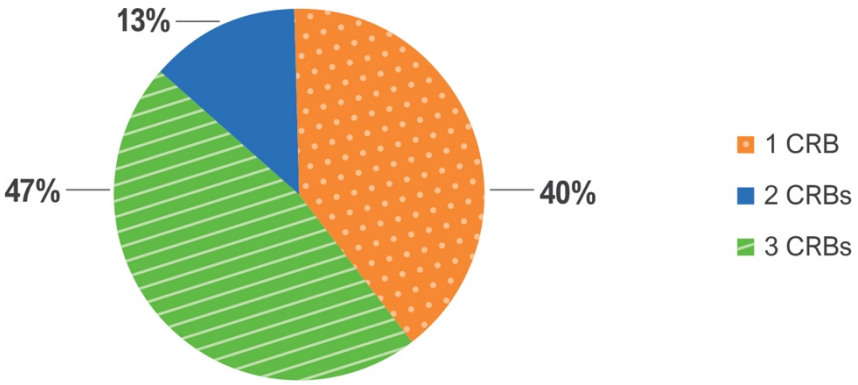
123. ARCA's view is that both the CDFB Report findings as well as the insights provided by industry participants strongly demonstrate that the consistency provisions have increased competition for both CRBs and CPs with flow-on public benefits for consumers. These public benefits will continue and will be further enhanced with reauthorisation of the PRDE as CPs improve both their data supply and data consumption strategies based on the assurance provided by the ongoing operation of the consistency principle.

2.6.1 The consistency provisions have operated effectively and improved overall data supply

124. ARCA's CDFB captures the number of accounts being supplied by CPs to the three CRBs and enables the degree of consistency in consumer credit information contributed by CPs to CRBs to be assessed.

125. Based on CPs who had signed the PRDE as at the end of May 2020, Figure 11 below indicates that 60% of CPs are supplying consumer credit information to two or more CRBs. 47% of CPs are supplying data to all three.

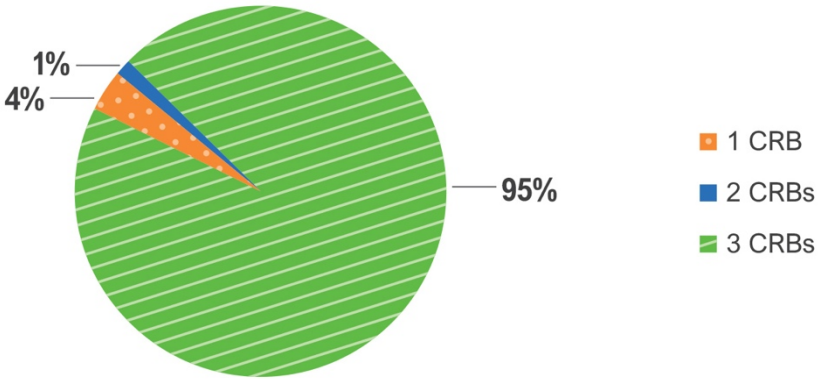
Figure 11: Percentage of credit providers by number of CRBs being supplied



126. Looked at from the perspective of the volume of data supplied, Figure 12 shows that 96% of all data being supplied is from CPs who are supplying to two or more CRBs.

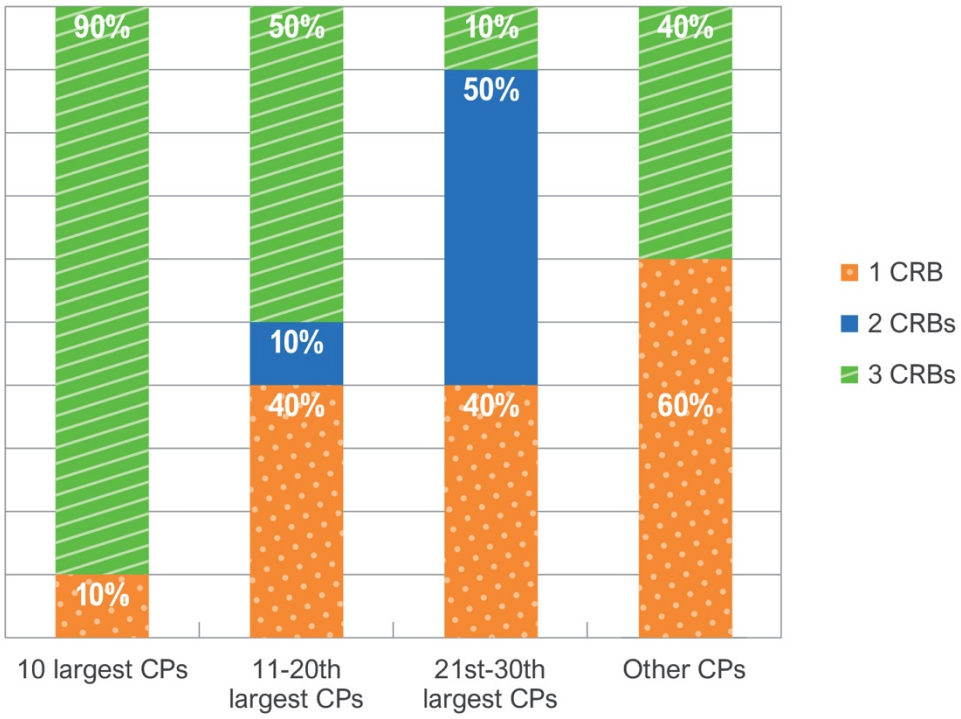
Figure 12: Percentage of accounts being supplied by number of CRBs being supplied

[66] PRDE paragraph 6



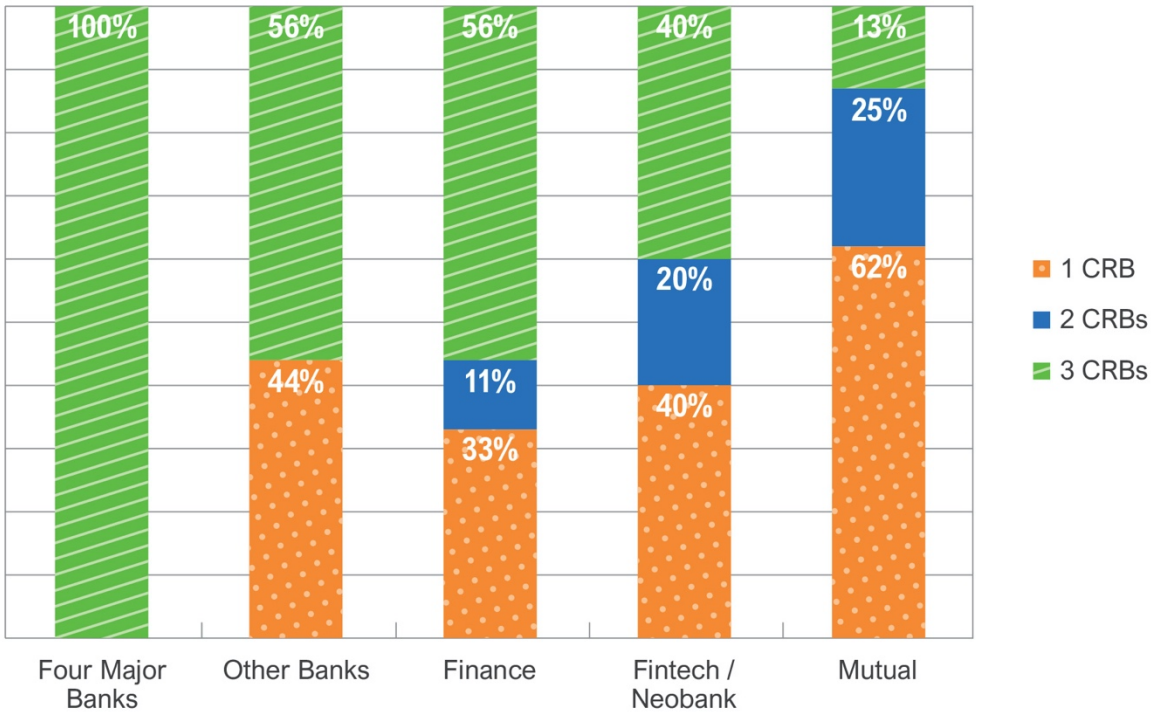
127. Figure 13 shows the number of CRBs being supplied broken down by the size of CPs (size being represented by number of accounts). The chart shows that nine out of the 10 largest CPs are supplying all three CRBs. Outside the top ten CPs, 60% of the CPs ranked 11th-30th in account numbers are supplying multiple CRBs, while amongst the smallest CPs that percentage drops to 40%. Interestingly, more of the smallest CPs supply all three CRBs than those ranking 21st to 30th above them.

Figure 13: Number of CRBs being supplied by size of credit provider



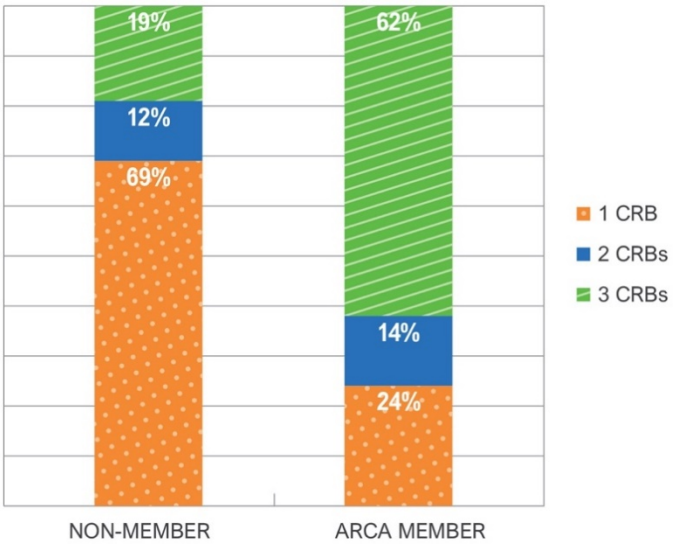
128. Looked at by type of CPs, Figure 14 shows that apart from mutual banks, the majority of all other types of CPs are supplying to multiple CRBs. Our understanding is that for many mutual banks the functionality of their core banking systems provided by an outsource provider constrains the ability to supply multiple CRBs.

Figure 14: Number of CRBs being supplied by type of CP



129. Figure 15 looks at supply of credit information to CRBs according to whether the CPs is an ARCA Member or not, and shows that nearly three-quarters of ARCA Members are supplying to multiple CRBs, whereas nearly 70% of non-ARCA Members are supplying a single CRB. It should be noted that ARCA Members account for 99% of all consumer credit information being supplied to CRBs.

Figure 15: Number of CRBs being supplied by ARCA Membership or not



130. Overall, a clear majority of CPs are contributing an overwhelming majority of data to two or more CRBs. There is no clear pattern of choice between supplying one or

more CRBs based on size of CPs. In terms of other attributes, the only 'outliers' in terms of CRB relationships are the mutual sector which has a tendency to supply to only a single CRB, as do CPs who are not ARCA Members.

2.6.2 Consistency of Data Provided by Individual Credit Providers

131. A key requirement of the PRDE is that CPs supply data consistently to all CRBs with which they have a services agreement. In order to test compliance with this, Table 1 below illustrates the degree of consistency being achieved for 15 significant CPs who supply data to all three CRBs. The analysis shows that 14 out of the 15 CPs are achieving consistency of data of around 98% or better. This level of variation between data at CRBs would largely be explained by differences in data validation. Overall, it appears that there is strong compliance with the consistency obligations.

Table 1: Consistency of data supply by credit providers supplying to all three CRBs

CP CONSISTENCY RANK #	AVERAGE CONSISTENCY OF DATA AMONG CRBs ##
1	99.9%
2	99.8%
3	99.7%
4	99.6%
5	99.5%
6	99.4%
7	99.4%
8	99.0%
9	99.0%
10	98.4%
11	98.2%
12	98.1%
13	97.7%
14	97.6%
15	91.7%

For CPs that supply data to all three CRBs and have at least 15,000 accounts

Proportion of accounts at each CRB relative to CRB with most accounts

Confid

132. Confidentiality claimed

133. Confidentiality claimed

Confidentiality claimed
Confidentiality claimed

134. Confidentiality claimed

Confidentiality claimed

2.6.4 Industry participants support the consistency obligations

135. Feedback from industry participants broadly reflects the numbers captured in the CDFB Report. In particular, many observe that the CCR data exchange is highly consistent across the three CRBs. Differences in data supply arise predominantly in negative information and particular sectors such as BNPL providers, payday lenders or telecommunications companies and utilities providers. The proliferation of these unique data sets based on these industry sectors does not automatically favour the largest CRB, with these sectors tending to 'pick and choose' and frequently changing their CRB.

136. Many CP participants moved to multi-CRB data supply as part of their transition to CCR. This is reflected in the design of CCR data supply solutions or warehouses – offered either by third party suppliers or CRBs – these invariably operate to support multi-CRB data supply. CPs who have adopted the multi-CRB data supply strategy consider it a critical enabler of competition between CRBs, which then provides more choice for CPs[67].

137. The Australian market is slowly transitioning to also support multi-CRB data consumption. Although the PRDE focuses entirely on supply, not consumption, the effect of introducing consistency in supply is that it becomes possible for CPs to pick

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[67] See Appendix F, Statement of Paul Abbey, Moneyplace, dated 17 June 2020, paragraphs 2; Confidentiality claimed Statement of Andrew Ward, NAB, dated 25 June 2020, paragraph 1; Confidentiality claimed Confidentialit

and choose which CRB they consume data from, rather than being compelled (in every instance) to consuming only from the largest CRB (who then holds the lion's share of data supplied). This is a slow transition because data consumption contracts may remain in place which give priority to one CRB and many CPs' current technical infrastructure may support only single CRB data supply and/or consumption. However, with greater choice of CRBs, there is increasingly a tendency for CPs to adjust their consumption strategies and develop the infrastructure necessary to support multi-CRB data supply and/or consumption.

2.6.5 The PRDE consistency obligations have improved and will continue to improve CRB competition

Shift in CRB competition from data supply to products and services

138. The first anticipated public benefit of consistent data supply was a shift from competition driven purely by data coverage, to competition focussed on CRB products and services. All industry participants ARCA has spoken to agree that the nature of CRB competition has fundamentally shifted under the PRDE, although this shift has been gradual, and it is continuing to evolve.

139. The CRBs highlight that CCR data supply to each of the CRBs is very consistent. However, information asymmetry still exists to an extent for negative information[68]. Industry participants have indicated that two out of the three CRBs hold unique data, which represents about 10 to 15% of the total consumer credit reporting market. Nonetheless, all CRBs acknowledge a new focus on data services, rather than data supply and there has led to a real innovation in offerings from the CRBs[69]. Equifax say that for CRBs the question is increasingly less "what data do you have?' and more so "what can you do with it?"[70].

140. Similarly, all CPs have observed that CRB competition has diversified as a result of the PRDE consistency obligations. It is acknowledged that unique datasets do remain a feature of competition, and even though these tend to focus on particular industries only, access to this information can still be important for credit decisioning. For instance, obtaining information about a range of payday lending credit enquiries made by a potential customer may indicate a customer at greater risk of default.

141. Some CPs also consider that the CRBs' focus on access to unique datasets can be overstated. In fact, it is observed that differences in data matching (that is, the ability to 'match' an individual with all data contributed for that individual as part of the CRB's database) makes a greater difference to data coverage than unique datasets[71].

142. There is general recognition that differences in CRB data processing, data quality and insights provided by data are increasingly evident. CPs refer favourably to services offered by CRBs including the ability to validate data held at the CRB (on a portfolio

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[68] It should be noted that while PRDE signatories are required to adhere to the consistency obligations when contributing negative information, non-PRDE signatories (who are also most likely to be operating at negative tier only) are not bound by these same consistency obligations. Moreover, no restrictions exist on the on-supply of negative information contributed by PRDE signatories.

[69] See Appendix F, Statement of Tristan Taylor, Experian, dated 22 June 2020, pages 3 to 4; Statement of Lisa Davis, Equifax, dated 24 June 2020, paragraphs 17 to 18

[70] See Appendix F, Statement of Lisa Davis, Equifax, dated 24 June 2020, paragraph 18

[71] See Appendix F, Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraph 18

level) and choosing CRBs based on factors such as data quality and timeliness in data processing[72]. WISR note that CRBs are becoming more analytics companies than simply just data owners[73].

143. Products and services offered by CRBs have expanded and now include data verification services, analytical services, benchmarking, uploading tools for CCR, portfolio management services, and collections tools. ARCA understands that CPs who may still retain a single primary CRB for data consumption are still engaging with the other CRBs to obtain access to their additional product offerings. ARCA also understands from discussions with industry participants that innovation is also being led by the challenging CRBs, rather than largest CRB, and this has in turn has led to a shift in focus on greater innovation.

144. For CPs the impacts of greater competition on the price of credit reports tends to vary, depending on the arrangements CPs have made pre-CCR. ARCA understands that for CPs who had historic exclusive data consumption arrangements with CRBs, there has been little impact on overall cost of credit reports. Other CPs have experienced a drop in the price of credit reports, or the ability to negotiate arrangements which enable CPs to play a fixed annual fee to the CRB for unlimited credit report access[74].

145. There is a firm expectation amongst industry participants that the continuation of the PRDE consistency obligations will mean continued CRB competition benefits and, in time, even greater improvements in CRB innovation, quality, timeliness and prices than have been experienced to date.

Lowered barriers to entry for CRBs

146. ARCA's 2015 Application recognised that the PRDE consistency obligations in themselves were not intended and would not necessarily lead to drastic changes in market share between CRBs. After two years of significant CCR participation, it is clear that the leading CRB in 2015 is still the largest player by far, but it is also clear that the competitive position of the other two CRBs has improved.

147. One consequence of CCR data being contributed is that the overall credit reporting market has grown – there is an order of magnitude more data in the system. This, combined with greater consistency in data held by CRBs in 2020 compared to 2015, has created greater opportunities for the challenger CRBs to grow through innovation on how this data is presented and analysed.

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[72] See Appendix F, Statement of Paul Abbey, MoneyPlace, dated 17 June 2020, paragraphs 12 to 13; Statement of CLN Murphy, Citi, dated 24 June 2020, paragraph 14; Statement of Andrew Ward, NAB, dated 25 June 2020, paragraph 3; Statement of Megan Readdy, CUA, dated 25 June 2020, paragraph 8

[73] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 15

[74] See Appendix F, Statement of CLN Murphy, Citi, dated 24 June 2020, paragraph 14; Statement of Paul Abbey, MoneyPlace, dated 17 June 2020, paragraph 14

2.6.6 The PRDE consistency obligations have and will continue to improve CP competition

Improved data available for smaller CPs

148. The contribution of CCR data in accordance with the consistency obligations, as set out above, has led to more data being available to all three CRBs, and much greater consistency in the data held by each of the CRBs. For smaller CPs who are more likely to continue to have a single CRB relationship only, this increases the amount and scope of data supplied by that single CRB.

149. Confidentiality claimed

150. Overall however, smaller CPs have access to more data under the PRDE than they would have without the PRDE.

Improved CP competition

151. The consistency obligations have predominantly helped smaller CPs to compete, as consistency has meant that smaller CPs, even those dealing with a single CRB only, can access data for more CPs, across the full range of portfolios.

152. For smaller CPs, including those in the mutual sector, where there may once be limited available behavioural insights based on information derived from their own customer base, there is now an ability to derive insight from a true cross-section of credit-using consumersC. This improves the ability for a mutual bank to lend to new customers in an efficient and cost-effective manner, because there is now greater insight available into customer behaviour from a single-source.

153. Even more established CPs with a concentrated product offering (for example, providers of predominantly credit card products) benefit from the consistent data supply across portfolios. Conceivably, it enables these CPs to not only improve their credit decisions for their existing products, but also to expand their offerings to new product areas.

154. For CPs who deal with only one CRB[76], the consistency obligations have continued to ensure they remain able to compete in the lending market, by ensuring a more complete set of data available to that CP than would be the case without the consistency obligations. In fact, even those CPs who deal with multiple CRBs will often consume data from fewer CRBs than those that they supply.

2.6.7 The PRDE consistency obligations have benefited consumers accessing their credit information and enabling better credit decisions

155. The flow-on effect of better, more robust credit decisions enabled by the consistency obligations is that the credit offered to the consumer more appropriately reflects their circumstances. Given research has highlighted that consumers with good payment

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[76] Noting that size of CP does not necessarily mean the CP will deal with one CRB. Many of the smaller CPs, particularly those in the fintech sector, supply all 3 CRBs; whereas some of the larger CPs continue to supply only 1 CRB.

behaviour will be rewarded with greater choices of credit and cheaper interest rates[77], the consistent sharing of this positive information means these consumer outcomes are more likely to be realised.

156. For consumers seeking access to their credit report, they are now more likely than ever to be able to obtain a complete credit history, particularly for their CCR data, from approaching one CRB, rather than all three CRBs[78].Confidentiality claimed

2.7 Public benefits of the enforcement obligations

157. In its 2015 Authorisation,[79] the ACCC recognised that a robust compliance framework would be essential to maintain confidence in the integrity of the system and would more likely enable the other public benefits of the PRDE to be realised. To that end, the ACCC agreed that the mechanisms in the PRDE were likely to be adequate to manage compliance obligations.

158. Details on the governance and operation of the PRDE including its compliance framework are set out in Appendix E, 'Governance and Operation of the PRDE'.

159. The PRDE has provided a credible enforcement mechanism. This governance structure must remain, and with amendments proposed by PRDE Version 20[80] be further enhanced, in order to continue to provide the necessary assurance to signatories that their fellow signatories are all 'playing by the same rules'.

2.7.1 The PRDE governance has been effective in maintaining confidence in the integrity of the system

160. The enforcement and governance of the PRDE provides a robust compliance framework[81], with graduated stages of compliance, including peer-industry review and use of an independent and experienced arbiter for final decisions, being the Eminent Person.

161. It is acknowledged at the outset that, in the time the PRDE has been operational, the dispute resolution provisions within Principle 5 have not been fully utilised. The Industry Determination Group (**IDG**) has not yet had to be formed to provide a recommendation on the outcome of a dispute. Further, an Eminent Person has not yet been appointed to issue a final determination on the outcome of a dispute.

162. However, signatories have initiated disputes using the PRDE process, including self-reports of non-compliant conduct.

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[77] Andrew Grant, The University of Sydney Business School, 'The Impact of the Introduction of Positive Credit Reporting on the Australian Credit-Seeking Population', August 2019 at https://sbfc.sydney.edu.au/program/papers/P204_Named.pdf

[78] See Annexure F, Statement of Tristan Taylor, Experian, dated 22 June 2020, page 3

[79] At paragraphs 258 – 264.

[80] Proposed amendments are set out in the proposed PRDE Version 20 at Appendix A

[81] Enforcement obligations – paragraph 89 of the current PRDE Version 19 and proposed PRDE Version 20

163. Signatories broadly are satisfied with the overall level of compliance with PRDE obligations[82]. CPs say they generally are satisfied that their fellow signatories are meeting their obligations, although some CPs did cite concerns with the use of the access seeker provisions and its potential to undermine PRDE compliance[83]. Other issues cited include mortgage defaults and hardship (which have been addressed through industry level self-reporting or amendment to the PRDE), and issues of data quality and consistency and the need for CRBs to actively promote consistency[84]. CPs do note that issues of PRDE compliance should be evident in CCR data consumed for purposes of credit assessments, and yet no issues are evident[85]. Further, CPs have spoken positively about the role played by ARCA and its workgroups in raising awareness of PRDE compliance and also broader data quality requirements, and actively tackling these issues[86].

164. Similarly, the CRBs consider there is a high level of overall compliance with the PRDE. Experian highlight the role of ARCA in identifying possible issues and bringing them to the surface before they become a compliance issue, and also bridging the gap between the Privacy Act, CR Code and PRDE[87]. Equifax similarly note the goal and intent to comply is strong but issues like the response to COVID-19 have exposed some issues with the operation of the system[88].

165. Overall, ARCA submits that the operation of the enforcement mechanism has been effective to promote compliance with the PRDE, and to provide the necessary assurance to signatories to continue participating in the PRDE. The fact that neither the IDG nor Eminent Person processes have yet been utilised appears related to the relative infancy of CCR in Australia rather than any failure of the PRDE compliance framework. Many organisations have only recently completed data supply projects, so the focus has predominantly been on enabling ongoing data supply and ironing out any teething issues. The shift to a focus on data consumption is only now occurring. It is expected that it will only be once data consumption of CCR is fully operational that niche compliance issues (if they do exist) will become evident, and then progressed through the PRDE compliance process.

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[82] See Appendix F, Statement of Paul Abbey, MoneyPlace, dated 17 June 2020, paragraph 23; Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 17; Statement of Tristan Taylor, Experian, dated 22 June 2020, page 4; Statement of Lisa Davis, Equifax, dated 24 June 2020, paragraph 24; Statement of Andrew Ward, NAB, dated 25 June 2020, paragraph 10; Statement of CLN Murphy, Citi, dated 24 June 2020, paragraph 17; Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraph 22

[83] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 18; Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraph 23;Confidentiality claimed

[84] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 19; Statement of Paul Abbey, MoneyPlace, dated 17 June 2020, paragraph 24;Confidentiality claimed ; Statement of Megan Readdy, CUA, dated 25 June 2020, paragraph 21

[85] See Appendix F, Statement of Andrew Ward, NAB, dated 25 June 2020, paragraph 10

[86] See Appendix F, Statement of Megan Readdy, CUA, dated 25 June 2020, paragraph 21

[87] See Appendix F, Statement of Tristan Taylor, Experian, dated 22 June 2020, page 5

[88] See Appendix F, Statement of Lisa Davis, Equifax, dated 24 June 2020, paragraph 24

2.7.2 The strengthened PRDE governance will continue to reinforce the integrity of the system

166. The proposed PRDE Version 20 improves the PRDE compliance framework role by:

- Strengthening the requirements for signatories' attestations of compliance[89]
- Improving the PRDE Administrator Entity's compliance, investigation and monitoring capabilities. This includes the ability to request information from a signatory if the PRDE Administrator Entity forms the opinion that a signatory may have engaged or is engaging in non-compliant conduct; and to proactively develop a rectification plan that addresses non-compliant conduct across multiple signatories arising from the same or similar issues[90]
- Formalising an interpretation and guidance role for the RDEA, with the development of that guidance requiring appropriate consultation with signatories and other interested stakeholders as appropriate[91]
- An additional compliance outcome available to the IDG and Eminent Person, that the signatory is technically non-compliant however the non-compliant conduct is not material to the proper operation of the PRDE and no further outcome is required.[92]

167. Changes have been made to the signatories' attestations of compliance to include requirements to provide information supporting and evidencing these attestations. ARCA's view is that these improvements affirm the scope of the PRDE Administrator Entity's existing powers, and will ensure the PRDE Administrator Entity has adequate oversight of signatories' self-reported compliance[93]. Additionally, the PRDE Administrator Entity could request audit or review of the signatory's attestation by a suitably qualified person.[94] That suitably qualified person would be determined by the PRDE Administrator Entity in consultation with the relevant signatory, a measure to balance the public benefit of appropriate oversight of signatories' attestation with the burden of compliance for signatories.

168. In terms of the expanded role of the PRDE Administrator Entity in identifying non-compliance and being able to initiate the dispute process,[95] the PRDE Administrator Entity must first give the relevant signatory the opportunity to provide information regarding their compliance, and also an opportunity to self-report any non-compliance. Once the dispute process is initiated, the existing dispute process is followed, with the ultimate decisions on the degree of compliance and any enforcement actions being taken by the IDG and/or Eminent Person, and not the PRDE Administrator Entity itself.

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[89] Proposed PRDE Version 20 proposed paragraphs 93(f) and (g)

[90] Proposed PRDE Version 20 proposed paragraphs 99A-99J, supported by proposed paragraphs 66A, 93(a), 93(g), 107(l), 107(m)

[91] Proposed PRDE Version 20 paragraphs 108A - 108E and supported by proposed variation to the introduction to Principle 5

[92] Proposed PRDE Version 20 proposed paragraph 89(aa)

[93] Proposed PRDE Version 20 proposed paragraphs 93(f)

[94] Proposed PRDE Version 20 proposed paragraphs 93(g)

[95] Proposed PRDE Version 20 proposed paragraphs 98H, 66A

169. In terms of the 'group' rectification plan,[96] this new role largely formalises a role that the RDEA is already playing informally. An example of this has been the development of the mortgage default guideline, referred to in paragraph 93 above. Alongside this guideline, the RDEA developed a 'group' self-report and rectification plan, which enabled CPs to simply sign up to identify that their intent to implement a project to support the reporting of mortgage defaults, by September 2020 (or an earlier date, depending on the CP). Subsequently, with the reprioritisation of project funding occasioned by COVID-19, the RDEA has developed a further 'group' self-report and rectification plan, enabling CPs to identify where COVID-19 may have stalled progress of certain projects and compromised data supply, including the reporting of mortgage defaults. These group processes have been strongly supported by signatories for enabling efficient and industry-based responses to common compliance issues.

170. Likewise, the RDEA has had an informal role in providing guidance about the interpretation of the PRDE, where otherwise the interpretation of the PRDE can only be determined though PRDE signatories raising disputes against one another. The revised PRDE formalises a role for the RDEA in developing guidance after an appropriate level of consultation, but any guidance is non-binding. The IDG and Eminent Person will consider it in a dispute but the guidance is not determinative[97].

171. The extension of the PRDE Administrator Entity's role in compliance and guidance is primarily focused on improving the efficiency and effectiveness of the existing enforcement process built into the PRDE.

172. From an efficiency perspective being able to develop 'group' rectification plans avoids duplication in having individual CPs running self-reporting dispute processes for the same issue for which an industry approach has been developed. Being able to provide guidance also has efficiency benefits, in that it potentially avoids the need to go through a potentially long and adversarial dispute process.

173. From an effectiveness perspective, for the PRDE to operate effectively and the public benefits of CCR be achieved, it is important that PRDE compliance is maintained at a high level. While compliance on the 'core' PRDE principles (such as reciprocity and consistency) is believed to be high, the RDEA has been aware of some instances of non-compliance (e.g. withholding RHI in certain circumstances) but has had no formal way of intervening and seeking resolution to the non-compliance. In these types of instances, individual CPs or CRBs have little incentive to raise disputes, and hence non-compliance potentially remains unresolved. The formal role in providing guidance will also help with the effectiveness of the PRDE in that it provides a mechanism to engage with industry and provide clarification around requirements of the PRDE. Apart from aiding compliance from existing signatories, the new guidance role also provides an avenue for non-signatories to raise issues e.g. to clarify their eligibility to sign the PRDE and participate in CCR.

174. Overall, ARCA would expect the guidance and 'group' rectification plan roles as most likely to be exercised going forward, with the ability of the PRDE Administrator Entity to investigate and particularly raising a dispute being less likely – however the power to do so is a useful incentive for signatories to maintain compliance and engage openly with the PRDE Administrator Entity. In terms of public benefits, this expanded role makes the enforcement framework even more robust, contributing to confidence

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[96] Proposed PRDE Version 20 proposed paragraph 98J

[97] Proposed PRDE Version 20 paragraphs 108A - 108E and supported by proposed variation to the introduction to Principle 5

in the integrity of data exchange under the PRDE being maintained, and hence promoting continued participation in data exchange (and promoting high quality of information being exchanged). This in turn makes it more likely that enhanced public benefits of CCR will be realised.

3 Counterfactual

3.1 Necessity of PRDE recognised in 2015 Authorisation

175. Without reauthorisation of the PRDE provisions, the public benefits including the expected enhancements are unlikely to be realised.

176. ARCA understands that the ACCC in assessing the conduct subject to this Application compares the public benefits and detriments likely to arise in the future with the conduct, to the likely future public benefits and detriments without the conduct.

177. In 2015 the ACCC concluded that the alternative to the PRDE was likely to be some variation to the PRDE that involved high level principles that were subject to bilateral contractual arrangements, but that this would result in a less complete sharing of information, and information shared risked being more fragmented among CRBs, raising the costs of participation[98].

178. ARCA agrees with the ACCC's conclusion and submits that an alternative future that relied on bilateral contracts between CPs and CRBs would not result in the same level of participation or public benefits. ARCA submits that the PRDE's obligations of reciprocity, consistency and enforceability are still necessary for CPs to have sufficient incentives and confidence to participate in CCR. This was true in 2015[99] and remains true in 2020, especially now that participation in CCR is strong and the benefits associated with CCR are now being delivered.

3.1.1 PRDE Still Necessary Despite CCR Participation Levels

179. ARCA submits that although CCR implementation is largely complete, the PRDE remains necessary to ensure the public benefits of CCR are achieved. In this regard it is critical to appreciate that the PRDE not only has incentivised initial participation, but it provides the assurance of ongoing participation governed by the PRDE. Without this assurance, the incentive to participate would be undermined.

180. While CCR implementation for financial services is well advanced, there is still a very long tail of CPs yet to participate. While many (especially larger) mutual banks are participating, there are still close to 40 mutual banks yet to start. The payday lending sector has minimal participation at this time. Also, the very large (by consumer numbers) BNPL sector is also yet to participate in CCR. Likewise, the telecommunications and utility sector are not participating (through their participation, like that of the BNPL providers, is restricted due to the Privacy Act).

181. All these sectors, should they participate, will contribute significantly to the public benefits of CCR being achieved, not just for industry but especially for consumers. While it might not precipitate their participation, having the PRDE in place removes one barrier to participation i.e. there is a transparent and standard industry framework

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[98] 2015 Authorisation paragraphs 176-180, pp 29-30

[99] 2015 Application, pp31-32

which they are all eligible to join on the same terms as existing participants, and immediately benefit from the critical mass of data already available.

182. To maintain and improve the public benefits from CCR, there is also an ongoing need for industry collaboration to ensure the PRDE and its associated data standards evolve with the regulatory environment and market changes. The industry's data standards will need to be revised should the proposed hardship legislation come into force. If new sectors such as payday lending, BNPL, telecommunications and utilities start participating, there will likely need to be amendments to data standards, and likely the PRDE itself, to reflect the nuances of how those sectors operate and the data they have available. In certain circumstances, changes to the Privacy Act, CR Code, or regulations may also be required to facilitate participation in a manner acceptable to all stakeholders.

183. As described in section 3.4.5, there are opportunities to improve the quality and completeness of the existing implementation of CCR. It was only through the frameworks and standards associated with the PRDE that industry data quality issues were identified and actions taken to address them. Likewise, guidelines for the reporting of RHI and for the supply of default information are the direct consequence of their being an industry approach to data exchange under the PRDE. Better and more complete data will improve the value of CCR data, and thus improve the chances that the public benefits of CCR can be achieved.

184. And while the PRDE is focused on the contribution of CCR data and industry participation is well advanced in this area, individual industry participants are at differing stages of consuming CCR data in terms of its integration into their own credit decisioning and account management strategies. This is where the real public benefits of CCR through greater innovation, competition and consumer experiences are generated. This is also the area of greatest cost and risk for CPs, and they need the assurance of the operation of the PRDE around the terms of their access to data, and the confidence that any industry issues around data contribution that might arise can be resolved. Again, having the PRDE and principles and standards provides an industry mechanism to enable issues to be addressed.

3.1.2 Market forces that gave rise to PRDE are still latent

185. The most important reason why the continued operation of the PRDE remains important for the achievement of the public benefits of CCR, is that the market dynamics that gave rise to the need for the PRDE still remain under the surface – and would emerge in the absence of the PRDE:

- The incentive for free-riding by CPs still exist, and if the requirements of the PRDE were relaxed it is inevitable the level of reciprocity being achieved today for CCR data would be eroded. In the absence of the PRDE, unless some other arrangement was created with similar terms and enforceability of the PRDE, the commercial incentives that would encourage a CPs to breach a bilateral contract requiring reciprocity, and constrain a CRB from enforcing its bilateral contract would simply re-emerge.
- The incentive for CRBs to seek exclusive or preferential data supply still remain. As noted in section 2.6 in relation to consistency, it is clear that the PRDE has led to a much more even spread of CCR data among CRBs. But it is also clear that CRBs continue to position having unique data as a key component of their value proposition, only today that is largely "negative" data (BNPL, payday loans, telecommunications data). Should the PRDE

consistency requirements be relaxed, the altered market incentives facing CRBs would make it inevitable that the levels of consistency achieved for CCR data would be eroded

- Even under the PRDE, is was noted in section 2.7.1 that self-reporting has been the only way disputes have been raised. While the self-reports of non-compliance have not involved breaches of the fundamental principles of the PRDE, nevertheless in many instances the existence of potential non-compliance may have been evident to CRBs (and CPs) receiving the data. Despite that, there has not been a dispute raised by a CRB against a CPs client (or vice versa), which may suggest for CRBs at least the commercial disincentive to raise disputes against their clients still remains.

186. Overall, it is clear that the PRDE has provided confidence and transparency to both CPs and CRBs around the 'rules of the game'. The PRDE has removed major areas of mistrust between participants in the market.

187. Hence, with the level playing field create by the PRDE, the focus has shifted from gaming the rules of data exchange to maximising the value of data being exchanged. CCR operating under the principles in the PRDE is a given, allowing CPs and CRBs to focus on competing between each other through innovation in products and services that add value to their customers. A CRB cannot assume a CPs will be forced to use their services because they are the only ones who can supply certain types of data. Further, a CPs cannot assume that they are the only ones who have the visibility of their customers' loans and how they perform.

188. In the absence of the PRDE, unless some other arrangement was created with similar terms and enforceability of the PRDE, we would expect to see the level of compliance around reciprocity to start breaking down. We would also certainly see consistency of data supplied to CRBs fall away and would see contractually enforced exclusivity of data supply re-emerge.

189. In this regard, it is again worth noting that the proposed mandatory CCR legislation adopted the PRDE's core framework and principles, and particularly endorsed the importance of the principles of reciprocity and consistency in order to achieve effective participation in CCR and the public benefits (see discussion in section 2.4.1). This reinforces that, even with the partial mandating of CCR participation achieved under this legislation, the PRDE remains a critical enabler of data supply.

190. Without reauthorisation of the relevant provisions of the PRDE, the significant efforts to date of industry and the Government that have been built on the framework of the PRDE would be set back.

4 No competitive public detriments

4.1 Previous ACCC assessment

191. In 2015 the ACCC concluded that the public detriments associated with the PRDE were minimal and, in any event, were significantly outweighed by the public benefits associated with the conduct.

192. The ACCC did note three issues were raised in interested party submissions:

- Costs to signatories imposed by the PRDE.

- How financial hardship arrangements will be recorded, and the impact of the PRDE on settlement of defaults;
- Whether participation in the PRDE is in effect mandatory.

193. The ACCC noted the importance of distinguishing between PRDE costs and costs that would arise from implementation of CCR (with or without the PRDE). The ACCC also accepted ARCA's submission that the Data Standards would result in efficiencies in data supply, and further that database and data warehousing solutions existed which would assist in reducing these costs over time. Further, the incremental costs of supply to multiple CRBs were not likely to be prohibitive or significant relative to the overall CCR implementation costs. The ACCC also considered that the increased competition between CRBs would provide an additional incentive to seek to minimise ongoing costs.

194. In terms of the annual fees paid to the PRDE Administrator Entity, the ACCC considered these fees were reasonable, noting they were levied on a cost-recovery basis and tiered dependent upon signatory size. Finally, in terms of the enforcement costs, the ACCC noted the dispute model provided for escalation which would enable the cost of disputes to be minimised.

195. The ACCC accepted that participation in the PRDE is voluntary, and that the incentives to participate (including those arising from participation of a sufficient number of CPs and CRBs, and compliance with responsible lending obligations) may make participation compelling but it still did not make participation mandatory. In fact, the network effect created by PRDE participation and the increased incentive to participate would be a factor indicating the PRDE was successful; it is not a sign of a public detriment. The ACCC also noted that it was uncertain of the likelihood for alternative exchanges to develop. Finally, the ACCC noted that it did not consider the barriers to participation for CPs would be substantial.

4.2 No ongoing public detriment

196. ARCA's view remains consistent with the ACCC's conclusions that there are no public detriments associated with the PRDE, and even if there were to be detriments, these are minimal and continue to be outweighed by the benefits of the authorised conduct.

197. The issues raised in 2015 have not led to public detriments in operation of the PRDE. ARCA is also of the view that there no part of the amendments to the PRDE nor changes in the operation of the relevant area of competition which would give rise to any public detriments not previously considered by the ACCC.

198. For completeness, ARCA has provided further information in relation to matters the ACCC considered in 2015 to assist its review.

4.3 Costs to signatories continue to lead to minimal or no public detriment

199. The four types of costs considered identified in 2015 were:

- Cost of consistency obligations
- Cost of implementation
- PRDE Administrator Entity fees
- Enforcement/governance costs

200. The costs of the PRDE have either been the same, or less, than anticipated (namely, implementation costs, PRDE Administrator Entity fees and enforcement/governance costs). The cost of consistency, namely the supply of data to multi-CRBs has been slightly more significant than the incremental cost anticipated in ARCA's 2015 Application, but this is due to differences in data validation by CRBs as well as long term data issues in CPs – both of which are not created by the PRDE.

201. Differences in data validation by CRBs (arising in part from differences in interpretations of the ACRDS as well as the use of different technology for data matching and parsing), as well as differences in response file (including different error messages) have made ongoing data supply more problematic for many CPs.

202. As set out in paragraph 83, ARCA has actively tackled these validation and response file issues including by changes to the ACRDS, the creation of guidelines to support consistent interpretation of the ACRDS, initiating a 'Data Validation Project' which has included the reporting of validation inconsistencies, the creation of a 'test bed' and running data with all three CRBs to actively identify inconsistencies, and the creation of an error code look up. It should be noted the data validation issues can be caused by CP's underlying data quality issues, and the need to support data remediation has been a key focus of ARCA's Data Standards Workgroup.

203. The cost of consistency is also a public detriment which is more transitional in nature. That is, without both CCR and multi-CRB data supply, issues of data validation and data quality were not well known or well-understood. Embarking on the transition to CCR and multi-CRB data supply has provided an opportunity to identify these issues, and as part of this process, take steps to address and reduce the occurrence of these issues. It is expected that with efforts led by both ARCA, and the industry participants, these issues will, over time, be considerably minimised.

204. Moreover, even with these costs, it should be noted that all industry participants continue to strongly support the view that the public benefits of the consistency obligations far outweigh the public detriments. Further, without the consistency obligations, it is unlikely the PRDE would achieve related public benefits, namely the improved ability to meet responsible lending obligations, particularly for smaller CPs[100].

4.3.1 Participants have observed some issues in dealing with multiple CRBs but these issues arise from a number of factors other than the PRDE

205. The CRBs generally have observed that there have been some issues for CPs dealing with multiple CRBs, however it is important that these issues are put in context: given the volumes of data being supplied, overall the data impacted by differences between the CRBs is quite small (on average, within the region of less than 1% of total data supplied)[101].

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[100] Without the consistency obligations, CPs could supply different Tier levels of data to different CRBs. This would mean smaller CPs who only have a single CRB relationship may be at a considerable disadvantage obtaining data from that CRB to support a responsible lending assessment, given the data supplied to that CRB by 1 CP would differ to that supplied to other CRBs.

[101] See Appendix F, Statement of Tristan Taylor, Experian, dated 22 June 2020, page 4; Statement of Lisa Davis, Equifax, dated 24 June 2020, paragraphs 9 to 13

206. Equifax notes the challenges of multi-CRB data supply are experienced across industry and both large and small CPs have been impacted[102]. A large part of the issue stems from the need for CPs to improve their own data quality upfront, to ensure data being contributed is 'clean' (rather than requiring the CRBs to 'tidy up' the data as part of the data supply process).

207. Address data is often cited by participants as causing particular issues. Many CPs store address data as an unformatted data string, and will seek to load that data to the CRB in this manner. It may be that the CP has stored its address in the wrong order (street number, for instance, coming after street name) or repeated text as part of the address field (for example, suburb entered multiple times). To successfully load the data, the CRB must identify these errors in the unformatted string and process the address correctly. Where this process is repeated with two other CRBs (each of which has its own software it utilises for parsing addresses), different results may arise – which then may lead to inconsistencies in validation. Further, some CRBs may be able to load an address which has errors, but others may not be able to load the address. Many of these issues can be overcome by CPs where have remediated data in advance (to fix errors within the CP database), or even have provided the address in a formatted manner.

208. ARCA understands that data warehouses provided by CRBs and third party suppliers, for the storing and loading of CCR data, have assisted many CPs improving their data supply. CPs are able to load their data once in the warehouse and validate it before it is then loaded with all the CRBs. Many CPs have also developed this infrastructure 'in house' to store and load credit reporting data through different 'pipes' to each of the CRBs.

209. Equifax consider improvements in data quality will also come over time, as CPs upgrade their systems and focus on treating data supply as a 'business as usual' process rather than a one-off project[103]. Experian further observe that the challenges of multi-CRB data supply have reduced as industry has gained experience and the effort, complications and errors have fallen away[104].

210. CPs provide similar feedback to the CRBs, with all the CPs that ARCA spoke with saying that dealing with differences in data validation and response files had created operational challenges for them. CPs express frustration at dealing with differences in validation, including both instances where CRBs will validate poor quality data which is then rejected by the other CRBs, or where a CRB will refuse to validate data where the quality issue is not readily apparent[105]. These differences in validation can have flow-on effects: where data is not validated, the requirements of the ACRDS may mean that any further data for that customer will fail validation. This can mean that an inability to resolve, for example, an issue with an individual's name, can prevent account and repayment information for that individual being loaded. CPs who supply data more frequently than monthly can see these issues compound[106].

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[102] See Appendix F, Statement of Lisa Davis, Equifax, dated 24 June 2020, paragraphs 6 to 7

[103] See Appendix F, Statement of Lisa Davis, Equifax, dated 24 June 2020, paragraph 13

[104] See Appendix F, Statement of Tristan Taylor, Experian, dated 22 June 2020, page 4

[105] See Appendix F, Statement of CLN Murphy, Citi, dated 24 June 2020, paragraph 7; Statement of Paul Abbey, MoneyPlace, dated 17 June 2020, paragraph 3;Confidentiality claimed

[106] See Appendix F, Statement of Paul Abbey, Moneyplace, dated 17 June 2020, paragraph 4

211. These differences are also made worse by CRBs identifying errors differently[107]. This creates extra work for the CP because of the need to reconcile across three CRBs the reason for rejection (and why the data may have otherwise been validated), as well as the error being identified.

212. Generally, CPs cite error figures less than 1%, with the lowest error rate cited 0.22% and the highest cited as 2.4% (although in both cases, the CPs in question note these error rates are not consistent across the CRBs)[108]. In discussions with ARCA, CPs acknowledge that issues in data validation arise, in part, due to data quality issues – particularly where data is being transitioned across from a legacy system to a CCR data warehouse. ARCA also understand that CPs tend to support the view that the use of common error codes by CRBs will assist, and further identifying issues of ambiguity within the ACRDS and driving consistent interpretation. CUA refers favourably to work done by ARCA and its working groups already in that regard[109].

213. It was recognised by all that data supply without the ACRDS, would be incredibly challenging and, in many instances, would make multi-CRB data supply impossible[110].

4.3.2 Cost of consistency

214. Overall, the industry participants confirm that multi-CRB data supply has not been without its issues. However, none of the CPs have changed their approach to multi-CRB data supply as a result. Furthermore, these issues have been identified since early on, and actively tackled – either through CPs undertaking data remediation and improving data quality at source, or improvements to validation processes (for instance through changes to the ACRDS or other ARCA initiatives, detailed in section 2.4.5). CPs are also slowly shifting their operational view of data processing from a 'one off' project, to 'business as usual' – which, in turn, improves the adequacy of funding and resources within individual CPs to resolve these issues.

215. Small improvements have also occurred in other ways. For instance, in its submission in 2015, Veda had cited additional costs incurred by CPs in reviewing corrections notifications provided by different CRBs. When reviewing and varying the CR Code in 2017/2018, it was identified that an issue with corrections notifications was that CRBs would send the corrections notification with the corrected information only, and no additional information which enabled the corrected information to be matched to the customer and their account. The result was a change to paragraph 20.9 of the CR Code, commencing 1 July 2018, which has now required CRBs to include identification and account information for the customer when providing a corrections notification. This is a small process change, but likely to have a significant impact on CP's processing of corrections, particularly across multiple CRBs.

216. In undertaking this analysis, it cannot be concluded that the costs of multi-CRB data supply are all necessarily associated with the PRDE. It is apparent, that issues of data quality often occur due to issues at source (problems with legacy systems or poor

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[107] See Appendix F, Statement of Joanne Edwards, WISR, dated 9 June 2020, paragraph 12

[108] See Appendix F, Statement of CLN Murphy, Citi, dated 24 June 2020, paragraph 8; the remaining error rates quoted were provided verbally to ARCA in discussions but are not repeated in statements

[109] See Appendix F, Statement of Megan Readdy, CUA, dated 25 June 2020, paragraph 21

[110] See Appendix F, Statement of Tim Brinkler, Latitude, dated 25 June 2020, paragraph 15; Statement of Tristan Taylor, Experian, dated 22 June 2020, page 4

data capture) and would arise with or without the PRDE, and therefore (until resolved) would always hamper data supply.

217. Furthermore, without the PRDE and the consistency obligations, the outcomes would be far worse. The absence of the ACRDS would make multi-CRB data supply almost impossible, resulting in 'network' effects favouring the largest CRB and stripping customers from the challenging CRBs.

218. Even with the ACRDS, but absent the consistency obligations, issues in data validation would persist. That is, if a CP was able to supply negative tier only to one CRB, and comprehensive tier to a second CRB, it cannot be assumed that this would then avoid the validation issues being experienced. This is because the most problematic data set is the address field, which is required to be reported for all tier levels.

219. On this basis, it remains the case that even though the costs of consistency have been different to the costs anticipated in 2015, they are neither prohibitive nor significant to the overall costs of CCR contribution. Moreover, these costs will reduce over time with ongoing improvements to data quality, validation and response file processing.

4.3.3 Other costs – PRDE Administrator Entity annual fees, implementation costs, governance and enforcement

220. The additional PRDE costs have all either been less, or the same, as those anticipated at the time of authorisation. Table 2 in Appendix E 'Governance and Operation of the PRDE' outlines the annual signatory fees. The current signatory fees are either at a similar level or significantly lower (especially for smaller CPs) than those suggested in ARCA's 2015 Application[111].

221. There is no evidence to support the implementation costs of CRB being different to those identified in the 2015 Application.

222. Finally, the costs of governance and enforcement have been minimal noting, as outlined in section 2.7.1 above, the full dispute resolution process has not yet been utilised. Further, ARCA's work to address compliance issues at industry-level, such as the creation of the mortgage default guideline and related industry self-report and rectification plan, have greatly reduced the costs of addressing non-compliant conduct were these types of issues dealt with on a CP-only basis.

223. The proposed PRDE Version 20 includes improvements to the PRDE Administrator Entity's oversight of signatories' attestations of compliance. As part of the proposed amendments, the PRDE Administrator Entity could request audit or review of signatories' attestations of compliance by a suitably qualified person.[112] That suitably qualified person would be determined by the PRDE Administrator Entity in consultation with the relevant signatory, and need not be an external party or auditor. This process is intended to balance the public benefit of appropriate oversight of signatories' attestation with the cost of compliance for signatories.

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[111] at pp20-21

[112] Proposed PRDE Version 20 proposed paragraphs 93(g)

4.4 Financial hardship arrangements and settlement of defaults remain outside the scope of the PRDE

224. The reporting of financial hardship arrangements and settlement of defaults were also issues raised in 2015, but the ACCC view was that these issues were beyond the scope of the PRDE. However, the ACCC did highlight that solutions to these issues did need to be designed in consultation with appropriate regulators, and they were keen to see these matters resolved.

225. As noted earlier, reform enabling hardship flags is currently set out in legislation before the Senate, being the National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019. This bill has passed the House of Representatives but is yet to pass the Senate. The critical feature of this Bill is the inclusion of a hardship flag which qualifies the RHI entry, and therefore provides critical information to the CP about the true position of the customer.

226. ARCA remains firmly of the view that resolution of how hardship arrangements are reported in the credit reporting system cannot be achieved through the PRDE, and any change to the definition of RHI to allow for hardship scenarios would be inconsistent with the operation of the PRDE. The PRDE establishes the business rules for data supply. Any proposal to enable hardship reporting requires legislative change such as that currently before Parliament.

227. ARCA does note that, in the meantime, the proposed PRDE amendment to introduce RHI exceptions will give effect to the 'interim' hardship solution of suppressing RHI for customers subject to temporary hardship arrangements. This exception will be operative until such time as the hardship flag reform is implemented. Again, given the PRDE cannot undermine the operation of the Privacy Act, the non-reporting of RHI is provided as an exception which CPs can opt to utilise, but it is not mandatory. The advantage of not reporting RHI for a customer during a hardship arrangement, compared to reporting that same customer with RHI status '0', is that this ensures the RHI '0' dataset continues to consistently be used to identify customers who are fully meeting their payment obligations.

228. The settlement of defaults remains an issue outside the scope of the PRDE. It should be noted that this issue was raised as part of the PWC independent review of the CR Code in 2017, on the basis that consumer advocates had sought to have the ability to remove default information in circumstances necessary to give effect to a settlement agreement between CP and customer.

229. PWC recognised consumer concerns but determined that "reporting of this factually accurate information is considered to be a fundamental principle that underpins the efficacy of the credit reporting system as a whole"[113]. PWC also suggested further consultation occur focussing on the ability to differentiate default information (between whether a default is paid or settled). Subsequently, in late 2018, the OAIC provided its view[114] that payment information could not distinguish between whether a default is paid or settled, with the only acceptable disclosure being that a default is paid.

230. It remains the case that the role of the PRDE is to mandate supply of default information by CP signatories and require that this information be disclosed within a

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[113] PWC report on independent review of the CR Code, 8 December 2017, page 32

[114] See ARCA update to the Australian Institute of Credit Management, February 2019: https://aicm.com.au/news-resources/articles-news/settled-defaults-are-no-more-by-elsa-markula/

reasonable timeframe of an account becoming due. In comparison, the Privacy Act and CR Code set out what information constitutes default information and the requirements to be met before default information can be disclosed. Therefore, any change to the circumstances in which default information should be either disclosed or corrected is outside the scope of the PRDE.

4.5 PRDE participation remains voluntary

231. It remains the case that participation in the PRDE is voluntary. As the ACCC found in 2015, that the incentives to participate (including those arising from participation of a sufficient number of CPs and CRBs, and compliance with responsible lending obligations) may make participation compelling still did not make participation mandatory. In fact, the network effect created by PRDE participation and the increased incentive to participate would be a factor indicating the PRDE was successful; it is not a sign of a public detriment.

232. The implementation of CCR has demonstrated the network benefits of having a single approach to data exchange, with over 90% of regulated financial service consumer credit accounts being shared under the PRDE.

233. The potential for alternative exchanges still exists. To date, contribution of data under the PRDE has been limited to ACL regulated financial service CPs. There is still potential for other industry sectors such as telecommunication providers and utilities companies to create separate exchanges. Non-regulated financial service credit products such as BNPL might also determine that due to the unique characteristics of their product they do not need to participate in an industry wide exchange. Even regulated CPs such as payday lenders may come to a similar conclusion. The existence of the PRDE does not prevent any of this happening.

234. ARCA's view is that with or without the PRDE, the network benefits associated with credit reporting will favour the creation of a single data exchange. The PRDE provides one model as to how this exchange should operate. Participation in CCR under the PRDE is not mandatory, but the critical mass of data now operating under the PRDE makes the development of alternative exchanges less likely, certainly for regulated financial service entities. Financial services entities regulated by ASIC and APRA also must respond to the expectations of the regulators around CCR participation, and that again favours the creation of a single data exchange. The mandatory CCR legislation before Parliament also presumes a single data exchange exists, in that the "Government expects that regulations would be made if the mandatory regime had been in operation for a period of time and other CPs were not voluntarily supplying data"[115]. Again, the tendency (and requirement) for a single data exchange would exist with or without the PRDE.

4.6 All signatories have participated on the same terms

235. Fundamental to the operation of the PRDE is that the PRDE Administrator undertakes its role in a non-discriminatory and transparent manner[116]. Since the PRDE's

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[115] The Parliament of the Commonwealth of Australia, House of Representatives, National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019, Explanatory Memorandum, *paras 1.39,* p11

[116] See 2015 Application (February 2015) p11

operation, all CPs and CRBs who have wanted to participate in CCR under the PRDE have been able to become signatories.

236. New signatories have participated on the same terms as existing signatories, and been able to get full supply of credit reporting information as soon as they meet minimum contribution requirements. While non-financial service CPs have until now chosen not to participate in CCR (limited by the Privacy Act to only access consumer credit liability information (CCLI)), nothing is restricting such CPs from becoming signatories to the PRDE.

237. The premise of an even playing field for all signatories has also been demonstrated in the operation of the compliance process under Principle 5 of the PRDE (see section 2.7.1).

4.7 Conclusion on public detriments

238. The issues raised in 2015 have not led to detriments in operation of the PRDE. ARCA is also of the view that there no part of the amendments to the PRDE nor changes in the operation of the relevant area of competition which would give rise to any detriments not previously considered by the ACCC.

5 Conclusion

239. For the reasons set out in this submission, the Applicant submits that the ACCC ought to revoke the existing authorisation A91482 and substitute them with the authorisation of the relevant provisions of the PRDE for a further period of six years. The ongoing operation of the PRDE framework, particularly the reciprocity and consistency obligations, reinforced by the enforcement and governance structure enhances the public benefits of the PRDE while making any public detriment unlikely. Accordingly, the public benefits of the PRDE significantly outweigh any potential for public detriment.

AUSTRALIAN
RETAIL
CREDIT
ASSOCIATION

The undersigned declare that, to the best of their knowledge and belief, the information given in response to questions in this form is true, correct and complete, that complete copies of documents required by this form have been supplied, that all estimates are identified as such and are their best estimates of the underlying facts, and that all the opinions expressed are sincere.

The undersigned undertakes to advise the ACCC immediately of any material change in circumstances relating to the application.

The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the Criminal Code (Cth).

Signature of authorised person

Chief Executive Officer

Office held (Print)

Michael Laing

Name of authorised person

This 26th day of June 2020

PRINCIPLES OF RECIPROCITY AND DATA EXCHANGE (PRDE)

Version 20 (As at [Date])

INTRODUCTION

The PRDE is a set of agreed principles that credit reporting bodies (**CRBs**) and credit providers (**CPs**) agree to abide by to ensure those **CRBs** and **CPs** have trust and confidence in their credit reporting exchange. The PRDE is not intended to be relied upon by non-signatories, or other stakeholders, in any way or in any forum.

The intention of the PRDE is to create a clear standard for the management, treatment and acceptance of credit related information amongst **signatories**. The PRDE only applies to consumer **credit information** and **credit reporting information**.

Adherence to the **ACRDS** is a fundamental part of the PRDE for **signatories**, as is adherence to the principles of reciprocity as set out in this PRDE.

For the avoidance of doubt, a requirement on a **CP** to **contribute credit information** only applies to the available information held by that **CP**. If the **CP** does not hold the **credit information**, this does not prevent it from participating in this PRDE.

The PRDE also facilitates the creation of three **Tier Levels** in the PRDE credit reporting exchange, and allows **CPs** to voluntarily select their own **Tier Level** of participation.

The PRDE applies to **CRBs** and **CPs** that choose to become **signatories** to this PRDE.

It comes into effect on the **Commencement Date**.

A **CRB** or **CP** is bound to comply with the PRDE upon becoming a **Signatory**.

Nothing in the PRDE obliges a **CRB** or **CP** to do or refrain from doing anything, where that would breach Australian law.

PRINCIPLE 1

Principle 1: The obligations under this PRDE shall be binding and enforceable upon PRDE signatories. PRDE signatories agree to execute the Deed Poll to make this PRDE and the authority of the PRDE Administrator Entity (and through it, the Industry Determination Group and Eminent Person) effective and binding.

Effect of the PRDE

1. The PRDE are a set of agreed principles that are governed by the **PRDE Administrator Entity**. The principles within the PRDE are given effect by each **signatory** executing the **Deed Poll** on the **Signing Date** and covenanting to comply with the requirements of the PRDE and therefore to be bound by the obligations contained within this PRDE. Upon a **CP** or **CRB** executing the **Deed Poll** and nominating an **Effective Date**, the CP or CRB are deemed to be **Signatories** from that **Signing Date** and are bound from the **Effective Date** to comply with any request made by the **PRDE Administrator Entity** pursuant to this PRDE, any recommendation issued by the **Industry Determination Group** (which is accepted by the parties) pursuant to this PRDE and any decision issued by the **Eminent Person** pursuant to this PRDE.

Promises by **CRBs**

2. Our **services agreement** with a **CP** will oblige both us and the **CP** to execute and give effect to the **Deed Poll**.
3. We will allow a **CP** to choose its supply **Tier Level** consistent with the requirements of this PRDE.
4. We will only **supply credit reporting information** to a **CP** to the extent permitted under this PRDE and if we have a reasonable basis for believing that the **CP** is complying with its obligations under this PRDE to **contribute credit information** (subject to the exceptions contained in paragraphs 29 to 33A or transitional provisions contained in paragraphs 53 to 64 that apply to that **CP**).
5. On request, we will inform a **CP**, with which we have a **services agreement**, and the **PRDE Administrator Entity**, of the **Tier Level** of a **CP** that **contributes credit information** to us.
6. Our **services agreement** with a **CP** will not prevent the **CP** from **contributing credit information** to another **CRB**.
7. We will pay such costs identified by the **PRDE Administrator Entity** as required to administer this **PRDE**, in the manner required by the **PRDE Administrator Entity**.

Promises by **CPs**

8. We will only obtain the **supply** of **credit reporting information** from a **CRB** that is a **signatory** to this PRDE. Our **services agreement** will oblige both us and the **CRB** to execute and give effect to the **Deed Poll**.
9. We will nominate a single **Tier Level** at which we will obtain **supply** of **credit information** (whether from one or more **CRBs**). We will disclose our chosen **Tier Level** to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**.

10. We will **contribute credit information** to the extent required by this PRDE to a **CRB** from which we obtain the **supply** of **credit reporting information**. Our **contribution** of **credit information** will comply with **ACRDS** including its timeframe requirements and will be at the chosen **Tier Level** for **supply**.

11. If we are supplied by a **CRB** with **partial information** or **comprehensive information**, we will not **on-supply** to another CP (whether a **signatory** or non-signatory) any **partial information** or **comprehensive information** that the other CP (whether a **signatory** or non-signatory) is not able to obtain directly from the **CRB**, because the other CP either:

    a) is not a **signatory**; or

    b) does not **contribute** any **credit information** to the **CRB**; or

    c) has chosen to be **supplied** with **credit reporting information** at a lower **Tier Level** than that we have chosen.

12. The provisions in paragraph 11 above do not, however, apply:

    a) where the **on-supply** is for the purposes of another CP (whether a **signatory** or non-signatory) assessing whether to acquire our consumer credit accounts; or

    b) where the **on-supply** is to a **Securitisation Entity** in accordance with paragraphs 41, 42 and 44 below; or

    c) where the **on-supply** is to a third party in accordance with paragraphs 46 and 46A below.

13. We will pay such costs identified by the **PRDE Administrator Entity** as required to administer this **PRDE**, in the manner required by the **PRDE Administrator Entity**.

Tier Levels

14. A **CP** and its **Designated Entity** (if applicable) is able to choose its **Tier Level** for obtaining **supply** of **credit reporting information** from **CRBs** (although the **CP's** and its **Designated Entity's** choice may be restricted by the **Privacy Act** requirement that **repayment history information** may only be supplied to a **CP** that is an Australian credit licensee).

15. The **CP's** and its **Designated Entity's** (if applicable) choice of **Tier Level** means that it must **contribute credit information** at that chosen **Tier Level** to all **CRBs** that it has a **services agreement** with (see paragraph 30 for the **contribution requirements** for each **Tier Level**) to the extent the **CRB** is able to receive **supply** of **credit information**. This does not, however, mean that the **CP** and **its Designated Entity**, when making an **access request** to one **CRB**, must also make the same **access request** to all other **CRBs** with which it has a **services agreement**.

16. The **CP** and its **Designated Entity** (if applicable) must **contribute credit information** to all those **CRBs** with which it has a **services agreement** consistently across all of their consumer credit accounts for all its credit portfolios subject only to:

    a) the materiality and other exceptions set out in paragraphs 29 to 33A; and

    b) the transitional provisions in Principle 4; and

    c) any recommendation by the **Industry Determination Group** or decision by the **Eminent Person**.

Contribution of **Negative information**

17. A **CRB** may **supply negative information** to any person or organisation as **permitted** by the **Privacy Act**. It is not necessary for that person or organisation to be a **signatory** to this PRDE to **receive** supply of **negative information**.

18. All **negative information** contributed by a **CP** can be supplied to a person or organisation as permitted by the **Privacy Act**.

19. Where a **CP** has chosen to **contribute negative information** under this **PRDE** (for any of the three **Tier Levels**), the **CP** must **contribute** the following types of **credit information**:

    a) identification information (paragraph (a) of the definition of **credit information** in the **Privacy Act**);

    b) default information (paragraph (f) of the definition of **credit information** in the **Privacy Act**);

    c) payment information (paragraph (g) of the definition of **credit information** in the **Privacy Act**); and

    d) new arrangement information (paragraph (h) of the definition of **credit information** in the **Privacy Act**).

20. When **contributing** default information in accordance with subparagraph 19(b) above, where an individual has defaulted on their obligations, a **CP** must ensure default information is contributed within a reasonable timeframe of the account becoming overdue.

21. Where a **CP** chooses to **contribute** to a **CRB credit information** including its name and the day on which consumer credit is entered into, in relation to consumer credit provided to an individual, this **contribution** of **credit information**, for the purposes of this PRDE, will be deemed a **contribution** of **negative information** provided:

    a) the **CRB**'s subsequent **supply** of **credit reporting information** at the **CP's** nominated **Tier Level** is a permitted CRB disclosure (in accordance with item 5 of subsection 20F(1) of the **Privacy Act**); and

    b) the **CP's** use of the **credit eligibility information** is a permitted CP use (in accordance with item 5 of section 21H of the **Privacy Act**).

21A. The type of credit account is an element of **consumer credit liability information**. However, for the purposes of this PRDE, all contributions of type of credit account in conjunction with the contribution of **negative information** is deemed a contribution of **negative information.**

Designated entities

22. A **CP** may nominate one or more **Designated Entities** where permitted to by paragraphs 23 to 28.

23. Each **Designated Entity** must choose a **supply Tier Level** and **contribute credit information** consistent with that choice. A **CP's Designated Entities** are not all required to choose the same **Tier Level**.

24. If a **CP** nominates **Designated Entities**, the **CP** must notify the **PRDE Administrator Entity** of its **Designated Entities** so that the **PRDE Administrator Entity** can make this information available to **signatories**. The **CP** must also provide a copy of the notification to each **CRB** with which it has a **services agreement**.

Designated entity requirements

25. A **CP** may nominate as a **Designated Entity**:

    a) another **CP** that is a related body corporate of the designating **CP**; or

    b) a division or group of divisions of the **CP** that operate one or more distinct lines of business;

    provided that (and for so long as) the specified entity meets the requirements of paragraph 26.

26. A **Designated Entity** must satisfy the following criteria:

    a) it operates under its own brand or brands; and

    b) it has in place documented controls to prevent **on-supply** of **partial information** or **comprehensive information** to other CPs (whether **signatory CPs** or non-signatory CPs) or **Designated Entities**, where **on-supply** is not permitted by this PRDE.

27. If a **CP** choses to nominate a **Designated Entity**, whether as a result of acquisition, or the result of internal creation of the **Designated Entity**, the **CP** must notify the **PRDE Administrator Entity** of its proposed **Designated Entity** and identify how it satisfies the **Designated Entity** criteria.

28. If a **Designated Entity** ceases to meet the criteria in paragraph 26, the **CP** must:

    a) Notify the **PRDE Administrator Entity** and advise any change in the **supply Tier Level** for the **CP**;

    b) Where this means that the former **Designated Entity** will now be **supplying** at a different **Tier Level**, advise each **CRB** with which it has a **Services Agreement** of its new **supply Tier Level**.

Materiality exception

29. A **CP** is required to endeavour to **contribute** all eligible **credit information** for its chosen **Tier Level**. A **CP** will comply with its obligations if it meets the **Participation Level Threshold**, subject to the run-off exception in paragraphs 31 to 32A, the account exceptions in paragraph 33 and the Repayment History Information reporting exceptions in paragraph 33A.

30. The **Participation Level Threshold** is met if:

    a) the consumer credit accounts for which **credit information** is not **contributed** (“excluded accounts”) do not represent a subset of consumer credit accounts that are unique in terms of their credit performance or behaviour (for example, excluded accounts cannot be all of the delinquent accounts); and

    b) the **CP** has acted in good faith to provide all available **credit information**.

Run-off exception

31. A **CP** is not required to **contribute credit information** about consumer credit accounts where:

    a) the accounts relate to a product that is in run-off and accordingly no new accounts of this type are being opened (“run-off account type”); and

    b) the number of accounts of the run-off account type is not more than 10,000; and

c) the total number of accounts excepted under this paragraph does not constitute more than 3% of the total number of consumer credit accounts of the CP.

32. In calculating the number of accounts of the run-off account type in subparagraph 31(b), a **CP** and its **Designated Entity** or **Entities** (as applicable) will be treated as separate **CP** entities.

32A. In calculating the total number of consumer credit accounts in subparagraph 31(c), a **CP** and its **Designated Entities** (if any) will be treated as one **CP**.

Account exceptions

33. A **CP** is not required to **contribute credit information** about those accounts listed in Schedule 1 to this PRDE.

Repayment History Information reporting exceptions

33A. A CP is not required to contribute repayment history information in the circumstances listed in Schedule 2 to this PRDE.

PRINCIPLE 2

Principle 2: It is necessary to be a PRDE signatory in order to exchange PRDE signatory Consumer Credit Liability Information (CCLI) and Repayment History Information (RHI) with other PRDE signatories.

Exchange of **Partial Information** and **Comprehensive Information**

34. For a **CP** to **contribute partial information** or **comprehensive information** and, if it then elects, to obtain **supply** of **partial information** or c**omprehensive information** which has been **contributed** by a **signatory** it must also be a **signatory** to this PRDE and its nominated **Tier Level** must be either **partial information** or **comprehensive information** (as applicable).

35. For a **CRB** to receive **contribution** of **partial information** or **comprehensive information** from a **signatory** it must also be a **signatory** to this PRDE. For a **CRB** to then **supply** that **contributed partial information** or **comprehensive information** to a **CP** it must ensure that **CP** is a **signatory** to this PRDE and each recipient of such information must have nominated a **Tier Level** of either **partial information** or **comprehensive information** (as applicable).

36. A **CRB** may receive **contribution** of **partial information** or **comprehensive information** from a non-signatory CP, and a **CRB** may also **supply partial information** or **comprehensive information** to a non-signatory CP. However, a **CRB** must not **supply signatory CP partial information** or **comprehensive information** to a non-signatory CP.

37. **Contribution** and **supply** of **partial information** and **comprehensive information** by **signatories** must comply with the **ACRDS**.

Promises by **CRBs**

38. We will only **supply partial information** and **comprehensive information contributed** by a **signatory** to a **CP** if it is a **signatory** to this PRDE or a **CP** which is engaged by a **CP** as an agent or as a **Securitisation Entity** (either in its own capacity or for or on behalf of the CP), or the recipient is otherwise a **Mortgage Insurer** or a **Trade Insurer** and receives the information for a **Mortgage Insurance Purpose** or **Trade Insurance Purpose**.

Promises by **CPs**

39. We will only **contribute** and obtain **supply** of **partial information** and **comprehensive information** from a **CRB** which is a **signatory** to this PRDE.

40. We will notify the **PRDE Administrator Entity** of the **Securitisation Entities** we engage and enable to obtain **supply** of **partial information** or **comprehensive information** from a **CRB** for a **securitisation related purpose**. We will disclose these **Securitisation Entities** to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**.

Securitisation Entities

41. Where a **Securitisation Entity** nominated under paragraph 40 obtains the **supply** of **credit reporting information** from a **CRB** for the **securitisation related purposes** of the **CP**, the **Securitisation Entity** will only be able to obtain **credit reporting information** that would have been accessible to the **CP**.

42. The **CP** referred to in paragraph 41 must:

    a) include in its agreement with the **Securitisation Entity** a requirement that the **Securitisation Entity contribute credit information** held by the **Securitisation Entity**; and

    b) take reasonable steps to enforce the requirement referred to in subparagraph (a).

    However if such **contribution** is at a lower **Tier Level** this will not prevent the **supply** of **credit reporting information** at a higher **Tier Level**, subject to the requirements of paragraphs 40 and 41.

On supply of information

43. Disclosure to other CPs (whether a **signatory** or non-signatory) and to **Designated Entities**

    A **CP** is not permitted to **on-supply partial information** or **comprehensive information** to another CP (whether a **signatory** or a non-signatory) or **Designated Entity** if the terms of this PRDE prevent that other CP (whether a **signatory** or a non-signatory) or **Designated Entity** from obtaining the **supply** of that **partial information** or **comprehensive information** directly from that **CRB**.

    For example, where a **CP** has chosen to obtain the **supply** from **CRBs** of **comprehensive information,** the **CP** is prohibited from **on-supplying** any **repayment history information** or information derived from that information to a **CP** or to a **Designated Entity** that has chosen to obtain the **supply** from **CRBs** of **partial information** only.

44. Despite paragraph 43, a **CP** is permitted to **on-supply partial information** or **comprehensive information** to a **Securitisation Entity** provided that the purpose of

the **on-supply** of that **partial information** or **comprehensive information** is for **securitisation related purposes** of a **CP**.

45. Despite the prohibition preventing **on-supply** above, a **CP** may make **credit eligibility information** available to another **CP** (whether a **signatory** or non-signatory) for review purposes only to enable them to assess whether or not to acquire consumer credit accounts.

For example, if a **CP** (the acquirer **CP**) who has chosen to contribute **negative information** only, acquires consumer credit accounts from a **CP** (the acquired **CP**) who has chosen (in respect of the acquired consumer credit accounts) to contribute **comprehensive information**, the acquirer **CP** will be able to review the **comprehensive information** of the acquired **CP** (in respect of the acquired consumer credit accounts) to assess whether or not to acquire the consumer credit accounts. The acquirer **CP's** review of the **credit eligibility information** may be restricted by the **Privacy Act** requirement that **repayment history information** may only be supplied to a **CP** that is an Australian credit licensee.

46. Disclosure to third parties (including Mortgage Insurers)

Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on-supply partial information** or **comprehensive information** to third parties who are not **CPs** or who are a CP within the meaning of s6H of the **Privacy Act**, where the disclosure of this information is a permitted disclosure in accordance with section 21G(3) of the **Privacy Act** and, the **on-supply** of **repayment history information**, occurs only in the circumstances set out in section 21G(5) of the **Privacy Act**.

46A. Disclosure where mortgage credit is secured by the same real property

Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on supply partial information** or **comprehensive information** to another CP (whether a PRDE **signatory** or not) (the **same mortgage credit CP**) where both the **CP** and the same mortgage credit **CP** have provided mortgage credit to the same individual and the disclosure of this information is a permitted disclosure which meets the requirements of section 21J(5) of the **Privacy Act**.

PRINCIPLE 3

Principle 3: Services agreements between PRDE signatories will require reciprocity and the use of the ACRDS

Services agreements

47. **Services agreements**:

a) will require **CPs** to **contribute credit information** at their nominated **Tier Level** and **CRBs** to **supply credit reporting information** at the nominated **Tier Level**;

b) will require **CPs** to use the **ACRDS** when **contributing credit information** to **CRBs**;

c) will require **CPs** and **CRBs** to adhere to the **Publication Timeframe** for use of the **ACRDS**; and

d) may, in respect of those **services agreements** with non-signatory CPs, provide that the non-signatory CPs can continue to **contribute** outside the **ACRDS**, provided that this provision of information meets the requirements under the **Privacy Act** and also encourage the use of the **ACRDS**.

Promises by **CRBs**

48. We will not accept **contributed credit information** from a **CP** unless the information is compliant with **ACRDS** or the **CP** has engaged us to convert the **contributed credit information** into an **ACRDS** compliant format. When we accept information compliant with the **ACRDS**, we will apply the validation requirements for the **ACRDS** version nominated by the **CP**, provided that the version accords with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

48A. We will implement new versions of the **ACRDS** in accordance with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

49. We may provide a service for **CPs** that will convert **contributed credit information** into an **ACRDS** compliant format.

Promises by **CPs**

50. Our **contributed credit information** will comply with the **ACRDS** or alternatively we will utilise the **CRB's** service to convert our **contributed credit information** into an **ACRDS** compliant format.

50A. We will implement new versions of the **ACRDS** in accordance with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

Contribution barriers

51. **CRBs** must not impose constraints to restrict a **CP** from **contributing credit information** to another **CRB**.

Management of the **ACRDS** and **Publication Timeframe**

52. The **PRDE Administrator Entity** is required to maintain and manage the **ACRDS** and the **Publication Timeframe**.

PRINCIPLE 4

Principle 4: PRDE signatories agree to adopt transition rules which will support early adoption of partial and comprehensive information exchange.

Transitional arrangements

53. Subject to the materiality and other exceptions set out in paragraphs 29 to 33A and the transitional provisions set out in paragraphs 54 to 64, a **CP** will **contribute credit information** about their consumer credit accounts at their chosen **Tier Level** before obtaining their first **supply** of **credit reporting information** from a **CRB**.

54. For **CPs** that become a **signatory** to the PRDE:

    a) at the time of the **Effective Date**, they must **contribute** the **credit information** for at least 50% of the accounts for the nominated **Tier Level** that they are required by this PRDE to **contribute** prior to obtaining **supply** of **credit reporting information** at this nominated **Tier Level** from a **CRB**;

    b) within 12 months of the **Effective Date**, they are required to **contribute** all of the **credit information** for the accounts at the nominated **Tier Level** to fully comply with their obligations under this PRDE.

55. For **CPs** that are existing signatories to this PRDE and nominate to obtain **supply** of **credit reporting information** (and to **contribute credit information**) at a different **Tier Level**:

    a) they must notify their nomination of the different **Tier Level** to the **PRDE Administrator Entity** and to a **CRB** with which they have **services agreements** not less than 30 calendar days before commencing **contribution** of **credit information** at the different **Tier Level**. The notification of the change in **Tier Level** will be provided to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**;

    b) at the time of notifying their nomination, and if nominating to a higher **Tier Level**:

        i) they must **contribute** the **credit information** for at least 50% of the accounts for the **Tier Level** they are required by this PRDE to **contribute** prior to obtaining **supply** of **credit reporting information** at the higher **Tier Level** from a **CRB**;

        ii) within 12 months of nomination of the **Tier Level**, they must **contribute** all of the **credit information** for the accounts they are required to **contribute** to fully comply with their obligations under this PRDE.

56. **CPs** can nominate to **contribute** at a different **Tier Level** in accordance with paragraph 55, although the full **contribution** of **credit information** in accordance with paragraph 54 has not occurred.

    For example, on signing the PRDE at the start of January 2015, a **CP** may nominate to obtain **supply** at **negative information Tier Level** with full **contribution** required by the end of December 2015 (to be compliant for January 2016). The **CP** subsequently nominates to obtain **supply** at **comprehensive information Tier Level** at the start of June 2015. **Contribution** at each **Tier Level** will run from the date of each nomination so that the **CP** will provide full **contribution** of **negative information Tier Level** in December 2015, six months before it is required to provide full **contribution** of **comprehensive information Tier Level** by the end of May 2016 (to be compliant for June 2016).

57. **CPs** must notify the **PRDE Administrator Entity** upon attainment of full compliance, in accordance with subparagraphs 54(b) and 55(b)(ii) above. Such notification may be provided at any time before the expiry of the 12 month period and will be published to other signatories.

Data supply

58. Subject to the above transitional requirements, **CPs** must comply with the following requirements when **contributing credit information**:

    a) For **negative information**, **contribution** of **negative information** for all consumer credit accounts which are eligible in accordance with the **Privacy Act** and **ACRDS** at the date of first **contribution** by the **CP** and, thereafter, all consumer credit accounts on an ongoing basis.

    b) For **partial information**, in addition to complying with the requirements for **negative information**, **contribution** of **consumer credit liability information** for all consumer credit accounts which are open at the date of first **contribution** by the **CP** and, thereafter, all consumer credit accounts on an ongoing basis.

    c) For **comprehensive information**, in addition to complying with the requirements for **negative** and **partial information**, **contribution** of **repayment history information** for all consumer credit accounts which are open at the date of first **contribution** by the **CP** for a period of three calendar months prior to the first **contribution** by the **CP** or alternatively, supply over three consecutive months to then amount to first **contribution** by the **CP**, and, thereafter, all consumer credit accounts on an ongoing basis.

    For example, where a **CP** has chosen to **contribute comprehensive information**, the **CP** will be required to provide at least 50% of the **repayment history information** for the period dating three calendar months immediately prior to first **contribution** by the **CP** and, ongoing, at least 50% of all **repayment history information** for those first 12 months. This means that, 12 months from the date of the first **contribution** the **CP** will be required to have **contributed**:

        i) at least 50% **repayment history information** on the first **contribution** (for the previous 15 months) then;

        ii) all **repayment history information** on an ongoing basis.

Acquisition of consumer credit accounts

59. Where a **CP** acquires consumer credit accounts from another CP, the **CP** may, for a period of 90 calendar days (the review period), from the date of acquisition, review these accounts for compliance with the PRDE. The **CP** must notify the **PRDE Administrator Entity** of the acquisition of these consumer credit accounts, including the date of acquisition, within 10 business days of this acquisition.

60. At the expiry of the review period, and subject to the run-off exception in paragraphs 31 and 32A above and the **Designated Entity** provisions in paragraph 22 to 28 above, the **CP**:

    a) must **contribute** the **credit information** for at least 50% of the acquired consumer credit accounts for the **Tier Level** they are required by this PRDE to **contribute**;

    b) within 12 months, they must **contribute** all of the **credit information** for the acquired consumer credit accounts.

61. The provisions relating to acquisition of consumer credit accounts only apply to acquired consumer credit accounts, and do not affect all other **CP contribution** obligations contained in this PRDE.

Testing and data verification

62. Despite the provisions above in Principle 4, the PRDE does not prohibit a **CP** or **CRB** (as applicable) from the **supply** and/or **contribution** of **credit information** and the obtaining **supply** and/or **contribution** of **credit reporting information** where such **contribution**, **supply** and obtaining of **supply** is for testing and data verification purposes.

Non-PRDE Services Agreements

63. Where a **CRB** and a **CP** (whether **signatories** or non-signatories)

    a) enter into a services agreement which enables the **contribution**, **supply** or obtaining of **supply** of **partial information** or **comprehensive information** outside of the PRDE; and

    b) the **CRB** or **CP** choose to subsequently become PRDE **signatories**;

    c) the **contribution**, **supply** or obtaining of **supply** of **partial information** or **comprehensive information** pursuant to that services agreement (non-PRDE services agreement) will be deemed compliant with this PRDE provided that the criteria set out in paragraph 64 below is satisfied.

64. The **contribution**, **supply** or obtaining of **supply** of **credit information** and/or **credit reporting information** by either the CP or CRB under the non-PRDE services agreement will be compliant with this PRDE where, within a period of no longer than 90 calendar days from the **Signing Date**:

    a) the **supply**, **contribution** and obtaining of **supply** of **partial information** or **comprehensive information** is in accordance with this PRDE;

    b) the **contribution** of **credit information** by the **CP** to the non-PRDE services agreement is in accordance with the **ACRDS**;

    c) the **credit information** previously contributed for the **CP's** consumer credit accounts is included in the calculation of initial **contribution**, in accordance with paragraph 54 above;

    d) the transition period which applies to the **contribution** of **credit information** by the **CP** is 12 months from the **Signing Date** or in the event that a **CP** has supplied its **partial information** or **comprehensive information** pursuant to a non-PRDE services agreement for a period of more than 12 months prior to the **Signing Date**, then 90 calendar days from the **Signing Date**;

    e) the **contribution**, **supply** and obtaining **supply** of the **partial** and/or **comprehensive information** is subject to the monitoring, reporting and compliance requirements contained within Principle 5 below. However, it is noted that the obligations contained in Principle 5 will only become effective at the **Signing Date**.

PRINCIPLE 5

Principle 5: PRDE signatories will be subject to monitoring, reporting and compliance requirements, for the purpose of encouraging participation in the exchange of credit information and data integrity. The PRDE Administrator Entity will have the ability to provide guidance on the interpretation and application of the PRDE.

65. Upon becoming a **signatory** to the PRDE, a **signatory** does not make any representation (whether direct or implied) arising by reason of its signing the PRDE to any other **signatory** to this PRDE. Principle 5 sets out the agreed process for addressing non-compliance with the PRDE. A **CP** or a **CRB** who forms an opinion of **non-compliant conduct** by another **CP** or **CRB** is required to adhere to the process set out in this Principle to resolve a dispute about **non-compliant conduct** and may not take any other action or steps against the **CP** or **CRB**. Any information exchanged by the parties as part of this process cannot be relied upon in any other forum.

Initial report of **non-compliant conduct** – Stage 1 Dispute

66. Where a **CP** or **CRB** (the **reporting party**) forms an opinion that a **CP** or **CRB** (the **respondent party** has engaged in **non-compliant conduct**, it will issue to the **respondent party** a report of **non-compliant conduct**. Such a report must comply with the **SRR**.

66A. Where the **PRDE Administrator Entity** (the reporting party) forms an opinion pursuant to paragraph 98H or paragraph 107 that a CP or CRB (the respondent party) has engaged in non-compliant conduct, it may issue to the respondent party a report of non-compliant conduct. Such a report must comply with the **SRR**.

67. From the date of receipt of the report by the **respondent party**, the parties have 30 calendar days in which to:

a) Confer;

b) (For the respondent party) Respond to the report of **non-compliant conduct**, providing such supporting information as the **respondent party** deems necessary; and

Either:

c) Enter into a **Rectification Plan**. The **Rectification Plan** must comply with the **SRR**; or

d) Agree that the conduct of the **respondent party** is compliant with the PRDE.

68. If the **Rectification Plan** entered under subparagraph 67(c) results in the **non-compliant conduct** being rectified within the 30 calendar day period of a Stage 1 Dispute, or if the parties agree under subparagraph 67(d) that the conduct of the **respondent party** is compliant with the PRDE; the dispute is closed and no information about the dispute will be provided to the **PRDE Administrator Entity** (unless the **PRDE Administrator** is a party to the dispute).

69. If the **Rectification Plan** entered under subparagraph 67(c) will not result in the **non-compliant conduct** being rectified within the 30 calendar day period of the Stage 1 Dispute the parties to the **Rectification Plan** must provide the **Rectification Plan** to

the **PRDE Administrator Entity** within 3 business days of the expiry of the 30 calendar day period of the Stage 1 Dispute. The dispute will then become a Stage 2 Dispute.

70. If no **Rectification Plan** is entered into within the 30 calendar day period of the Stage 1 Dispute and there is no agreement that the conduct is compliant with the PRDE, the parties to the Stage 1 dispute must notify the **PRDE Administrator Entity** within 3 business days of the expiry of the 30 calendar day Stage 1 Dispute period. The dispute will then become a Stage 3 Dispute.

Referral to **PRDE Administrator Entity** – Stage 2 Dispute

71. When a Stage 2 Dispute is referred to the **PRDE Administrator Entity** under paragraph 69, the **PRDE Administrator Entity** must make the **Rectification Plan** available to **signatories** within 3 business days of receipt of the **Rectification Plan**. Where a dispute arises from a self-report of **non-compliant conduct** under paragraph 96, the **PRDE Administrator Entity** will take reasonable steps to de-identify the **Rectification Plan** before making it available under this paragraph.

72. Any **signatory** may object to the **Rectification Plan** by issuing a notice of objection to the **reporting** and **respondent parties** or to the **PRDE Administrator Entity**, within 5 business days of the **Rectification Plan** being made available to **signatories** under paragraph 71. Such notice of objection must comply with the SRR.

73. In the event that a **signatory** issues a notice of objection, for the purposes of this PRDE that **signatory** will become the **reporting party**, and the **reporting** and **respondent parties** from the Stage 1 Dispute will become the **respondent parties**. The dispute resolution process set out in paragraphs 66 to 70 will then apply to the dispute.

Referral to **Industry Determination Group** – Stage 3 Dispute

74. When a Stage 3 Dispute is referred to the **PRDE Administrator Entity** under paragraph 70, the **PRDE Administrator Entity** must, within 3 business days of referral of the dispute:

    a) make a de-identified report of the dispute available to **signatories**;

    b) make an identified report of the dispute available to the **Industry Determination Group**.

    Both reports of the dispute must comply with the **SRR**.

75. The **Industry Determination Group** will convene within 3 business days of receipt of an identified report of dispute under subparagraph 74(b).

76. The Industry Determination Group will:

    a) Review the dispute; and

    b) Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

77. The **Industry Determination Group** may, where it considers necessary, request representatives of the parties attend the **Industry Determination Group** meeting.

78. Where the **Industry Determination Group** determines that it has sufficient information and/or no further information is required, the **Industry Determination Group** will, within 10 business days:

    a) Direct the parties to participate in a conciliation in accordance with paragraph 80 and set a reasonable timeframe for this conciliation to occur; or

    b) Issue a recommendation under paragraph 89 as to the resolution of the dispute. The recommendation must comply with the **SRR**.

79. The **PRDE Administrator Entity** will issue to the parties the **Industry Determination Group's** directions or recommendation within 3 business days of the **Industry Determination Group** making its direction or recommendation.

80. Where the **Industry Determination Group** has directed the parties to conciliation, the following process applies:

    a) The conciliation will be confidential;

    b) The conciliation will be conducted by a nominated representative of the **Industry Determination Group** and will occur in the presence of a representative of the **PRDE Administrator Entity**;

    c) At the conclusion of the conciliation, the **Industry Determination Group** representative ('the conciliator') will provide the **PRDE Administrator Entity** a certificate of outcome. This certificate will:

        i) Confirm settlement of the dispute and attach a statement of agreement between the parties that the conduct is compliant with the PRDE or an agreed **Rectification Plan**; and refer the dispute back to the **Industry Determination Group** for further review under paragraph 81; or

        ii) State that the dispute has not been settled and refer the dispute back to the **Industry Determination Group** to make a recommendation within 10 business days in accordance with subparagraph 78(b).

81. Where a dispute has been referred to the **Industry Determination Group** in accordance subparagraph 80(c)(i), the **Industry Determination Group** will within a period of 3 business days review the **Rectification Plan** and:

    a) Confirm endorsement of the **Rectification Plan** and notify the **PRDE Administrator Entity** to make **the Rectification Plan** available to all **signatories**; or

    b) Decline endorsement of the **Rectification Plan** and provide its reasons to the parties to the dispute. The parties will then have 3 business days in which to provide the **PRDE Administrator Entity** an amended **Rectification Plan** which the **PRDE Administrator Entity** will provide to the **Industry Determination Group**. Where the **Rectification Plan** is then not endorsed by the **Industry Determination Group**, the **Industry Determination Group** will be required to issue a recommendation in accordance with subparagraph 76(b); or

    c) Direct the parties to present further information (whether oral or documentary) in a reasonable period to assist with its review of the **Rectification Plan**. On receipt of this information, the **Industry Determination Group** will confirm or decline endorsement of the **Rectification Plan** in accordance with subparagraphs (a) and (b).

Referral to **Eminent Person** – Stage 4 Dispute

82. Where the **Industry Determination Group** has issued a recommendation in accordance with subparagraph 78(b), the parties have 10 business days from issue of the recommendation by the **PRDE Administrator Entity** to accept or reject this recommendation. If a party does not respond within this timeframe, they are deemed to have accepted the recommendation.

83. In the event a party rejects the recommendation, the dispute will be referred to the **Eminent Person** for review and decision.

84. The **PRDE Administrator Entity** will brief the **Eminent Person** within 10 business days of receipt of a party's rejection under paragraph 82. The brief to the **Eminent Person** will include:

    a) The **Industry Determination Group** recommendation;

    b) The report of **non-compliant conduct** or notice of objection (as applicable);

    c) Any further information provided to the **Industry Determination Group** by the parties.

85. The **Eminent Person** will:

    a) Review the dispute; and

    b) Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

86. The **Eminent Person** may, where it considers necessary, request representatives of the parties meet with the **Eminent Person** to discuss the dispute. Such meeting may be on a confidential basis and will occur in the presence of a representative of the **PRDE Administrator Entity**.

87. Where the **Eminent Person** determines that it has sufficient information and/or no further information is required, the **Eminent Person** will issue a decision within 10 business days. The decision will comply with the **SRR**.

88. The decision of the **Eminent Person** is binding and final.

Compliance outcomes

89. The possible outcomes available to the **Industry Determination Group** (by way of recommendation) and to the **Eminent Person** (by way of decision) are:

    a) The respondent **CP** or **CRB** is compliant with the PRDE and no outcome is required; and/or

    aa) The respondent **CP** or **CRB** is technically non-compliant however **the non-compliant conduct** is not material to the proper operation of the PRDE and no further outcome is required; and/or

    b) Issue a formal warning to the respondent **CP** or **CRB** regarding their compliance with the PRDE; and/or

    c) Issue a direction to the respondent **CP** or **CRB** with which they must comply, including, but not limited to, the completion of staff training, and/or provision of satisfactory evidence of compliance; and/or

d) Require the respondent **CP** or **CRB** to **contribute** and obtain **supply** of **credit information** and **credit reporting information** (as applicable) at a lower **Tier Level** for a nominated period.

90. Any **CP** (whether a party to a dispute or not) will be exempt from the requirements in paragraph 15, for the **CRB** which has had a compliance outcome applied to it in paragraph 89 (b to d).

91. The compliance outcomes under paragraph 89 may be identified as an escalated process within the recommendation or decision.

92. The respondent **CP** or **CRB's** compliance with any compliance outcomes will be monitored by the **PRDE Administrator Entity**.

Obligations

93. **CPs** and **CRBs** will:

a) Comply with the direction or request for information from ~~s of~~ the **Industry Determination Group** and the **Eminent Person** within the time specified in the direction or request;

aa) Comply with all requirements in a **Rectification Plan**;

b) Be bound by a compliance outcome, where contained in recommendation from the **Industry Determination Group** that has been accepted under paragraph 82, or a decision made by the **Eminent Person** (under paragraph 87;

c) Comply with a request from the **PRDE Administrator Entity** in respect to matters arising from paragraph 89, including where the **CP** and/or **CRB** is not a party to the compliance outcome but may be required to take steps to give effect to the compliance outcome;

d) Act in good faith at all times;

e) When provided with confidential information during the compliance process, keep this information confidential. Confidential information means information provided by either party to a dispute and which, in the circumstances surrounding disclosure, a reasonable person would regard as confidential; and

f) Attest to their compliance with the PRDE. Such attestation will be provided by a representative of a **signatory** who has the authority to bind the **CP** or **CRB** and who has the primary responsibility for the records of the **signatory** relating to its compliance with the PRDE. The attestation will be wholly true and accurate, will comply with the **SRR** and be provided on an annual basis to the **PRDE Administrator Entity** within 10 business days of the **Effective Date** anniversary. Without limiting what may be required as part of the attestation, the **PRDE Administrator Entity** may require the **CP** or **CRB** to include any information with the attestation that it considers is reasonable to support and evidence the attestation.

g) On request from the **PRDE Administration Entity**, arrange for its attestation under subparagraph 93(f) and/or its response to a request for information made by the PRDE Administrator Entity under paragraph 98A to be audited or reviewed by a suitably qualified person as determined by the **PRDE Administrator Entity** in consultation with the **CP** or **CRB**. The reasonable fees and expenses of an auditor or other suitably qualified person for preparing a report under this subparagraph are payable by the **CP** or **CRB**.

94. The **Industry Determination Group** and **Eminent Person** are obliged to act in accordance with their respective Terms of Reference.

95. The **PRDE Administrator Entity** is obliged to:

    a) Issue such reports as are identified in paragraphs 103 to 105;

    b) Provide assistance, as requested, to the **Industry Determination Group** and **Eminent Person**; and

    c) Act in accordance with its constitution.

Self-reporting for **non-compliant conduct** – Pre-Dispute period

96. Where a **CP** or **CRB** forms an opinion that it has engaged in, or is likely to engage in, **non-compliant conduct**, it may issue a report to the **PRDE Administrator Entity**. Such a self-report must comply with the **SRR**.

97. Where a **CP** or **CRB** files a self-report, it will have 30 calendar days in which to file a **Rectification Plan** with the **PRDE Administrator Entity**. This **Rectification Plan** must comply with the SRR.

98. Upon the expiry of the 30 calendar day Pre-Dispute period, or earlier upon mutual agreement between the self-reporting signatory and the **PRDE Administrator Entity**, the dispute resolution process set out in paragraphs 66 to 70 will apply to the issue, with the **PRDE Administrator Entity** acting as **reporting party** and the self-reporting party becoming the **respondent party**.

PRDE Administrator Entity power to identify **non-compliant conduct**

98A. Where the **PRDE Administrator Entity** forms an opinion on reasonable grounds that any **CP** or **CRB** ('the answering **CP** or **CRB'**) to this PRDE may have engaged, or be engaging, in **non-compliant conduct** ('potential non-compliance'), it may request that a **CP** or **CRB**, or any other **CP** or **CRB** that may have information that is relevant to the potential non-compliance, to provide information to the **PRDE Administrator Entity**. The information requested by the **PRDE Administrator Entity** may include any information that the **PRDE Administrator Entity** reasonably considers is relevant to determining whether the answering **CP** or **CRB** is engaging in **non-compliant conduct** and may require the **CP** or **CRB** to provide a written statement relating to the **CP's** or **CRB's** compliance with the PRDE. Such a request must comply with the **SRR**.

98B. In making a request under paragraph 98A, the **PRDE Administrator Entity** will:

    a) describe the conduct that may involve potential non-compliance; and

    b) provide a reasonable timeframe for production of the information requested.

98C. A **CP** or **CRB** may within 10 business days of receiving a request under paragraph 98A provide a written objection to providing the information on the basis that:

    a) there is no reasonable basis upon which the **PRDE Administrator Entity** has formed an opinion on potential non-compliance; or

    b) the request is onerous and excessive

    c) the timeframe for production of the information is unreasonable.

    The objection must comply with the **SRR**.

98D. If a **CP** or **CRB** objects to a request under paragraph 98C, the **PRDE Administrator Entity** must either withdraw the request or refer the request and the objection to the **Industry Determination Group.**

98E. From the date of referral of the objection the Industry Determination Group has 5 business days in which to:

a) review the request and the objection;

b) require the **PRDE Administrator Entity** or **CP or CRB** to provide additional information in relation to the request or objection.

98F. From the date of referral under paragraph 98D, or from the date of receipt of additional information under subparagraph 98E(b), the **Industry Determination Group** must, within 10 business days, issue its decision to:

a) affirm the request;

b) amend the request and require the **CP** or **CRB** to provide the information within a reasonable timeframe; or

c) cancel the request.

The decision of the **Industry Determination Group** is final. Any requirement under paragraph 98A to supply the requested information is suspended until the **Industry Determination Group** makes a decision.

98G. Upon receipt of the information requested under paragraph 98A, the **PRDE Administrator Entity** may:

a) advise the answering **CP** or **CRB** in writing that it considers that the **CP** or **CRB** is engaging in **non-compliant conduct**;

b) suggest to the answering **CP** or **CRB** that it make a self-report of **non-compliant conduct** under paragraph 96.

98H. If the **PRDE Administrator Entity** has not received a self-report of **non-compliant conduct** from the answering **CP** or **CRB** after the expiry of 10 business days from the **written** notice referred to in paragraph 98G, the **PRDE Administrator Entity** may issue a notice of **non-compliant conduct** in accordance with paragraph 66A. For the purposes of this paragraph, the **PRDE Administrator Entity** will be deemed as the reporting party.

98I. A **CP** or **CRB** that is requested to provide information under paragraph 98A, and which isn't the answering **CP** or **CRB**, must treat the request as confidential.

Systemic Non-Compliance

98J. Where the **PRDE Administrator Entity** forms an opinion that 2 or more **signatories** are engaging, or are likely to engage, in **non-compliant conduct** that is due to the same or similar issues and it considers that it would be efficient for the **non-compliant conduct** to be addressed in a consistent manner across **signatories**, the **PRDE Administrator Entity** may develop a **Rectification Plan** that addresses the **non-compliant conduct**. The **Rectification Plan**:

a) will be developed by the **PRDE Administrator Entity** in consultation with **signatories** and must provide a reasonable period of time to allow affected **signatories** to become compliant;

b) must identify the conduct that, if it were being engaged in by a **signatory**, would constitute **non-compliant conduct**;

c) may require affected **signatories** to provide periodic updates to the **PRDE Administrator Entity** as to compliance with the **Rectification Plan**;

d) will require an affected **signatory** to notify the **PRDE Administrator Entity** of its adoption of the **Rectification Plan**;

e) must comply with the **SRR**, including any requirements that apply specifically to **Rectification Plans** made under this paragraph; and

f) must be made available to **signatories** within 3 business days of being finalised by the **PRDE Administrator Entity**;

g) is subject to the objection process in paragraph 72. If an objection is made to a **Rectification Plan** developed by the **PRDE Administrator Entity**, the **PRDE Administrator Entity** will be the nominal respondent party for the purposes of the dispute process in paragraphs 66 to 70, save that it may withdraw the **Rectification Plan** at any stage so that the dispute will not proceed.

Extension of time

99. At any stage, other than the 30 calendar day period for a Stage 1 Dispute, the parties may apply to the **PRDE Administrator Entity** to seek an extension of time. The request for an extension of time must comply with the **SRR**.

100. Where a dispute is being dealt with by the **Industry Determination Group** or **Eminent Person**, the request for an extension of time will be determined by the **Industry Determination Group** or **Eminent Person** (as applicable).

101. In all other circumstances, the request for an extension of time will be determined by the **PRDE Administrator Entity**.

PRDE Administrator Entity reporting

102. The **PRDE Administrator Entity** will keep a register of:

a) **Signatories**, their **Signing Date** and **Effective Date** for the **Deed Poll**, and key contacts at each **signatory**;

b) The nominated **Tier Levels** for each **CP**;

c) The **Designated Entities** of each **CP**;

d) The **Securitisation Entities** of each **CP**;

e) Attestation of compliance for each **CP** in accordance with paragraph 57.

103. The **PRDE Administrator Entity** will report to signatories:

a) De-identified reports of Stage 2 disputes;

b) Identified reports of the **Industry Determination Group's** recommendations (where such a recommendation is accepted by the parties) or identified reports of the **Eminent Person's** decision.

104. The **PRDE Administrator Entity** will report to **CPs**:

a) **Tier Levels** of **signatories** in accordance with paragraph 9;

b) **Designated Entities** of **CPs** in accordance with paragraph 24;

c) **Securitisation Entities** in accordance with paragraph 40;

d) Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with subparagraph 55(a);

e) Attainment of full compliance by a **CP** in accordance with paragraph 57; and

f) The **Effective Date** of the **CP** in accordance with paragraph 54.

105. The **PRDE Administrator Entity** may report to a **CRB**, the following information about a **CP**:

a) **Tier Level** of the **CP** in accordance with paragraph 9;

b) The **Designated Entities** of the **CP** in accordance with paragraph 24;

c) The **Securitisation Entities** of the **CP** in accordance with paragraph 40;

d) Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with subparagraph 55(a);

e) Attainment of full compliance by a **CP** in accordance with paragraph 57.; and

f) The **Effective Date** of the **CP** in accordance with paragraph 54.

106. **CPs** and **CRBs** will supply the **PRDE Administrator Entity** such information as required to enable it to fulfil its obligations as specified in 102 to 105.

PRDE Administrator Entity powers

107. The **PRDE Administrator Entity** may initiate a report of **non-compliant conduct**, in which case it will be the reporting party, and the dispute resolution provisions set out in paragraphs 66 to 70 will apply. Such a report can only be issued where the non-compliance relates to:

a) A **CRB** or **CP's** failure to pay the costs identified by the **PRDE Administrator Entity**, as required by paragraphs 7 and 13;

b) A **CRB's** failure to inform the **PRDE Administrator Entity** of the **Tier Level** of a **CP** that contributes credit information, as required by paragraph 5;

c) A **CP's** failure to disclose its chosen **Tier Level** to the **PRDE Administrator Entity**, as required by paragraph 9;

d) A **CP's** failure to notify the **PRDE Administrator Entity** of its **Designated Entities** and/or a failure to notify the **PRDE Administrator Entity** if the **Designated Entity** ceases to meet this criteria, as required by paragraphs 24 and 28;

e) A **CP's** failure to notify the **PRDE Administrator Entity** when it changes **Tier Level**, as required by paragraph 55;

f) Where a **CP** has not notified the **PRDE Administrator Entity** of its compliance within the 12 month period, as required by paragraph 57;

g) A **CP's** failure to notify the **PRDE Administrator Entity** of the acquisition of consumer credit accounts, as required by paragraph 59;

h) A **CRB** or **CP's** failure to comply with the compliance framework notification requirements set out in paragraphs 69 and 70;

i) A **CRB** or **CP's** failure to comply with a compliance outcome, as required by subparagraphs 93(b);

j) A **CRB** or **CP's** failure to comply with a request from the **PRDE Administrator Entity**, as required by subparagraph 93(c);

k) A **CRB** or **CP's** failure to provide its annual attestation as required by subparagraph 93(f), or the provision of an attestation which, on reasonable grounds, the **PRDE Administrator Entity** believes to be wholly or partly false or does not meet the requirements for the attestation (including a request under subparagraph 93(g));

l) A **CRB** or **CP's** failure to comply with a request under paragraph 98A;

m) An allegation of **non-compliant conduct** notified by the **PRDE Administrator Entity** to the **CP** or **CRB** under paragraph 98F.

107A. Nothing in this PRDE prevents the **PRDE Administrator Entity** from acting as the reporting party and the **PRDE Administrator Entity** in respect of the same dispute.

108. A reporting or respondent **CP** or **CRB** may request the **PRDE Administrator Entity** issue a direction to join disputes (whether at a Stage 2 Dispute or Stage 3 Dispute) where:

a) There are common parties and issues; and

b) The **PRDE Administrator Entity** determines the joining of disputes is necessary for the effective resolution of the disputes.

Guidance on the interpretation and application of the PRDE

108A. The **PRDE Administrator Entity** may issue formal guidance on the application of the PRDE. Such guidance must comply with the **SRR** and be supported by a statement of consultation, with such consultation appropriate to the nature and scope of the guidance.

108B. The **PRDE Administrator Entity** may develop and issue formal guidance:

a) at the request of a **signatory**; or

b) at the request of another entity, provided the **PRDE Administrator Entity** believes that the entity has sufficient interest in the outcome. For example, an entity that is actively preparing to become a signatory; or

c) if it considers that it is necessary or would improve the operation of the PRDE.

A request under subparagraphs (a) or (b) must comply with the **SRR**.

108C. In developing formal guidance under paragraph 108A, the **PRDE Administrator Entity** must:

a) consult as appropriate to the nature and scope of the guidance. This may include consultation with **signatories** and other entities that have a sufficient interest in the outcome (as set out in paragraph 108B);

b) make the formal guidance available to **signatories** and other entities with a sufficient interest in the outcome;

c) if it considers is appropriate, allow for a reasonable period of time before the guidance becomes applicable.

108D. A formal guidance does not change the obligations of a **signatory** under the PRDE. However, the **Industry Determination Group** when making a recommendation under subparagraph 78(b) and the **Eminent Person** when making a decision under paragraph 87, will take in to account any formal guidance issued under paragraph 108A and its associated statement of consultation when considering whether a **signatory** is engaging in **non-compliant conduct**.

108E. For the avoidance of doubt, the **PRDE Administrator Entity** may also provide informal guidance on the application of the PRDE, however such guidance will not be considered formal guidance under paragraph 108A. **Signatories** who seek a position that will considered by the **Industry Determination Group** and **Eminent Person** should seek formal guidance under subparagraphs 108B(a) and (b).

PRINCIPLE 6

Principle 6: A broad review of the PRDE to be completed after three years.

Independent review

109. The terms and operation of this PRDE, including the continued operation of the transitional provisions in Principle 4, must be reviewed by an independent reviewer after the PRDE has been in operation 3 years and at regular intervals after that (not more than every 5 years).

110. The **PRDE Administrator Entity** is responsible for formulating the scope and terms of reference of an independent review. These must be settled in consultation with **signatories**. The **PRDE Administrator Entity** must also ensure that the independent review is adequately resourced and supported, the reviewer consults with **signatories**, the review report is made available to all **signatories** and the review recommendations are adequately responded to.

111. In addition to the independent review, the **PRDE Administrator Entity** may review and vary the PRDE at any time during its operation, on the recommendation of the **Industry Determination Group** or the **PRDE Administrator Entity**. Such recommendation must be supported by:

    a) A statement of consultation, with such consultation appropriate to the nature and scope of the variation; and

    b) 75% resolution of the **PRDE Administrator Entity**.

Promises by **CRBs**

112. Each **CRB** will cooperate in good faith with the **PRDE Administrator Entity** and assist with the review.

Promises by CPs

113. Each **CP** will cooperate in good faith with the **PRDE Administrator Entity** and assist with the review.

DEFINITIONS

"Access request" means a request from a **CP** to a **CRB** for the supply of **credit reporting information**.

"**ACRDS**" means the Australian Credit Reporting Data Standards which are the technical standards and specifications used for exchanging **credit information** and **credit reporting information**. The reference to the **ACRDS** extends only to those versions of the **ACRDS** which are current and supported by **CRBs**, and does not include historic or retired versions of the **ACRDS**.

"**Commencement Date**" means 25 December 2015.

"Consumer credit liability information" has the same meaning as defined by the **Privacy Act**.

A **CP** "**contributes**" **credit information** when it discloses that information to a **CRB** in circumstances permitted by the **Privacy Act.**

"**CP**" has the same meaning as defined by the **Privacy Act**. Any reference to a CP in this PRDE is a reference to a **signatory** CP unless otherwise expressly stated, and also includes reference to any **Designated Entities** of the **CP**.

"**CP derived information**" has the same meaning as defined in the **Privacy Act**.

"**Credit information**" has the same meaning as defined by the **Privacy Act**.

"**Credit eligibility information**" has the same meaning as defined by the **Privacy Act**.

"**Credit reporting information**" has the same meaning as defined by the **Privacy Act**.

A **CP** "**on-supplies**" **partial information** or **comprehensive information** (excluding that component of **partial information** and **comprehensive information** which is **negative information**) when it discloses that information to another **CP**, a **Designated Entity** or **Securitisation Entity**.

"**CRB**" has the same meaning as defined by the **Privacy Act**. Any reference to a CRB in this PRDE is a reference to a **signatory** CRB unless otherwise expressly stated.

"**CRB derived information"** has the same meaning as defined in the **Privacy Act**.

A "**Designated Entity**" is a business or collection of businesses of a **CP** as determined by the **CP** for the purposes of the PRDE. The criteria for **Designated Entities** and related operational matters is set out in further detail in paragraphs 22 to 28 of this PRDE.

"**Deed Poll**" means the pro-forma PRDE deed poll which is a schedule to a **Services Agreement** and is effective, in relation to a **CP** or **CRB**, at the **Effective Date**.

"**Effective Date**" means the date nominated by the **CP** or **CRB** as the date that the **CP** or **CRB**'s obligations (as applicable) under the PRDE become effective. The **Effective Date** may be the **Signing Date**, in which case the two dates will be the same.

"**Eminent Person**" means an independent person who fits the criteria of **Eminent Person**, in accordance with the **Eminent Person** Terms of Reference, and who has consented to inclusion on the panel of **Eminent Persons**.

"**Industry Determination Group**" means a group formed by representatives of signatories, in accordance with the **Industry Determination Group** Terms of Reference.

"**Mortgage Insurer**" has the same meaning as defined in the **Privacy Act**.

"**Mortgage Insurance Purpose**" has the same meaning as defined in the **Privacy Act**.

"**Non-compliant conduct**" means conduct which breaches this PRDE.

"**Participation Level Threshold**" has the meaning given to it by paragraph 30 of this PRDE.

"**PRDE Administrator Entity**" means the Reciprocity and Data Exchange Administrator Pty Ltd (ACN 606 611 670), a subsidiary of the Australian Retail Credit Association Ltd (ACN 136 340 791).

"**Privacy Act**" means the *Privacy Act 1988* as amended from time to time (including by the *Privacy Amendment (Enhancing Privacy Protection) Act 2012*) and includes Regulations made under that Act, and the *Privacy (Credit Reporting) Code 2014* (CR Code) registered pursuant to that Act.

"**Publication Timeframe**" means the timeframe for the **ACRDS** which identifies when each version, sub-version and release of the **ACRDS** will be published, implemented and retired.

"**Rectification Plan"** has the same meaning as defined by the **SRR**.

"**Repayment History Information**" has the same meaning as defined in the **Privacy Act**.

A **CRB** "**supplies**" **credit reporting information** when it discloses that information to a **CP** in circumstances permitted by the **Privacy Act** and in response to an **access request**.

"**Securitisation entity**" means an entity which is not a **Mortgage Insurer** or a **Trade Insurer**, but which is engaged to assist a **CP** for a **securitisation related purpose**.

"**Securitisation related purpose**" has the same meaning as defined in the **Privacy Act**.

A "**services agreement**" is an agreement which is intended (whether expressly stated or otherwise) to enable a **CRB** to assist a **CP** to assess and manage its consumer credit risk (as determined by the **CP**). The agreement will include, in addition to other provisions, an agreement between a **CRB** and **CP** for the contribution of **credit information** and/or supply of **credit reporting information** (as applicable). For the avoidance of doubt, a **services agreement** does not include an agreement which has been suspended or is an agreement for the contribution of personal information (which may include **credit information**) solely for identity verification purposes pursuant to the relevant provisions of the *Anti-Money Laundering and Counter-Terrorism Finance Act 2006* (as amended from time to time).

"**Signatory**" in relation to a **CP** or **CRB**, means a **CP** or **CRB** that has chosen to be a **signatory** to this PRDE by signing the **Deed Poll** and has not withdrawn from its participation in this PRDE in accordance with the **Deed Poll**.

"**Signing Date**" means the date that a **CP** or **CRB** executes the **Deed Poll**.

"**SRR**" means the Standard Reporting Requirements which are the standards used for reporting compliance with this PRDE.

Three "**Tier Levels**" have been established for the **supply** by a **CRB** to a **CP** of **credit reporting information**, the **contribution** by a **CP** to a **CRB** of **credit information**, and the **on-supply** by a **CP** of **credit eligibility information**:

a) "**negative information**" means:

i) **credit information** about an individual other than **consumer credit liability information** or **repayment history information**; and

ii) **CP derived information** and **CRB derived information** which is not derived wholly or partly from **consumer credit liability information** or **repayment history information**.

b) "**partial information**" means:

i) **credit information** about an individual other than **repayment history information**; and

ii) **CP derived information** and **CRB derived information** which is not derived wholly or partly from **repayment history information**.

c) "**comprehensive information**" means all **credit information**, **CP derived information** and **CRB derived information** about an individual.

"**Trade Insurer**" has the same meaning as defined in the **Privacy Act**.

"**Trade Insurance Purpose**" has the same meaning as defined in the **Privacy Act**.

SCHEDULE 1

Account exceptions (paragraph 33 above)

1. Margin Loan accounts being a loan product where the products purchased (using the loan funds) are shares and the loan security is the shares purchased.

2. Novated Lease accounts.

3. Flexible Payment Option accounts being an account facility offered on charge card products that enables consumers, pursuant to the terms and conditions of the account, to revolve or defer payment of their outstanding balance.

4. Overdrawn deposit or transaction accounts that are not formal overdrafts.

SCHEDULE 2

Repayment History Information reporting exceptions (paragraph 33A above)

1. The 'month' applicable to the **repayment history information** does not meet the 'month' definition in the Privacy (Credit Reporting) Code 2014.

2. The 'month' applicable to the **repayment history information** overlaps with a previous 'month'.

3. The monthly payment that is due in relation to the consumer credit is the result of a Part IX or Part X debt agreement pursuant to the Bankruptcy Act 1966 (Cth).

4. The obligation to make a monthly payment in relation to the consumer credit (the payment obligation) is in dispute in its entirety by the individual and is under investigation on the basis the balance of the consumer credit relates to an unauthorised transaction or the consumer credit was fraudulently opened in the individual's name. This exception will apply only to the time period in which there is a dispute as to liability. Once the dispute is resolved and if the individual remains liable, then RHI for the period of the dispute is no longer subject to this exception.

5. Unless and until a legislative approach to the reporting of hardship information is made and in force, **repayment history information** for an arrangement as defined in Section 28TA of the consultation draft National Consumer Credit Protections Regulations 2010 released for consultation on 14 February 2020 or, if the final version of the Regulations differs, as defined in those final Regulations, where that arrangement is entered into between a **CP** (including any **CP** not covered by Regulation 28TA) and an individual.

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APPENDIX B – MARKET INFORMATION

1 Credit reporting – the challenges of information exchange

1. The 2015 Authorisation granting authorisation to the relevant provisions of the PRDE provided a useful summary of the well understood rationale for having a credit reporting system:

> "The flow of credit reporting information helps credit markets to function more efficiently and at lower cost than would otherwise be the case by addressing problems of information asymmetry, adverse selection and moral hazard … The credit reporting systems seek to reduce information asymmetry by providing an independent source of information[1] and providing a greater amount of information to the credit provider than the credit provider would have access to from their own database. This helps credit providers better assess risk and price of credit. Credit reporting can also reduce moral hazard because non-payment to one credit provider can be reported to other credit providers (who may otherwise have imperfect information about the applicant's credit history)"[2].

2. ARCA's 2015 Application described the advantages and challenges associated with the exchange of information through CRBs[3] as follows:

   - The major advantage is that a CP may access credit reporting information about a consumer held by other CPs that are part of the same network (i.e. use the same CRB), and the larger the network, the more credit reporting information about a consumer available to CPs that are part of the network.
   - The major challenge is that the quantity and quality of information held by a CRB depends on the size of their network (i.e. the number of CPs in the network) and the CRB's relationships with their CPs (i.e. negotiations and bilateral agreements). In this market structure, information is held independently between networks and different networks are likely to have access to different parts of the credit reporting information about a particular consumer. This impacts CPs (potentially having to deal with all CRBs to gain an adequate view of a consumer), consumers (having different information on their credit files at different CRBs), and CRBs (a

[1] Australian Law Reform Commission, 2008, For Your Information, Australian Privacy Law and Practice, ALRC Report 108, Chapter 53

[2] ACCC op cit, paras 13,15

[3] Australian Retail Credit Association (ARCA), Principles of Reciprocity and Data Exchange (PRDE) Submission in support of Application for Authorisation, 20 February 2015, section 2.1, pp7-9

CRB cannot compete effectively unless its network of CP achieves the necessary scale).

3. Absent the PRDE and the associated data standards, ARCA's original authorisation[4] (including our response to interested party submissions), raised the prospect that the implementation of CCR would result in a market structure that was sub-optimal, in that the challenges associated with information exchange could be solved by:

   - The emergence of a monopoly CRB, or
   - CPs being forced to deal with all CRBs to obtain CCR which might be fragmented among CRBs, or
   - CPs who find the cost of participating in all CRB networks prohibitive being forced to operate with less complete or limited data.

2 Market developments in Australia since 2015

4. The Australian credit reporting system is primarily made up of CRBs and CPs, each defined by the Privacy Act. The credit reporting system also includes "affected information recipients" such as mortgage insurers and trade insurers, who may access credit reports for limited purposes but do not contribute any credit information (and have an exemption under the PRDE to be able to receive CCR data in spite of this[5]).

2.1 Credit Reporting Bodies

5. In 2020, the CRB participants in the Australian market are essentially the same as those existing in 2015, albeit with new owners and a greater focus on the opportunities created by CCR.

6. There are currently three CRBs operating in Australia: Equifax (formerly Veda), illion (formerly Dun & Bradstreet), and Experian.

7. In November 2015 Equifax, the leading US based but globally operating CRB announced its agreement to acquire Veda, Australia's largest CRB for US$1.8B. The Chairman and CEO of Equifax at the time, Richard F. Smith said of the acquisition:

   "This acquisition will provide a strong platform for Equifax to offer new data and analytics services in Australia and other markets in this region, using our technology and expertise developed over many years in the U.S. and the 18 other geographies in which we operate."[6]

8. This transaction followed the announcement in June 2015 that private equity firm Archer Capital would purchase the Australian and New Zealand arm of Dun & Bradstreet for $220M. The logic behind this acquisition was to grow the business leveraging the opportunities created by the implementation of CCR in Australia. Dun

[4] Ibid

[5] The exemption allows them to access CCR information in accordance with the Privacy Act, without having to be a signatory to the PRDE.

[6] Equifax press release, 'Equifax Announces Binding Agreement to Acquire Australia's Leading Credit Information Company Veda Group Limited for USD$1.8 billion,' 22 November 2015. Accessed 23 June 2020 at https://investor.equifax.com/news-and-events/press-releases/2015/11-22-2015

& Bradstreet itself was focused on the commercial credit related information market globally rather than the consumer segment[7].

9. Also in 2015, Compuscan, a South African headquartered CRB, which was established in 1994, registered and established a credit bureau in Australia with a view to develop a CRB business in this market. In December 2018, Experian announced its acquisition of Compuscan which, at that stage, was operating in seven African countries plus Australia and the Philippines. This transaction was focused on Experian acquiring Compuscan's leading position in the South African market rather than Compuscan's Australian business[8].

10. Apart from Australia's three nationally operating CRBs, the Tasmanian Collection Service (TASCOL) which was operating a CRB in Tasmania in 2015 is no longer a CRB. Instead, TASCOL is operating as an agent/reseller of Equifax services, and TASCOL indicates it no longer holds credit files[9].

2.2 Credit Providers

11. While there are a broad range of credit providers operating in Australia, all are able to become PRDE signatories and participate in credit reporting to the extent permitted under the Privacy Act. From a PRDE perspective, there are no additional restrictions on the participation.

12. CPs, as defined under section 6G of the Privacy Act, may be categorised in a number of ways. For example, a distinction can be made between financial credit providers compared to telecommunications companies and utilities providers (non-financial credit providers). For credit reporting purposes a primary distinction can be made between those credit providers that are required to hold an Australian Credit Licence (ACL) and those that are not.

13. For credit providers, an ACL is required if the credit provided is regulated under the National Credit Code (NCC) which is a schedule to the National Consumer Credit Protection Act 2009 (NCCPA). A key requirement under the NCCPA is adherence to responsible lending obligations.

14. ACL holders are responsible for the majority of consumer credit (both by account volume[10] and by lending value) in Australia, and are also able to participate most fully in CCR, with the Privacy Act allowing them to both contribute and access repayment history information (RHI) from the credit reporting system. Non-ACL holders are restricted from participating in RHI exchange, but may participate and exchange consumer credit liability information (e.g. account open dates, type of credit, credit limit) and negative information (e.g. defaults, bankruptcies).

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[7] Sydney Morning Herald, 'Archer Capital buys Dun & Bradstreet A&NZ for $220m,' 12 June 2015. Accessed 23 June 2020 at https://www.smh.com.au/business/banking-and-finance/archer-capital-buys-dun--bradstreet-anz-for-220m-20150612-ghm9rc.html

[8] Experian press release, 'Experian agrees to acquire Compuscan, extending our bureau presence in Africa,' 10 December 2018. Accessed 23 June 2020 at https://www.experianplc.com/media/news/2018/experian-agrees-to-acquire-compuscan-extending-our-bureau-presence-in-africa/

[9] TASCOL website, 'Credit Reporting – requesting a copy of my Credit file.' Accessed 23 June 2020 at https://www.tascol.com.au/credit-reporting/

[10] Excluding non-financial service credit providers such as telecommunications companies and utilities providers

15. ACL holders include:

- Banks, building societies, credit unions and other authorised deposit-taking institutions (ADIs)
- Non-ADI lenders who provide credit[11] and are required to hold an ACL.

16. The number of ADIs in Australia has shrunk since 2015 when there were 114 domestically owned ADIs – in June 2020 there are only 87[12]. The shrinkage of domestically owned ADIs has largely occurred as a result of mergers among the mutual and credit union sector, offset partly by new ADI licences granted to start-up "neobanks" 86400, Judo bank, Volt bank, and Xinja Bank, and a restricted ADI licence granted to IN1 Bank. There are other market participants such as Up and Ubank who could be described as neobanks, but they do not hold banking licences in their own names, instead relying on the licence held by their parent (Bendigo and Adelaide Bank and NAB respectively).

17. There are also 55 foreign owned ADIs (either full subsidiaries or branches of foreign banks) in 2020, up from 50 in 2015, though only a handful of these play a significant role in consumer lending in Australia.

18. Australia has a large group of non-ADI lenders that hold ACLs including:

- Large diversified finance companies such as Latitude (Ex GE Capital), Flexigroup, and Pepper
- Large specialised finance companies such as American Express and motor vehicle specialists such as those operated by Toyota, Mercedes, Nissan, BMW, and Volkswagen.
- A growing number of start-ups known as "fintechs", who (like the neobanks) have developed new business models that emphasise using innovative technology to deliver largely digital-only customer propositions, and where data is integrated and leveraged throughout all processes. The largest proportion of fintechs (such as MoneyPlace, NOW Finance, RateSetter, SocietyOne and WISR) have focused on the unsecured personal loan market, though others (such as Athena) have focused on the home loan market.
- A myriad of smaller product / consumer segment specific finance companies including so called "payday" lenders.

19. Apart from the payday lending sector, the non-ADI sector holding ACL licences are all strong participants in CCR. Fintechs especially rely on technology and data to support their competitiveness in the Australian market and have been enthusiastic and early participants in CCR – in fact the first four credit providers to sign up to the PRDE were all fintechs.

20. Credit providers who are not required to hold an ACL fall into two major categories:

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[11] To be a 'credit provider' under section 6G of the Privacy Act the provision of credit must be a substantial part of their business.

[12] Australian Prudential Regulator Authority, 'Register of authorised deposit-taking institutions, Updated 25 May 2020.' Accessed 22 June 2020 at https://www.apra.gov.au/register-of-authorised-deposit-taking-institutions

- Telecommunications companies, utilities providers (and other retailers) who provide goods and services with deferred payment options e.g. mobile phone plans, gas and electricity accounts
- Credit providers who have a licensing exemption under the NCCPA, or are otherwise not regulated by the NCC, and hence are not subject to responsible lending obligations. The most notable sector operating under this exemption relates to Buy-Now-Pay-Later (BNPL) products[13] which emerged in Australia in 2015 when AfterPay and ZipPay were launched. Their success has seen many other participants enter the market, including, humm (Flexigroup), BrightePay, Klarna, Latitude Pay, LayBuy, Openpay, and Payright. An ASIC review of this fast growing sector estimated that in the 2017-18 financial year there were over 2 million consumers using BNPL services[14]. The ASIC review also estimated that in June 2018 1.9 million transactions were made on BNPL facilities, and that outstanding debt from these arrangements was over $900 million. ARCA's own analysis of this sector in March 2019 suggested the number of BNPL facilities had grown to more than 4 million[15].

21. As noted above, credit providers that do not hold an ACL can still participate in credit reporting, though the Privacy Act limits their participation so that they cannot access or contribute repayment history. Until now, non-ACL credit providers have not participated in CCR. For telecommunication companies and utility providers, we understand that the limitations on their participation in CCR has been an important factor in their non-participation (i.e. that they do not have the ability to access RHI). For the BNPL sector, we understand their reasons for non-participation are more diverse, and include:
    - Considering their products are not credit[16]
    - Making a trade-off between the nature of the BNPL facility and its risks (allowing small individual transactions which are paid off rapidly e.g. within 60 days), relative to the cost of undertaking a conventional credit assessment
    - Using "alternative" data to undertake risk assessment e.g. a consumer's social media profile and behaviour.
22. Over time we would expect many non-ACL credit providers to begin participation in CCR despite the restrictions they face.

[13] It is important to note that while BNPL products might be unregulated and not require an ACL, many BNPL providers also offer products that are regulated and hence an ACL is held. Depending on the corporate structure of the entity, this might allow them to fully participate in CCR.

[14] ASIC, Report 600 Review of buy now pay later arrangements, released 28 November 2018.

[15] ARCA, Credit Data Fact Base June 2020

[16] On this point we note that ASIC review of BNPL pointed out that while "buy now, pay later" products are not regulated under the NCCPA (and hence not subject to responsible lending obligations), they are considered 'credit facilities' under the ASIC Act, and are subject to other regulations impacting credit products e.g. the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 which come into effect on 5 April 2021.

AUSTRALIAN RETAIL CREDIT ASSOCIATION

ARCA CREDIT DATA FACT BASE

VOLUME 9 ■ JUNE 2020

IN THIS ISSUE

HIGHLIGHTS

At end of June, CCR data was being reported for 92% of credit accounts

42 credit providers reporting CCR at end of June

97% of accounts expected to be reported within 12 months

BACKGROUND

ARCA identified that government, regulators and industry needed clearer indicators to track the progress of implementing Comprehensive Credit Reporting (CCR) in Australia. The Credit Data Fact Base was therefore designed to:

- Track industry-wide progress on the transition to CCR.
- Provide a 'single source of truth' regarding key statistics on CCR coverage of the Australian consumer credit market.
- Assist credit providers with their internal decision-making and planning processes by communicating industry progress towards CCR.

This report is the ninth published set of data from the Credit Data Fact Base, and is based on CCR participation as at June 2020.

Data included in the report includes:

- An overall assessment of the size of the credit market, expressed by number of open and active credit accounts in total, and by financial institution segment and product category[1].
- De-duplicated and consolidated volumes of accounts for CCR data being reported in either production-ready or public mode.
- A breakdown of participation in CCR by product category and industry sector.

METHODOLOGY

The methodology used to create this report involves a combination of publicly available information which contributes to assessing the overall size of the market, combined with actual data (and participation intentions) supplied by individual Credit Providers (CPs) directly to ARCA, or supplied indirectly to ARCA via Credit Reporting Bodies (CRBs) with the permission of CPs[1].

1 See Appendix for more detail.

TRANSITION MILESTONES

In preparation for reporting CCR data in public mode, financial institutions typically progress through a pipeline of project milestones.

Milestone	Description
1	Decision to participate in CCR.
2	Commencement of active projects to enable CCR.
3	CCR or positive data is production-ready following testing and quality assurance at CRB – this stage is often called "Private" mode – the data is not available for other credit providers and will not be visible in consumer credit reports.
4	Internal 'go-live' approval and target date decision point.
5	Becoming a signatory to the Principles of Reciprocity and Data Exchange (PRDE).[2]
6	Sharing of CCR data in "public" or "live" mode - the data is available for other credit providers and will be visible in consumer credit reports.

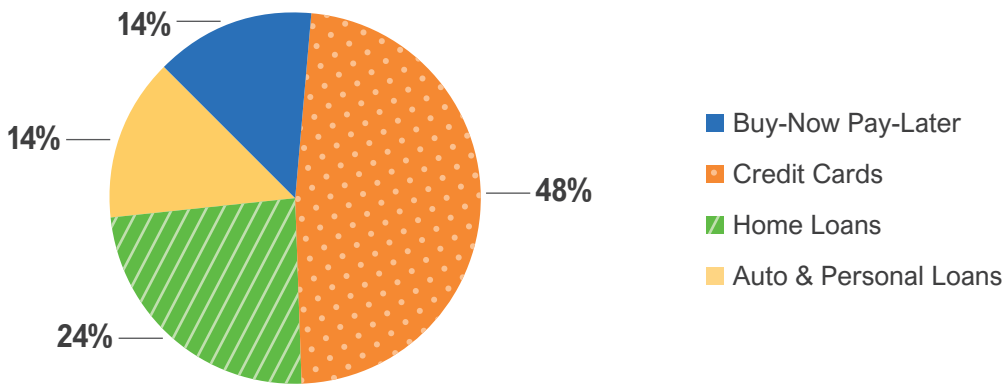
2 This is not a mandatory requirement but only PRDE signatories can see the CCR data of other PRDE signatories.

MARKET SIZE DATA

ARCA's estimate of the retail credit market underwent a significant revision in September 2019. While the total number of accounts did not change significantly, the product mix changed compared to the last major revision in March 2018. These changes were driven by three major changes:

- Actual changes in product usage by consumers: The growth of buy-now pay-later facilities has been particularly marked – estimated to have doubled since March 2018 to over 4 million accounts. The number of open Credit Card accounts has declined.
- Changes in methodology: Now that CCR for a significant number of credit accounts is being reported, there is less reliance on "top-down" approaches to determining market size. Instead the market size can be scaled up using the "bottom-up" actuals being reported by credit providers with significant market share.
- Changes in classification: In the past buy-now pay-later accounts were reported in the Personal Loan category, they are now reported as a separate category. Likewise, Overdrafts were grouped with Credit Cards, they are now combined with Personal Loans. Auto Loans and Personal Loans are also grouped together because many credit providers do not differentiate those product types when reporting.

Fig 1: All open active credit accounts by product category | Total 30.1M accounts



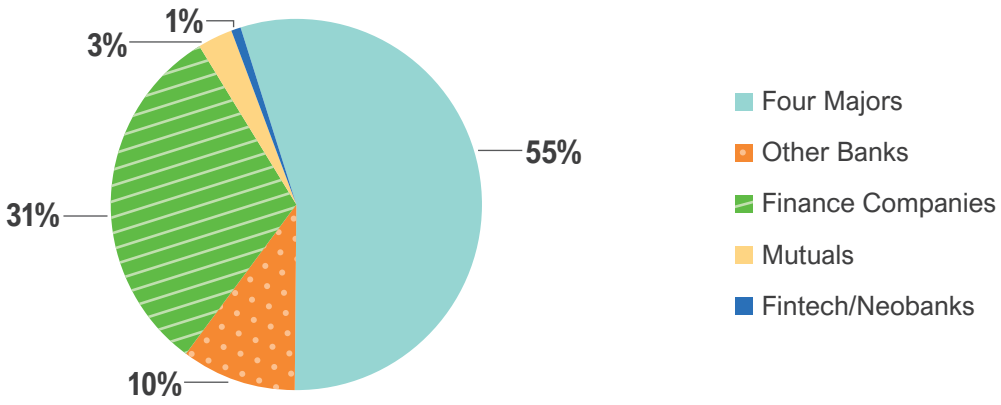
ARCA estimates that there are 30.1M open and active credit accounts Australia. The estimate only includes credit providers offering financial service products, i.e. credit providers from other sectors such as telecommunications and utilities are excluded.

Of the 30.1M credit accounts, nearly half are Credit Cards, with the next largest product type being Home Loans. The Personal Loans category includes a range of products including Auto Loans, Overdrafts, and Payday Loans. In terms of numbers of accounts, the buy-now pay-later sector is as large as the overall personal loan sector, though in dollar terms buy-now pay-later would be much smaller.

Looking at the number of credit accounts from an industry sector perspective, Figure 2 shows that Australian Prudential Regulation Authority (APRA) regulated banks account for around two-thirds of the estimated 30.1M credit accounts. Australia's four major banks hold 55% of all credit accounts.

Outside the major banks, finance companies account for 31% of accounts. The finance company sector is broad, including specialist consumer finance providers, motor vehicle financiers, and buy-now pay-later (BNPL) providers. In this edition of the Credit Data Fact base, data is also split out for banks and finance companies (excluding BNPL specialists) who operate using the fintech/neobank predominantly online business model.

Fig 2: All open active credit accounts by industry sector | Total 30.1M accounts



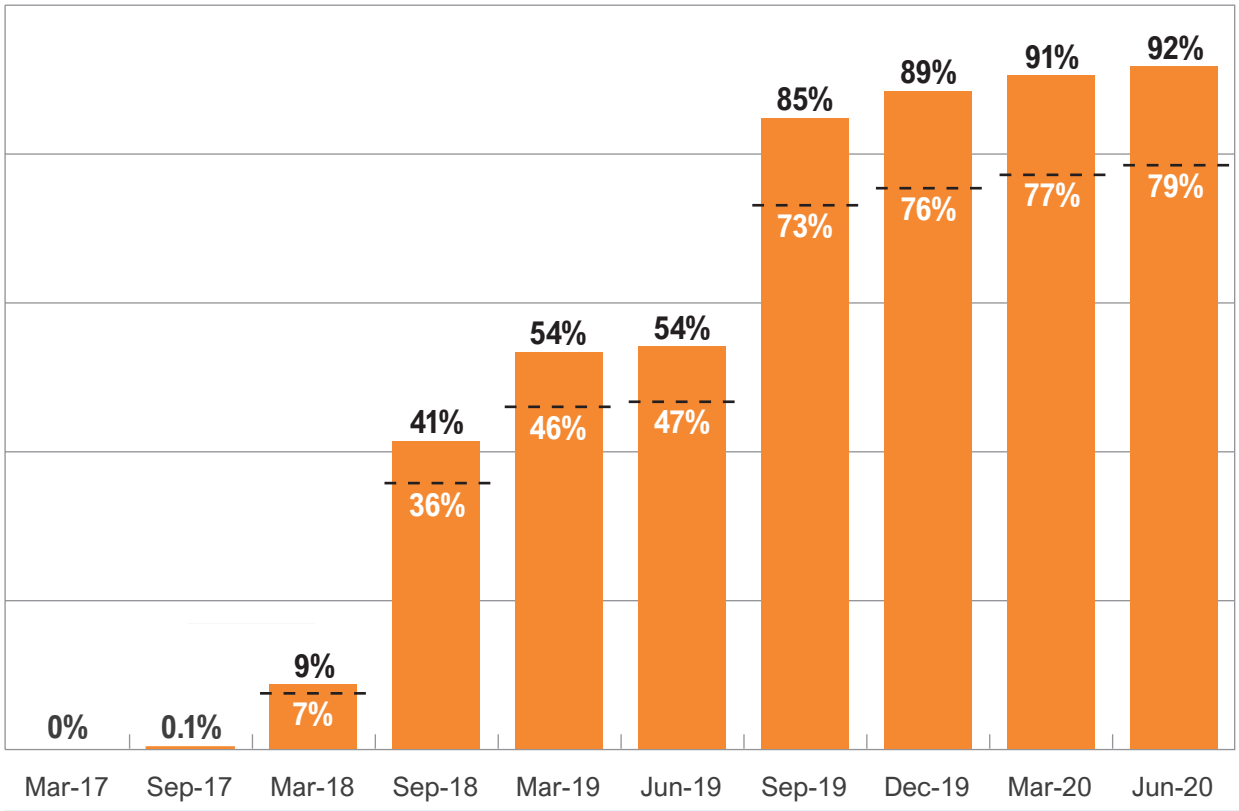
PROGRESS WITH CCR

Figure 3 reports the participation rate for the industry with and without the buy-now pay-later sector included. By the end of June 2020, 92% of all accounts for the major product categories (Credit Cards, Home Loans, and Auto and Personal Loans) will have CCR data being reported at Milestone 6, or in 'public' mode. This is a significant increase from March 2018 when only 9% of accounts were being reported, June 2019 when 54% of accounts were reported, and September 2019 when 85% of accounts were reported.

When the buy-now pay-later product category which is currently not participating in CCR is included, the overall participation in CCR at June 2020 drops to 79%.

By the end of June 2020, 42 credit providers are expected to be supplying CCR data in public mode.

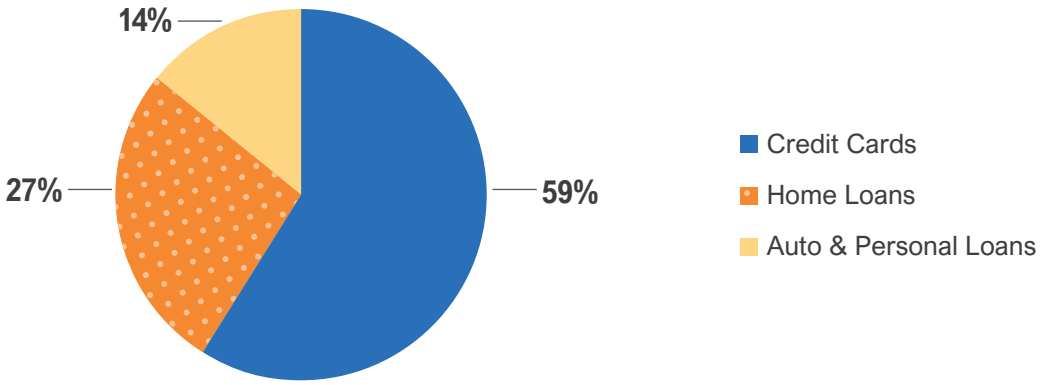
Fig 3: Percentage of CCR accounts reported publicly



Note to Figure 3: Percentages above columns based on the market size excluding buy-now pay-later accounts. Percentages below "dotted line" include buy-now pay-later accounts.

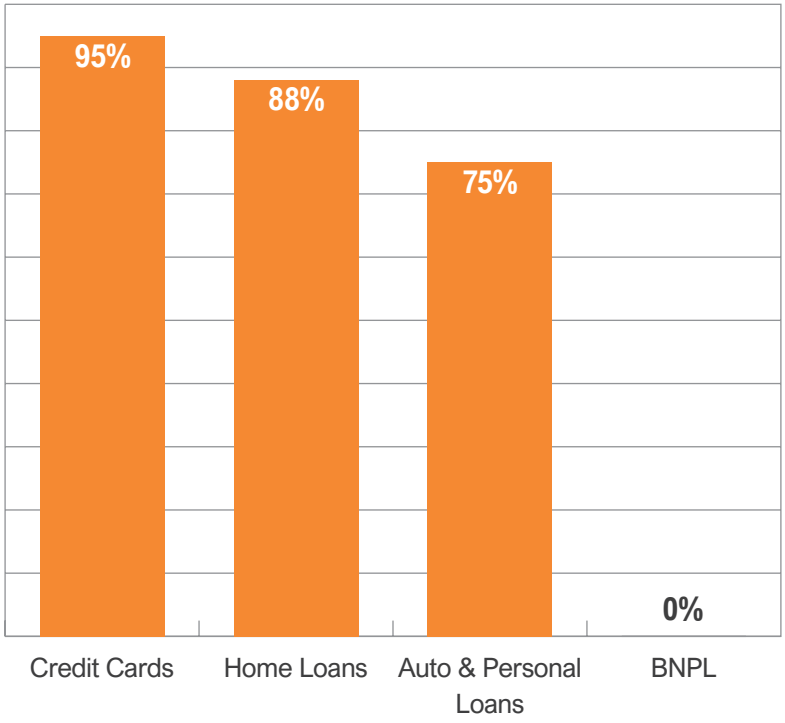
Figure 4 breaks down the CCR accounts being reported into product type. Credit Cards make up 59% of accounts currently being reported, Home Loans make up 27%, while Auto and Personal Loans make up 14%.

Fig 4: CCR accounts Reported publicly by product type



Overall (see Figure 5), it is estimated that 95% of all Credit Card accounts and 88% of Home Loans now have CCR reported, compared to 75% of Auto and Personal Loans. No buy-now pay-later accounts currently have CCR information being reported.

Fig 5: Proportion of accounts reported by product type



Figures 6 breaks down the accounts for which CCR is currently being reported according to the industry sector of credit provider, while Figure 7 reports the progress of each sector towards CCR participation.

Figure 6 shows that the four major banks are responsible for nearly 70% of accounts for which CCR is being reported, while Figure 7 shows they have effectively completed their migration to CCR. Figure 7 also shows that all other industry sectors are at least 50% progressed towards CCR.

Fig 6: CCR accounts reported by industry sector

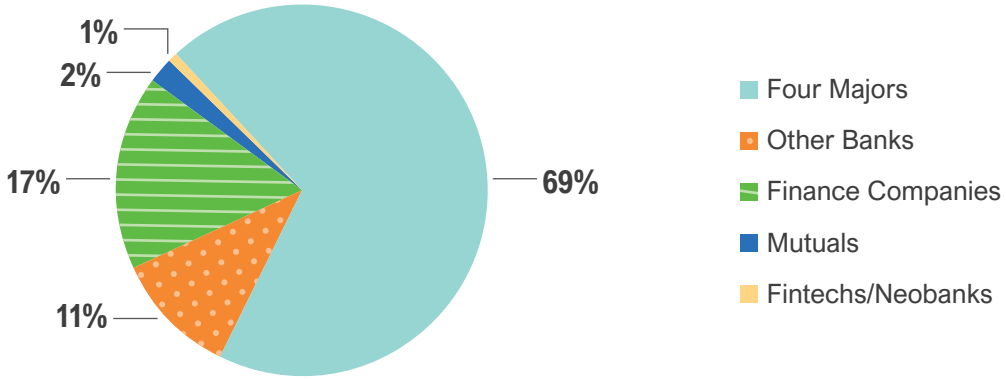
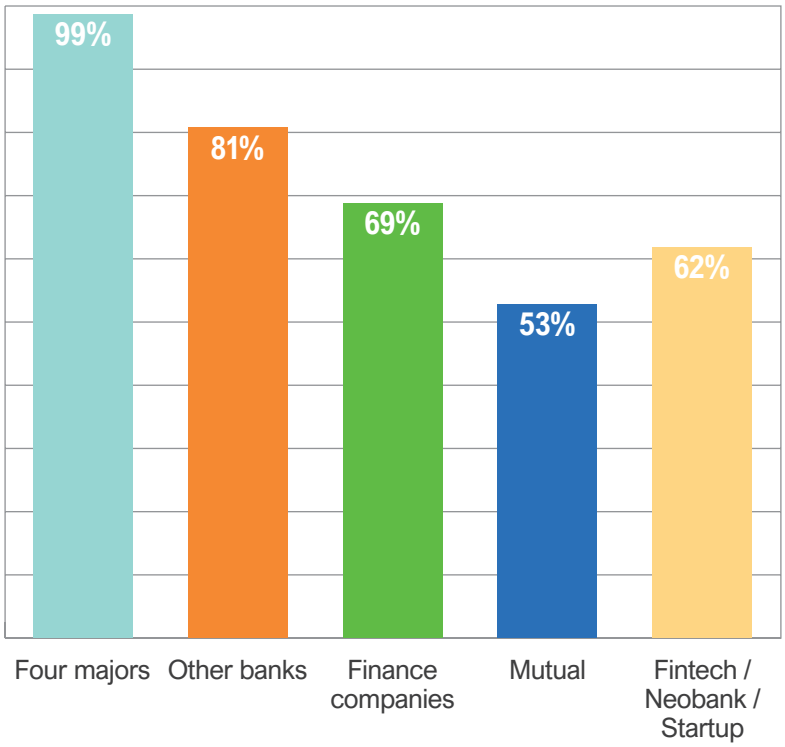
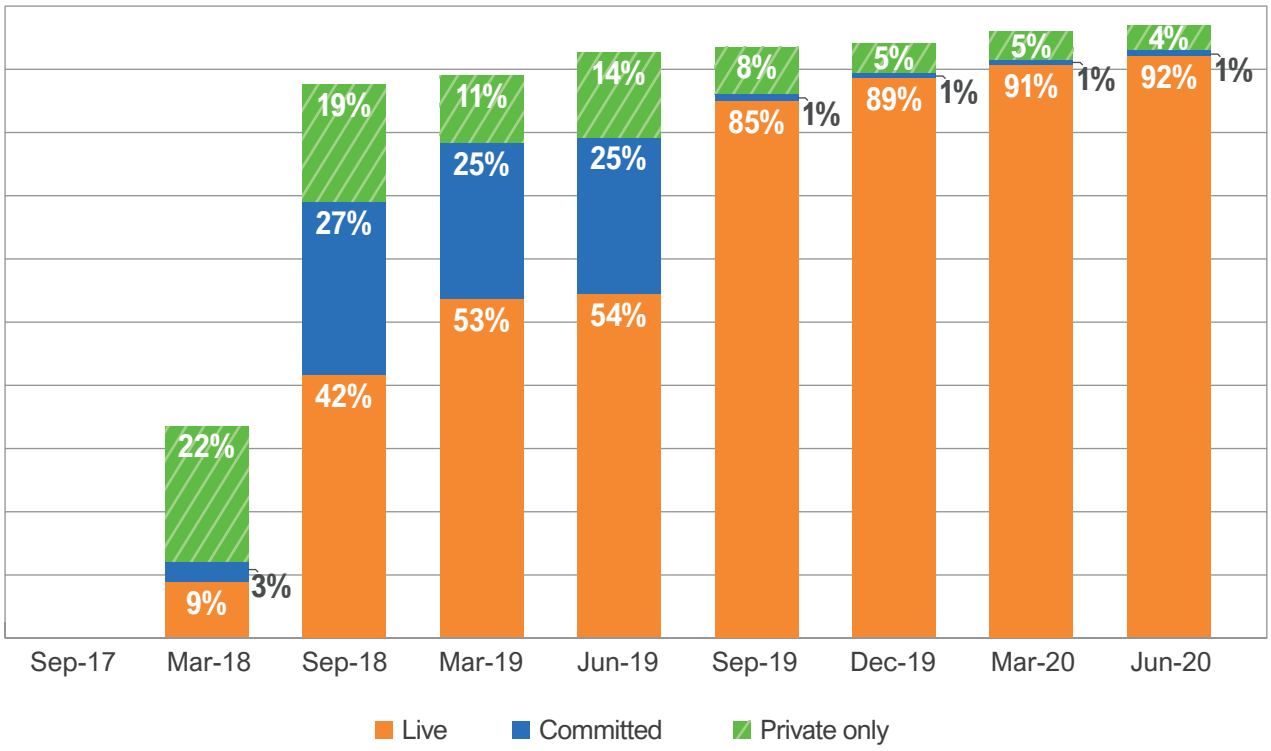


Fig 7: Percentage of CCR accounts reported



The growth in accounts being reported with CCR data will continue to increase. Figure 8 illustrates how the rollout of CCR has occurred over the last two years, showing that apart the accounts that are "live" (being reported in public mode), at each point in time there are also significant numbers of other accounts that are in pre-production or "private" mode and committed to go live within 12 months, or are in private mode but a decision on the "live" date has yet to be made. As at June 2020, apart from the 92% of accounts that are already "live", a further 5% of accounts are either committed to go live or are planning to supply CCR but are yet to identify a "live" date.

Fig 8: Credit providers' CCR rollout timeline



APPENDIX — DETAILED METHODOLOGY

There is no publicly available point of reference that quantifies the size of the credit market across all financial institutions and all product categories in terms of open and active account volumes. Thus, tracking CCR progress as a percentage of total accounts required derivation of a sufficiently accurate 'denominator'.

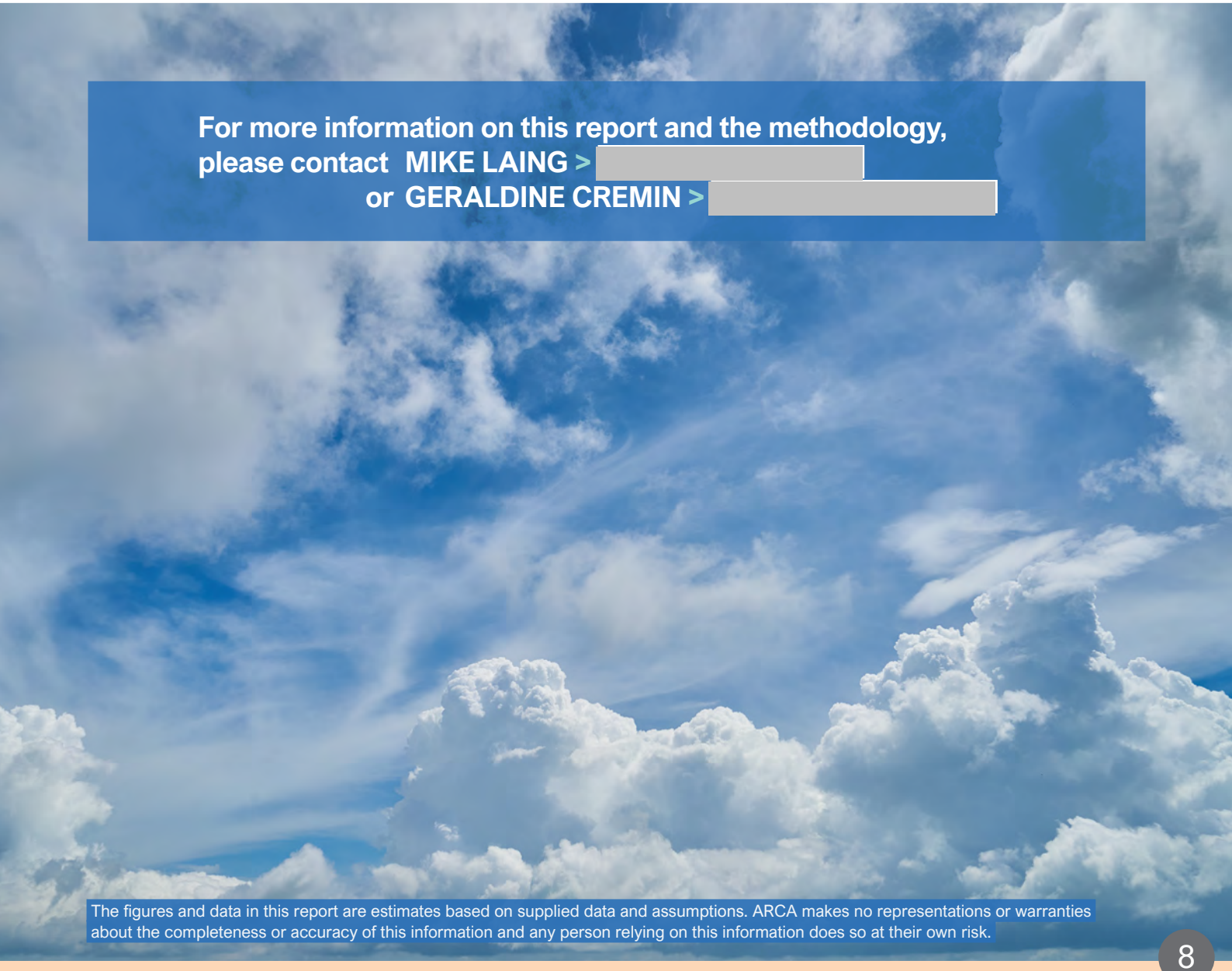
Initial market size estimates were derived from public domain statistics, including RBA and APRA statistical data and individual CP financial reports submitted to ASIC, in order to generate estimated credit account volumes by lender by product category.

Some individual credit providers have also validated and returned their actual account volumes by product category.

Actual data held in the credit reporting system is obtained from the Credit Reporting Bodies (CRBs). Each of the 3 major CRBs, using a standard file template, provides an extract showing the number of CCR credit accounts on the bureau by Credit Provider (CP) and by product category (CP level data provided with the permission of the CP). The data supplied by each of the CRBs is de-duplicated and consolidated in order to derive a single overall view of CCR status across industry. Data in this report relates to September 2019.

This data is then compared to the total size of the credit market across all financial institutions.

It is important to note that whereas many CPs have assisted us to refine our estimate of the overall size of the credit market by validating the number of credit accounts by portfolio applicable to their institution, not all CPs have reverted with validated data. Thus the denominator figure is still subject to some variability.



For more information on this report and the methodology, please contact MIKE LAING >

or GERALDINE CREMIN >

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APPENDIX D – ADDITIONAL DEVELOPMENTS SINCE 2015

1 Introduction

1. Since the authorisation of the PRDE in 2015, there have been a number of legislative, regulatory and industry-based developments which have enhanced the public benefits of the PRDE. A full chronological timeline of these developments is set out in section 13 below.

2. The purpose of this section is to provide a detailed overview of each of these developments, and how these have impacted on the overall credit reporting environment and industry's transition to comprehensive credit reporting (CCR).

3. This section also provides important context on the overall regulatory landscape which has operated for the past five years, and in doing so provides context on the schedule of implementation in terms of both decisions to participate in CCR, but also decisions around when to participate (including, given competing priorities, decisions determining resourcing priorities for the CCR projects themselves).

4. Certainly the regulatory landscape has been intense and become more complex since 2015, partly the result of the Banking Royal Commission but also partly due to efforts to improve competition in the banking sector through initiatives such as proposed legislation to mandate contribution of CCR and introduction of the Consumer Data Right (CDR). Key regulators such as the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) have emphasised the value of CCR data[1]. At times, regulatory uncertainty around the timing and form of mandatory CCR and hardship reporting legislation have slowed progress.

5. Alongside this, and despite uncertainty at different times in the past five years, the range of developments both at legislative, regulatory and industry-based levels have ultimately reinforced the public benefits of the PRDE exchange and, over time, made the case for participation stronger.

[1] See Australian Securities and Investments Commission (ASIC), REPORT 643: Response to submissions on CP 309 Update to RG 209: Credit licensing: Responsible lending conduct, December 2019,P17, and Australian Prudential Regulation Authority (APRA), Letter to all ADIs re : Embedding Sound Residential Mortgage Lending Practices, 26 April 2018, pp3-4

2 Mandatory CCR

6. Alongside the commencement of the PRDE, the Federal Government has considered and developed reform to require a level of mandatory reporting of CCR data. As set out below, this reform has been protracted and is not yet resolved (with final legislation still to pass the Senate). Nonetheless, this move to mandatory CCR has actually worked to incentivise participation in the PRDE, with the form of mandatory CCR complementary to operation of the PRDE.

7. The move to mandatory CCR began in December 2014 when the final report of the Financial System Inquiry (FSI) was released. The report tackled uncertainty in CCR implementation and recognised the dynamics of implementation inherent in a voluntary system, where little benefit accrued to early adopters, but incentives to participate increased as volumes in the system increased to the point where non-participation was in itself costly. As the FSI report noted:

> "As participation and system-wide data grow, net benefits increase for all CCR participants. Further, credit providers that do not participate are at risk of adverse selection with respect to potential new borrowers; a risk that becomes more acute as industry participation increases"[2].

8. Accordingly, the FSI report recommended that the Government 'support industry efforts to expand credit data sharing' and if 'participation is inadequate, Government should consider legislating mandatory participation'[3].

9. In March 2016, the Federal Treasurer asked the Productivity Commission (PC) to undertake a broad study around the availability of data and its use in the Australian economy. Included in its terms of reference was a requirement to "provide an update on existing data sharing initiatives in Australia, including the uptake of the credit reporting framework. Consider recommendations for improving participation in such initiatives"[4].

10. In its final report made public in May 2017, the PC recommended that:

> "The Australian Government should adopt a minimum target for voluntary participation in Comprehensive Credit Reporting of 40% of all active credit accounts, provided by Australian Securities and Investments Commission (ASIC)-licensed credit providers, for which comprehensive data is supplied to the credit bureaux in public mode. If this target is not achieved by 30 June 2017, the Government should circulate draft legislation by 31 December 2017, to impose mandatory participation in Comprehensive Credit Reporting (including the reporting of repayment history) by ASIC-licensed credit providers in 2018"[5].

11. In November 2017, on the grounds that the 40% target was not being met, the then Treasurer Scott Morrison announced that the Federal Government would legislate for

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[2] Financial System Inquiry, Financial System Inquiry: final report, (Murray Report), Treasury, Canberra, November 2014 pp191-192

[3] Ibid p190

[4] Productivity Commission (PC), Data availability and use, Issues paper, PC, Canberra, 18 April 2016, p. iv

[5] Productivity Commission (PC), Data availability and use, Inquiry report, 82, PC, Canberra, 31 March 2017, Recommendation 5.5, p. 38

a mandatory comprehensive credit reporting regime to come into effect by 1 July 2018 and that, "The four major banks will be the first to face the mandated reporting, given they account for approximately 80 per cent of the volume of lending to households"[6].

12. Subsequently, on the 28 March 2018, the National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Bill 2018 (the 2018 Bill) was introduced to Parliament. The 2018 Bill mandated participation by the major banks only and also included reporting requirements, which provided the Treasurer and ASIC with oversight of participation in mandatory CCR.

13. On the same day, the Attorney General announced a review into hardship arrangements and how they interact with the credit reporting system. The decision to undertake this review was made, "in response to feedback received from stakeholders in the development of legislation to mandate the participation of large financial institutions in the consumer credit reporting system" [7]. The matter of reporting hardship arrangements under CCR is discussed further at paragraphs 19 to 23 below.

14. On December 2 2019, these amendments were incorporated into a new mandatory CCR draft legislation, the National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019 (the 2019 Bill)[8], the 2018 Bill having lapsed when Parliament was dissolved in April 2019 (as a result of the Federal election being announced for May 2019). The 2019 Bill, like the 2018 Bill, only mandated participation by the major banks, as well as the same reporting requirements. The 2019 Bill (which incorporated a commencement date of March 2021) was passed by the House of Representatives on 5 February 2020 but has not progressed past the second reading in the Senate as non-essential business was suspended due to the COVID-19 pandemic.

15. It should be noted that the mandatory CCR legislation significantly reflects the framework created by the PRDE. The Explanatory Memorandum to the Bill makes this explicit by noting:

> *"*The mandatory comprehensive credit regime recognises that industry stakeholders have already taken steps to support sharing comprehensive credit information. This includes the Principles of Reciprocity and Data Exchange and supporting Australian Credit Data Reporting – Industry Requirements & Technical Standards.
>
> To the extent possible, the mandatory comprehensive credit reporting regime operates within the established industry framework but also provides scope for future technological developments"[9].

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[6] S Morrison (Treasurer), Mandating comprehensive credit reporting, media release, 2 November 2017

[7] Attorney-General's Department (AGD), 'Review of financial hardship arrangements', AGD website.

[8] National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019

[9] The Parliament of the Commonwealth of Australia, House of Representatives, National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019, Explanatory Memorandum, *paras 1.23-1.24,* p7

16. The Explanatory Memorandum then details how the legislation has adopted the frameworks and principles contained in the PRDE e.g.

- Reciprocity requirements[10]
- Consistency requirements[11]
- Transitional arrangements[12]
- Exceptions to reporting obligations[13]
- Requirement to adopt a technical standard for data supply[14]

17. In relation to the key PRDE principles of reciprocity and consistency, the Explanatory Memorandum highlights the importance of the rationale underlying them:

> "The 'consistency principle' is important. It ensures that all credit reporting bodies have the same information and no credit reporting body has a competitive advantage on the basis of the information it holds. It provides an environment which encourages product innovation and supports competitive pricing of credit reporting information"[15]

> "The Government expects that regulations would be made which reflect 'principles of reciprocity'. The mandated regime will only apply to large ADIs and their subsidiaries on the expectation that the critical mass of information supplied by these ADIs will encourage other credit providers to supply comprehensive credit information. However, this relies on the 'principle of reciprocity' – a credit provider must contribute information to receive information."[16]

18. The role of the PRDE is also explicitly recognised in the proposed regulation 28TB of the National Consumer Credit Protection Regulations 2010[17]. This proposed regulation provides that, where credit information is supplied by a mandated CP to a CRB, the on-disclosure requirements in section 133CZA of the National Consumer Credit Protection Act 2009[18] will be addressed if both the relevant CP and CRB have signed the PRDE.

3 Hardship Reporting

19. ARCA has been one of the most vocal stakeholders seeking reform to address how hardship arrangements should be reported in the credit reporting system. In its

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[10] ibid, paras 1.170-1.173, pp34-35

[11] ibid, paras 1.140-1.46, pp30-31

[12] ibid, paras 1.40-1.44, pp11-12

[13] ibid, paras 1.134-1.138, p30

[14] ibid, paras 1.156-1.162, p33

[15] ibid, paras 1.145 p31

[16] ibid, paras 1.170 p34

[17] Inserted by the National Consumer Credit Protection Amendment (Mandatory Credit Reporting) Regulations 2020

[18] Inserted by the National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019

original authorisation of the PRDE, the ACCC indicated that interested parties had raised how financial hardship arrangements would be recorded as a potential detriment of granting authorisation, but noted the resolution of the issue was outside the scope of the PRDE[19]. The ACCC also acknowledged the work ARCA was doing to progress the issue of hardship reporting and concluded that it was keen to see this matter resolved in reviewing any application for re-authorisation, and that this should be co-ordinated by industry and the relevant regulators outside the authorisation process[20].

20. Between the 2015 authorisation of the PRDE and the Attorney General Department's review into hardship reporting announced in March 2018, ARCA has continued to consistently advocate for legislative reform to enable hardship arrangements to be appropriately reported in the credit reporting system.

21. ARCA's submission to the Attorney General Department's (AGD's) 2018 review (referred to in paragraph 13 above) proposed a model for hardship reporting that included hardship flags that differentiated between variations to credit contracts granted as a result of hardship and assistance granted in the form of temporary indulgences to an existing contract[21]. The submission also provided an extensive international comparison of information available in credit reporting systems including how hardship was recorded, demonstrating the significant shortfall in information (including information around hardship) able to be shared in Australia relative to comparable countries such as the United States, Canada, United Kingdom, and New Zealand[22]. While no response to submissions was released by the AGD, in August 2019 the Attorney-General announced legislative amendments would be made to allow reporting of consumer financial hardship information[23].

22. Subsequently, as noted in paragraph 14 above, the 2019 Bill introduced provisions to enable hardship flags as an amendment to the Privacy Act alongside the mandatory CCR provisions (which amended the National Consumer Credit Protection Act). The model for hardship reporting incorporated into the 2019 Bill included a new category of credit information to created known as "financial hardship information" (FHI) that would be reported in conjunction with repayment history information when a consumer received either a permanent variation to the terms of their credit contract or temporary relief from or deferral of their payment obligations. Importantly, when a consumer received temporary relief from or deferral of their payment obligations, repayment history information is reported reflecting compliance with those revised obligations and not according to the terms of the contractual obligations. In this respect, the FHI reported qualified the RHI reported as being calculated on a different basis to standard RHI. However, the legislation only allowed FHI to be retained in the

[19] Australian Competition and Consumer Commission (ACCC), Application for authorisation lodged by Australian Retail Credit Association Ltd in respect of the Principles of Reciprocity and Data Exchange, Determination A91482, ACCC, Canberra, 3 December 2015, paras 278, 342

[20] Ibid para 344 (ref for acknowledgement page 3)

[21] Australian Retail Credit Association (ARCA), Submission to Review of Financial Hardship Arrangements, 22 June 2018, pp 39-48

[22] Ibid, pp 35-39

[23] C Porter (Attorney-General), New credit reporting arrangements to facilitate better lending deals for consumers and protect vulnerable consumers, media release, 2 August 2019.

credit reporting system for 12 months. Given RHI is retained for 24 months it will mean that the RHI entry will be "unqualified" during that second 12 month period.

23. ARCA has been extensively engaged by the Treasury and AGD during development of both the hardship legislation and mandatory CCR legislation. While some aspects of the hardship components of the 2019 Bill do not reflect ARCA's preferred approach, ARCA supports the passage of the legislation in its current form on the basis that it allows for an improvement in information able to be reported in the credit reporting system.

4 Open Banking and Consumer Data Right

24. In parallel to the legislative and regulatory activity in relation to credit reporting, since the PRDE was authorised there has been recognition of the importance of data in driving the modern economy. This has led to the passage of legislation to create a general "Consumer Data Right" (CDR), with banking the first sector designated to operate under the framework created. The data potentially available through the CDR is both far broader than that available through CCR, and is subject to far fewer restrictions (primarily the consumer's consent)[24].

25. The CDR originated from the Productivity Commission's inquiry into data availability and use, which in its final report delivered in March 2017 recommended to the Government that consumers (and small businesses) be given a new "comprehensive right" to obtain their data held by one service provider and provide it to another (potential) service provider[25].

26. In November 2017 the Government announced it would legislate to create a "consumer data right" that would operate across multiple industry sectors[26]. Banking was selected as the first industry sector for which the new CDR would apply. The then Treasurer Scott Morrison had earlier announced a review into Open Banking in his May 2017 Budget speech[27] and the final report (the so-called Farrell Report) was released in February 2018[28].

27. Draft CDR legislation was released by the Government on 15 August 2018[29] and a draft CDR rules framework was released by the ACCC on 12 September 2018[30].

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[24] Unlike CCR data which is highly regulated in terms of what data may be exchanged, who may access it and the purposes for which it may be used for, CDR data covers nearly all account and transactional data associated with financial service accounts held by consumers and businesses, and may be accessed by any accredited entity for any purpose for which the consumer grants consent. CDR data would exclude "derived data" such as RHI available in the credit reporting system, but CDR data has more granular data available such as actual repayments made, and account balance.

[25] Productivity Commission (PC), Data availability and use, Inquiry report, 82, PC, Canberra, 31 March 2017, p. 191

[26] A Taylor (Assistant Minister), Australians to own their own banking, energy, phone and internet data, media release, 26 November 2017.

[27] S Morrison (Treasurer), Budget Speech 2017-18, 9 May 2017.

[28] Review into Open Banking: final report, (Farrell Report), Treasury, Canberra, December 2017

[29] Treasury Laws Amendment (Consumer Data Right) 2018 Bill

[30] Australian Competition and Consumer Commission (ACCC), Consumer Data Right Rules Framework, September 2018

Ultimately, legislation was finalised and passed by both Houses on 1 August 2019[31], while the final CDR rules were published on 2 September 2019[32], with the banking implementation of the CDR commencing in February 2020.

28. ARCA is strongly supportive of the CDR and has been an active participant in the consultation on the CDR legislation and rules, and on the development of technical standards, seeing many parallels in the frameworks being created for the CDR and the frameworks supporting credit reporting (including the PRDE and associated data standards).

29. ARCA's submission to the Senate Enquiry into the CDR legislation noted that the "Consumer Data Right will provide access to additional data sets in respect of a consumer's credit arrangements, together with other data relevant to the risk and responsible lending assessment"[33]. ASIC has also recognised the opportunity of the CDR to improve responsible lending practices[34], and Treasury has noted that the Consumer Data Right is "intended to support improved compliance with regulations"[35], such as the responsible lending obligations.

30. ARCA's submission highlighted the richness of data potentially available through the CDR, and pondered given the expectations it would be used for responsible lending purposes why similar data was not made available in the credit reporting system. As stated in the submission:

> "If, as we anticipate, the granting of consent to access open banking data by a consumer becomes a condition of the loan application being assessed, then from a consumer protection perspective, it seems incongruous that a credit provider can't access similar information through the credit reporting system, given the already stringent protections that apply to the use and disclosure of credit reporting information"[36].

5 Responsible Lending

31. In February 2019, ASIC initiated a review of its regulatory guide for responsible lending conduct[37]. On 9 December 2019, ASIC published its response to submissions which noted that its view as to what reasonable steps a credit provider could be expected to undertake were not static, and would be influenced by industry's adoption of innovations such as open banking and comprehensive credit reporting. Importantly, ASIC noted that:

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[31] Treasury Laws Amendment (Consumer Data Right) Bill 2019

[32] Australian Competition and Consumer Commission (ACCC), Consumer Data Right, CDR Rules (Banking), ACCC, Canberra, 2 September 2019

[33] Australian Retail Credit Association (ARCA), Submission to Senate Economics Legislation Committee on Treasury Laws Amendment (Consumer Data Right) Bill 2018, February 2019, p3

[34] Australian Securities and Investments Commission (ASIC), Update to RG 209: Credit licensing: Responsible lending conduct. Consultation Paper 309, February 2019, Paragraph 20

[35] The Treasury, Privacy Impact Assessment Consumer Data Right, December 2018, Page 20

[36] Australian Retail Credit Association (ARCA), Submission to Treasury on the draft Treasury Laws Amendment (Consumer Data Right) Bill 2018, 7 September 2018, p4

[37] Australian Securities and Investments Commission (ASIC), Update to RG 209: Credit licensing: Responsible lending conduct. Consultation Paper 309, February 2019

> "We consider our guidance should have the effect that licensees are less likely to compete on the amount of information they have regard to when assessing an application. That is, a consumer who applies for a particular type of product should expect that a similar level of information will be considered regardless of who they choose to deal with"[38].

32. The position ASIC expressed in 2019 was not different to that expressed in the original responsible lending guide published in November 2014, as follows:

> "Other tools may become available to you in the future, which may further assist you in complying with the responsible lending obligations (e.g. comprehensive credit reports or a database of small amount credit contracts). As new verification tools become available to licensees, what constitutes 'reasonable steps to verify' information may change"[39].

33. The Banking Royal Commission established in December 2017 has also had a significant impact on responsible lending practices, particularly around verification of expenditure. In its final report delivered on 1 February 2019, the Commissioner noted:

> "Since the first round of the Commission's hearings, a number of banks have altered their lending processes and procedures by introducing additional inquiries about a borrower's financial situation and by taking some further steps to verify that situation"[40].

6 Prudential Standards

34. The Australian Prudential Regulatory Authority (APRA) has significant influence on the standards and processes adopted by the ADIs they regulate in relation to managing credit risks. On 26 April 2018 APRA wrote to all ADIs in relation to residential mortgage lending practices, outlining their expectation that ADI's would commit to:

- "improving where necessary the collection of information on borrowers' actual expenses, to reduce reliance on benchmark estimates ….
- strengthening controls to verify borrowers' existing debt commitments, and preparing to participate in the new comprehensive credit reporting (CCR) regime in the future;
- prudently managing overrides to lending policies, …. And
- developing internal risk appetite limits on the proportion of new lending at very high debt to income levels …..
- Where changes to limits, policies and systems are required to deliver commitments on lending practices, ADIs should include an indication of

[38] Australian Securities and Investments Commission (ASIC), REPORT 643: Response to submissions on CP 309 Update to RG 209: Credit licensing: Responsible lending conduct, December 2019,P17

[39] Australian Securities and Investments Commission (ASIC), Regulatory Guide 209: Credit licensing: Responsible lending conduct, November 2014, Table Note 2, p22

[40] Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Final Report, 1 February 2019, Volume 1, p55

timing for implementation, which should be within the next 12 months (other than for CCR)"[41]. [**emphasis added**]

35. On 11 July 2019, the Chairman of APRA Wayne Byres expanded on his expectations around participation in CCR, and APRA's perceptions on the value of such participation:

> "To improve the verification of borrowers' pre-existing debts, many banks are preparing to participate in Comprehensive Credit Reporting (CCR). Although this will be required for the major banks, other banks have also committed to developing the capabilities to participate in the new regime. CCR will provide much greater visibility of a borrower's existing debt commitments, and in turn should furnish banks with an ability to enhance not only their serviceability assessments for new borrowers but also risk analytics for the mortgage portfolio overall.
>
> CCR should also support the move from limits around loan size relative to borrower income to controls on total debt relative to income. As a simple metric, this can provide a useful crosscheck on overall serviceability risk, to complement the more detailed net income tests for individual borrowers. Acting in tandem with these tests, it is likely to function as a backstop, however, rather than primary constraint. In addition, it may take some time for controls on total debt to income to be finetuned and properly calibrated, as data histories in Australia will initially be short. This is a key reason why APRA has been careful not to be prescriptive, and has left it to banks to determine the calibration of their policy and portfolio limits in accordance with their own risk appetite and experience "[42]

36. Ultimately, on 12 December 2019 when its revised prudential standard for credit risk management was released, while APRA did not make CCR participation mandatory, they made it clear than an ADI's credit assessment for individuals must include "making reasonable inquiries and taking reasonable steps to verify commitments and total indebtedness [and considering] the borrower's repayment history and capacity"[43]. Both of these steps are enabled through CCR participation.

7 Other Regulatory and Industry-based Developments

37. In addition to the developments set out above, since authorisation of the PRDE in 2015, the operation of the Australian credit reporting system has continued to evolve and develop. This evolution and development has been aided by:

- The review of the Privacy (Credit Reporting) Code (CR Code) and two sets of variations made to the CR Code
- The review of the Australian Credit Reporting Data Standard (ACRDS), publication of Version 2 of the ACRDS
- Introduction of an ongoing publication timeframe for the ACRDS

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[41] Australian Prudential Regulation Authority (APRA), Letter to all ADIs re : Embedding Sound Residential Mortgage Lending Practices, 26 April 2018, pp3-4

[42] Australian Prudential Regulation Authority (APRA), Preparing for a rainy day. Speech by Wayne Byres to Australian Business Economists, July 2018

[43] Australian Prudential Regulatory Authority (APRA), Prudential Standard APS 220 Credit Risk Management, January 2021, para 44, page 11

- A number of initiatives aimed at improving data validation led by ARCA
- The development of guideline material by ARCA.

8 Changes to the Privacy (Credit Reporting) Code 2014 (CR Code)

38. The CR Code independent review is required to be undertaken at fixed intervals under the CR Code. The first (and, to date, only) independent review was undertaken by Pricewaterhouse Coopers, with the final report published in December 2017. PWC noted that, at the time of publication, CCR had not properly commenced, and a further review would be required once the CCR data exchange was in operation. The recommendations included enhancing monitoring and enforcement activity, enhancing consumer education and awareness, changes to default information provisions including allowing for electronic delivery of notices and minor changes to clarify operation of the grace period and the CRB direct marketing prohibitions.

39. ARCA, acting as CR Code developer, subsequently made two applications to vary the CR Code, one in April 2018 (which was approved by the Information Commissioner and the varied CR Code commenced on 1 July 2018), the second in April 2019 (which was approved by the Information Commissioner and the further varied CR Code commenced on 14 February 2020). These variations were supported by extensive consultation with a range of stakeholders and incorporated both the recommendations from the PWC report, as well as changes identified by industry, particularly changes necessary to support the CCR data exchange. The reason the changes were dealt with in two tranches was due, in part, to a desire to progress the more straightforward changes or the CCR data exchange changes first, aligning with the (then) anticipated commencement of the mandatory CCR legislation in late 2018.

40. The CR Code changes which impacted on the exchange of CCR data included:

    - Changes to the meaning of consumer credit liability information (CCLI) datasets, account open date ("the day credit is entered into") and account close date ("the day credit is terminated or otherwise ceases to be in force"), based on feedback which had indicated that the previous definitions had resulted in different CP approaches to defining account open and account close, even for the same account type. The changes sought to limit these differences in approach.
    - Changes to the RHI provision and the 'month' definition (which defines the RHI 'month' being reported) to address operational issues in RHI reporting (for instance, reporting the RHI month where that month ends on a non-business day), and to limit variance in assessment of RHI, being the inability to define the RHI 'status' based on the 'worst case' assessment for the month. The 'worst case' assessment would mean the RHI reported would reflect the worst overdue state during the RHI month, even if payment obligations were met during the month. The change meant the RHI status must now reflect the status of the account at the end of the month, with all payments made taken into account.

41. The CR Code changes also included changes to improve consumers' interaction with the credit reporting system, including improving the corrections requirements, prohibiting CRB's use of pre-ticked marketing consents and introducing the ability to co-ordinated a fraud-related ban period request across all CRBs.

9 Review of the Australian Credit Reporting Data Standard (ACRDS) and publication of Version 2 of the ACRDS

42. The ACRDS is the input data supply standard, developed by ARCA and, under Principle 3 of the PRDE, the data standard required to be used by PRDE signatories. The ACRDS was first published in early 2014, coinciding with commencement of the new Part IIIA of the Privacy Act.

43. In 2016 and 2017, ARCA conducted operational and legal reviews of the ACRDS. These reviews were conducted by ARCA, with input and guidance provided by ARCA's Data Standards Workgroup, a Member-based workgroup with broad representation from ARCA's CP and CRB Members as well as PRDE signatories. The Data Standards Workgroup met on a regular monthly basis during this time, with a number of issues also being referred to even more frequent 'sub-group' meetings for input.

44. The outcome of these reviews, along with ongoing feedback provided by the Data Standards Workgroup, was the publication of Version 2 of the ACRDS on 1 April 2019. This publication was supported by recommendations for change by the Data Standards Workgroup, and approvals provided by both the ARCA and RDEA Boards.

45. Changes made to the ACRDS in Version 2 were extensive, with the more significant changes being:

- Introduction of removal event functionality, enabling the removal of an entire dataset (default, RHI, account or account holder) to give effect to a correction. In the absence of this functionality, a CP seeking removal of this information would need to make a manual request to each CRB who held the information.
- Improvements to the validation requirements for account holder information, particularly name and address. CP feedback had identified differences in validation requirements by CRBs for these data elements, and these improvements were aimed at promoting more consistent validation by CRBs. Examples of these changes included enabling reporting of street suffixes, identifying overseas addresses and allowing limited CRB modification of name/address information.
- Change to the account transfer process, to ensure an account transfer could be reported even where the acquiring CP (usually a debt buyer) was not an ACRDS-user.
- Changes to enforce the negative and partial tier levels, for instance, changing how account open and close date was reported (shifting from the account header data block to the consumer credit liability information (CCLI) data block) and changing the default status to ensure only information about payment of the default was reported, not the account open/close status.
- Removal of the 'settled' code as a default status, in line with the OAIC view[44] that the Privacy Act required both paid or settled defaults to be reported as paid.

Publication of Version 2 has required CRBs to make changes to support multiple versions, to allow CPs to transition from Version 1 to Version 2. CRBs have made

[44] See ARCA update to the Australian Institute of Credit Management, February 2019: https://aicm.com.au/news-resources/articles-news/settled-defaults-are-no-more-by-elsa-markula/

these systems changes, and from April 2020, Version 2 is now able to be implemented by CPs.

10 Introduction of an ACRDS publication timeframe

46. The publication of Version 2 highlighted the need for adoption of an ongoing ACRDS publication timeframe. The purpose identified for adopting a regular publication timeframe included:

    - The regular publication timeframe allowed organisations to manage their internal support and funding requirements for the ACRDS.
    - It allowed better management of issues through ARCA and the Data Standards Working Group, as issues could be identified, investigated and resolved in a structured fashion – with an awareness of the need to fit any resolution within the publication timeframe. Mapping a clear path for resolution of issues, also reduced the likelihood of further issues (which can arise if particular issues aren't resolved in an expedient fashion).
    - It aligned with the philosophy that data contribution is not a fixed activity, but something which evolves depending upon better systems, technology, the legal and regulatory framework, and consumer expectations.

47. The identification of the need for this timeframe and its underlying purpose was the result of discussion of the Data Standards Workgroup, which was then briefed to the ARCA and RDEA boards. Subsequently, the timeframe approved by the ARCA and RDEA boards was to support a new release or sub-version of the ACRDS every 12 months, and a new version of the ACRDS every 24 months.

48. Exceptions will be necessary to this regular publication timeframe allowing for more urgent changes (required by new laws, regulatory or other industry requirements). Furthermore, if no changes are required to the ACRDS for each publication schedule, then no changes will be made (for instance, if a schema change is not required at 24-month timeframe, then a new release/sub-version of the ACRDS may be published rather than a new version).

49. Since publication of this timeframe, the ARCA and RDEA boards have approved the extension of the next ACRDS version to a 'date to be fixed', allowing for a delay in implementation of Version 2 of the ACRDS (for CPs whose resource availability has been impacted by the COVID crisis) and in anticipation of the hardship legislation flag being enacted and provided for in Version 3 of the ACRDS.

11 Data validation initiatives

50. During 2018 and coinciding with increased participation in CCR data supply, ARCA Members identified ongoing issues with data validation. These issues were identified as part of the regular Data Standards Workgroup meetings, or otherwise, in one-on-one discussions with the ARCA data standards team. The effect of these issues were differences in validation by the three CRBs, which required additional CP resourcing to reconcile and address different response files.

51. In response, ARCA launched its data validation project, with the specific aim of supporting improved data validation. ARCA has engaged a data standards consultant who has extensive experience in operating the consumer bureau at then-Veda.

52. The data validation project has involved developing a 'test bed' for Version 1 and Version 2 of the ACRDS. The 'test bed' is a series of test cases, based on the

expected outcomes of reporting each of the different reporting events within the ACRDS. The test bed data is converted to XML format and each of the test cases is submitted to each of the three CRBs, with the response files then compared with the expected outcomes.

The test bed for Version 1 provided the following results:

138 test cases where:	• Result matched expected outcome (91%) • Test result differs to expected outcome o CRB to resolve differences before or as part of ACRDS V2 upgrade (7%) o To be discussed with CRBs (1%) o No action as changes in V2 will make test case redundant (1%)
441 test cases where:	• Result matched expected outcome (83%) • Test result differs to expected outcome o To be revisited during ACRDS V2 validation testing due to changed validation rules (8%) o CRB to resolve differences before or as part of ACRDS V2 upgrade (7%) o To be discussed with CRBs (2%)

53. This exercise has achieved a number of goals as follows:

- Confirmed CRBs' validation is predominantly in line with the ACRDS Version 1 requirements
- Highlighted different CRB interpretations of the ACRDS Version 1
- Assisted CRBs in identifying issues to be resolved in their systems
- Enabled production of the first draft of the Error Messages document
- Reduce inconsistency of validation across CRBs – this will become more evident for CPs going forward with ACRDS Version 2 as CRBs apply changes in response to issues and enhancement opportunities identified during this testing.

54. The overall result of this test bed initiative is that Credit Providers can expect reduced effort interpreting processing results and dealing with rejected data. Furthermore, the platform has now been established for on-going verification of test results against expected outcomes for future versions of the ACRDS. The test bed for Version 2 is currently in the process of being run with each of the three CRBs.

55. In addition to the test bed, the data validation project has involved the development of a tool to reduce the time required by a CP to reconcile different error codes from these CRBs, and further, by including ACRDS references and the recommended action, to aid the process of easily rectifying data validation issues. The tool creates

an error code look up table for Experian and illion error codes[45] which sets out the following fields:

Field name	Description
illion Message Code	The unique illion code associated with the message. Credit Providers can use the illion Message Code they were returned in the Response file to lookup or filter on this column
illion Message	illion Explanatory text
Experian Message Code	The unique Experian code associated with the message. Credit Providers can use the Experian Message Code they were returned in the Response file to lookup or filter on this column
Experian Message	Experian Explanatory text
Condition	Validation condition in question
Data element referred to (if applicable)	Data Element that message relates to for the given condition
ACRDS Data Element Attributes	ACRDS Attributes of the Data Element
ACRDS Rules	ACRDS Rules for the Data Element
Reason for rejection	Explanation of why the Data Element was rejected or Warning/Informatory message returned
Recommended action by CP	Recommended action the Credit Provider should take, if any, in relation to the Message returned
ACRDS reference	The relevant sections in the ACRDS

56. Feedback from Members has indicated that with this initiative, and ongoing efforts by ARCA to promote adequate resourcing of data rectification (both at source and also when dealing with response files) has led to validation issues becoming less frequent. Further, it is observed that where CPs have undertaken data rectification prior to initial data load, validation issues in the initial data load and ongoing data supply are far less likely to occur.

12 Development of guideline material by ARCA

57. ARCA has developed guideline material which is aimed at improving both understanding of the credit reporting system as well as promoting greater consistency in practice. The development of guideline material has been the result of issues being identified through workgroup discussions, with the content and drafting of the guideline then supported by Member input through various ARCA working groups. Examples of guidelines developed by ARCA include:

[45] Equifax has declined to participate in this initiative on the basis of concerns about compromising its intellectual property rights

- In relation to the PRDE, a mortgage default guideline to identify what the reasonable timeframe could be for reporting a mortgage default.
- In relation to the ACRDS, specific ACRDS guidelines on reporting issues that have been identified by the Data Standards Workgroup.
- In relation to the 'cross over' issue of RHI reporting (which touches on Privacy Act and Regulation, CR Code, ACRDS and PRDE requirements), a guideline which sets out the best practice model for RHI reporting, with the aim of reducing inconsistencies in RHI reporting.

1.1 PRDE mortgage default guidelines

58. In 2019 it was identified that, despite the PRDE requiring the reporting of negative information on all eligible consumer credit accounts, a number of CPs were yet to implement reporting of defaults for mortgage accounts.

59. To support the reporting of mortgage defaults, ARCA developed the mortgage default guideline. The guideline seeks to align the reporting of mortgage defaults with the mortgage debt collection process, and suggests the reasonable timeframe for reporting of the mortgage default should be on or before the commencement of originating proceedings to recover the mortgage debt or obtain possession of the mortgaged property. The guidelines are intended to become operational on 1 September 2020 (although ARCA is currently looking to shift the commencement back due to the COVID-19 pandemic and the freezing of projects which supported the implementation of these guidelines).

60. The development of these guidelines was supported by extensive consultation with ARCA Members, including frequent (sometimes fortnightly or monthly) Member workgroup discussions.

61. Once developed, CPs then were offered the ability to provide a self-report of their non-compliance with the PRDE requirements (which require the reporting of mortgage defaults), on the basis that they were taking steps to comply with the guideline on or before its commencement in September 2020.

62. The tackling of this PRDE compliance issue by developing of guideline material (and subsequent industry-level self report documents) provided an effective and comprehensive means to address an issue in PRDE compliance.

1.2 ACRDS guidelines

63. ARCA is intending to develop an 'end-to-end' ACRDS guideline, which can be read in conjunction with the ACRDS. However, given the development of this guideline will require significant resources (which are currently not available), ARCA has commenced developing specific ACRDS guidelines to address pressing issues or areas requiring clarification. To date, ARCA has developed and released the following ACRDS guidelines:

- Overdraft reporting
- Reporting deceased customers
- Handling response files
- Removal event functionality

64. ARCA has also commenced developing a guideline on the use of CCLI codes, with the intent of promoting consistent use of these codes by different CPs.

65. In addition, ARCA is developing a guideline protocol which sets out how guidelines will be developed, reviewed, published and communicated, and also what document management principles will be applied and the expectations for implementation and alignment to the guidelines.

66. Furthermore, ARCA has published a guideline to explain the error code look up tool, described in paragraph 55 above.

67. All of these guidelines are provided in draft to the Data Standards Workgroup for their feedback (either in monthly workgroup sessions or as part of the now quarterly meetings of the workgroup), with updates on the development of this material also regularly provided to the ARCA and RDEA Boards.

1.3 RHI reporting guidelines

68. ARCA has been working with its Members for some time to achieve greater consistency in RHI reporting. The reason these inconsistencies arise are due to the framework for RHI reporting being quite broad. It enables RHI to be reported against a monthly payment obligation, with the CR Code imposing further requirements including application of a grace period, the reporting of only one RHI status for a month, and the calculation of an RHI status based on the oldest outstanding payment.

69. However, based on extensive discussions with Members, we identified five factors which create inconsistency in reporting. These factors are:

- Application of grace periods

  Some CPs may apply a grace period longer than 14 days (noting the CR Code provides the grace period be *at least* 14 days), and (rarely) some CPs may also apply a grace period to each overdue payment.

- Use of 'substantial compliance' thresholds

  CPs will often apply an internal threshold for RHI reporting, so that an individual will be deemed to have met their payment obligation provided it is within a threshold. Thresholds will vary depending on different portfolios and products held by each CP.

- Reporting against 'worst case' scenario vs 'end of month'

  While quite rare, some CPs determined the RHI status based on the worst RHI position for an individual during the month, whereas nearly all CPs determined RHI status based on the status of the account at the end of the RHI month.

- Timing of end of RHI month – due date, cycle date, or end of calendar month

  CPs will use different RHI months – depending sometimes on portfolios (for instance, the credit card portfolio may be cycle date based, but the home loan portfolio may be based on a calendar month).

- Timing of RHI observation

  CPs will observe RHI at the same time as disclosing the RHI to the CRB. Some CPs may only make a single observation, whereas others may make an initial observation and, if a grace period applies, a subsequent observation.

70. As noted in paragraph 40 above, the third factor, being the 'worst case' scenario vs 'end of month' reporting, ARCA resolved with a variation to the CR Code.

71. In the terms of the remaining factors which have given rise to inconsistency in approach, ARCA is currently working with its Members on a best practice model for

RHI reporting, which seeks to achieve greater consistency in approach. ARCA initially formed a sub-group of Members to develop this model, and has since conducted a series of ongoing one-on-one meetings with Members to seek their ongoing feedback on this model, and to better understand the different experience of each Member organisation implementing their RHI reporting.

72. It is noted that Members have expressed a strong desire to shift to this model, noting that these inconsistencies not only impact the reliability of RHI data, it may also make it even more difficult to explain RHI to consumers.

73. This process of change will not be immediate, with many Members looking to align changes with other credit reporting changes, for instance, enablement of hardship flags or implementation of new versions of the ACRDS.

74. The best practice model has the following key features:

- Use of the payment due date observation to establish the RHI month. This means consumers are not treated differently depending where in the calendar month their payment falls due (which may occur with an RHI month based on calendar month). The payment due date may also be easier for consumers to understand.
- Grace periods are applied consistently, so that each grace period is 14 days (not a longer time period), and the grace period is only applied in the first overdue month, that is, when the age of the oldest outstanding payment is less than 15 days overdue. It is also proposed that, rather than reporting RHI as '0' because the RHI month end falls within the grace period, the observation of RHI should occur once a grace period has expired (this may require a second RHI observation if the RHI month ends within the grace period). For example, if an individual is 5 days overdue at the end of the RHI month, then the CP would wait an additional 10 days before making their RHI observation. If, at that time, the individual remained overdue, they would be reported as an RHI '1'.
- Where a threshold is applied, this threshold is consistent with the CP's collection system i.e. if the CP has determined that an individual is not overdue for RHI purposes, this must be consistent with the CP's collection system.
- CPs are encouraged to consider whether opportunities exist to report more frequently to CRBs, to reduce the delay in RHI appearing on an individual's file.

13 Chronology of Key Events

DATE	EVENT
2014	
7 December	Financial System Inquiry 2014 (known as the Murray Inquiry) final report publicly released
2015	
3 December	ACCC grants authorisation to ARCA and PRDE signatories, commencing 25 December 2015 for a five year period ending 25 December 2020
2016	
12 February	RateSetter Australia becomes the first credit provider to participate in CCR under the PRDE

21 March	The Federal Treasurer asks the Productivity Commission to undertake study into data availability and use
18 April	The Productivity Commission releases issues paper and calls for submissions into data availability and use
2017	
8 May	The Federal Treasurer releases Productivity Commission final report of its inquiry into data availability and use delivered in March 2017 Productivity Commission (PC), *Data availability and use*, Inquiry report, 82, PC, Canberra, 31 March 2017
9 May	The Federal Treasurer announces review into Open Banking in Budget speech
2 November	Mandatory CCR legislation announced, to come into effect by 1 July 2018 S Morrison (Treasurer), *Mandating comprehensive credit reporting*, media release, 2 November 2017.
26 November	The Federal Government announces intention to introduce legislation creating a Consumer Data Right
14 December	Bank Royal Commission established
2018	
9 February	Final Report of Open Banking Review (the Farrell Report) released
16 February	NAB becomes the first major bank to participate in CCR under the PRDE
28 March	Mandatory CCR legislation introduced National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Bill 2018 (the 2018 Bill)
28 March	The Attorney General announces review into hardship arrangements and how they interact with the credit reporting system Attorney-General's Department (AGD), 'Review of financial hardship arrangements', AGD website.
April	APRA writes to ADI's regarding "Embedding Sound Residential Mortgage Lending Practices" indicating APRA expects ADIs to commit to preparing to participate in the new comprehensive credit reporting (CCR) regime in the future
10 June	Submissions on AGD hardship reporting review close
29 June	Teachers Mutual Bank becomes the first mutual bank to begin participation in CCR under the PRDE
11 July	Chairman of APRA Wayne Byres makes "Rainy Day" speech noting value of CCR for identifying a borrower's existing debt commitments and improving serviceability assessments

	Australian Prudential Regulation Authority (July 2018) Preparing for a rainy day. Speech by Wayne Byres to Australian Business Economists
15 August	Draft Consumer Data Right (CDR) legislation released
28 August	ASIC releases credit cards legislative instrument setting a three year period for determining unsuitability in respect of credit card contracts Australian Securities and Investments Commission August 2018. ASIC Credit (Unsuitability—Credit Cards) Instrument 2018/753 Instrument commences 1 Jan 2019
12 September	ACCC releases draft rules for CDR
15-24 September	ANZ, CBA, and Westpac begin participation in CCR and industry reaches over 40% of consumer accounts having CCR information being reported
24 September	2nd draft of CDR legislation released
28 September	Interim Report of Banking Royal Commission tabled in Parliament
24 October	AGD holds Roundtable on hardship and credit reporting in Sydney
28 November	Australian Securities and Investments Commission (ASIC) REPORT 600: Review of buy now pay later arrangements released
12 December	Final CDR Legislation announced
21 December	ACCC releases CDR rules standards and timeline 1 July 2019 product data to be shared 1 February 2020 consumer/account data shared
2019	
4 February	Final Report of Banking Royal Commission tabled in Parliament
14 February	ASIC initiates review of regulatory guide for responsible lending (RG209)
31 March	Over 50% of consumer credit accounts have CCR information being contributed under the PRDE
4 April	Legislation introducing the product intervention power passes both Houses of Parliament Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers)
11 April	Australian federal election called and Parliament dissolved
18 May	Australian federal election held
1 July	Mandatory CCR legislation (the 2018 Bill) lapses at the end of the 45th Parliament

2 July	46th Parliament begins
24 July	Final CDR legislation tabled in parliament Treasury Laws Amendment (Consumer Data Right) Bill 2019
1 August	Final CDR legislation passes both Houses Treasury Laws Amendment (Consumer Data Right) Bill 2019
2 August	AG announces legislative amendments to allow reporting of consumer financial hardship information. C Porter (Attorney-General), *New credit reporting arrangements to facilitate better lending deals for consumers and protect vulnerable consumers*, media release, 2 August 2019.
30 September	12-month transition period for all major banks has now passed and over 85% of consumer credit accounts have CCR information being contributed under the PRDE
2 December	Government tables legislation in parliament, incorporating the "Hardship" provisions into a new mandatory CCR Bill. The Bill introduces a new category of credit reporting information, enabling hardship information to be reported alongside repayment history, with a commencement date of March 2021 The *National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019*
9 December	ASIC releases response to submissions received and revised responsible lending guidance (RG209), Australian Securities and Investments Commission December 2019. REPORT 643: Response to submissions on CP 309 Update to RG 209: Credit licensing: Responsible lending conduct.
12 December	APRA releases revised Prudential Standard APS220 Credit Risk Management
2020	
5 February	Mandatory CCR and hardship Bill passes lower house and 2nd reading moved in Senate, but does not proceeded due to COVID-19
30 June	Over 92% of consumer credit accounts have CCR information being contributed under the PRDE

AUSTRALIAN RETAIL CREDIT ASSOCIATION

APPENDIX E – GOVERNANCE & OPERATION OF THE PRDE

1 Introduction

1. The ACCC's 2015 Authorisation recognised that a robust compliance framework would be essential to maintain confidence in the integrity of the system and would be more likely to enable the other public benefits of the PRDE to be realised. To that end, the ACCC agreed that the mechanisms in the PRDE were likely to be adequate to manage compliance obligations.

2. This document sets out details on the governance of the PRDE Administrator Entity including the creation of the RDEA, the RDEA Board, and its relationship with ARCA. It will also discuss how the RDEA as the PRDE Administrator has performed its duties under the PRDE. Finally, this document discusses the inaugural Independent Review of the PRDE completed by PricewaterhouseCoopers (PwC) in 2019 and the subsequent 2020 Amendment Process.

3. Overall the governance and operation of the RDEA has been successful and the PRDE Administrator Entity has satisfied its responsibility to ensure the effectiveness of the PRDE as a clear set of standards for the management, treatment and acceptance of credit related personal information among signatories.

4. The version of the PRDE for which ARCA seeks authorisation includes proposed amendments to Principle 5, arising from the 2019 Independent Review and 2020 Amendment Process. The proposed amendments will enhance the PRDE's compliance framework, primarily by:

   - Strengthening the requirements for signatories' attestations of compliance[1]
   - Improving the PRDE Administrator Entity's compliance, investigation and monitoring capabilities. This includes the ability to request information from a signatory if the PRDE Administrator Entity forms the opinion that a signatory may have engaged or is engaging in non-compliant conduct; and to proactively develop a rectification plan that addresses non-compliant conduct across multiple signatories arising from the same or similar issues[2]
   - Formalising an interpretation and guidance role for the RDEA, with the development of that guidance requiring appropriate consultation with signatories and other interested stakeholders as appropriate[3]

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[1] Proposed PRDE Version 20 proposed paragraphs 93(f) and (g)

[2] Proposed PRDE Version 20 proposed paragraphs 99A-99J, supported by proposed paragraphs 66A, 93(a), 93(g), 107(l), 107(m)

[3] Proposed PRDE Version 20 paragraphs 108A - 108E and supported by proposed variation to the introduction to Principle 5

- Including as an additional compliance outcome available to the IDG and Eminent Person, that the signatory is technically non-compliant however the non-compliant conduct is not material to the proper operation of the PRDE and no further outcome is required[4].

5. The background and rationale to the proposed amendments is discussed in 'Administration of compliance framework' and 'Independent Review and 2020 Amendment Process' below.

2 Governance of the RDEA

6. ARCA's 2015 Application outlined the role of an 'Administrator Entity' which would oversee the operation of the PRDE[5]. Principle 1 of the PRDE makes it clear that signatories execute the Deed Poll to give effect to the PRDE to make the authority of the PRDE Administrator Entity 'effective and binding'[6].

7. This section summarises the creation of the PRDE Administrator and its Board, and how the PRDE Administrator interacts with stakeholders including PRDE Signatories and ARCA. This section also explains the arrangements ARCA and the PRDE Administrator have agreed and implemented in terms of funding the administration activity of the PRDE Administrator and managing intellectual property.

2.1 Creation of the PRDE Administrator

8. In July 2015, ARCA registered the Reciprocity and Data Exchange Administrator Limited (RDEA) (ACN 606 611 670) as a public company limited by guarantee, with ARCA as the founding (and still the only) Member. Throughout 2015 the details of how the RDEA would operate including finalising amendments to its initial constitution were discussed within the ARCA Membership and Board. In its December 2015 meeting the ARCA Board approved the RDEA's final constitution.

9. The three objects of the RDEA are:

   - "To administer the PRDE, including the compliance process, and any documents or instruments created for the purpose of assisting the administration, governance and operation of the PRDE.
   - To promote and maintain trust and confidence in the PRDE and, in doing so, to promote and maintain the integrity of the credit reporting system as a whole.
   - To ensure that the administration of the PRDE is adequately funded and resourced to operate effectively".[7]

2.2 The RDEA Board

10. The RDEA's Constitution allows for a Board of at least three and up to nine Directors. The Board must comprise at least one Independent Director, at least one Director from a PRDE signatory that is a CP, and at least one Director from a PRDE signatory that is a CRB.

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[4] Proposed PRDE Version 20 proposed paragraph 89(aa)

[5] Australian Retail Credit Association (ARCA), Principles of Reciprocity and Data Exchange (PRDE) Submission in support of Application for authorisation (**2015 Application**), 20 February 2015,) pp20-21

[6] PRDE Overview of Principle 1

[7] RDEA Constitution Clause 3.1

11. Currently, the RDEA Board comprises five Directors: two from CP signatories, two from CRBs, and one Independent Director (the Independent Director-elect will be installed in this position in July 2020, following resignation of the incumbent).

12. The RDEA has operated with only the minimum three Directors for most of its existence, however the size of the Board has been and continues to be regularly reviewed. In August 2019, the RDEA came to the view that the RDEA's Director numbers should be increased, noting that as industry's uptake in CCR had increased significantly over the previous year, the number of signatories and complexity of issues had increased. The Board also noted the increase in the RDEA's workload from administration associated with compliance issues, the need to respond to PwC's independent review of the PRDE, and the upcoming ACCC reauthorisation.

2.3 Role of PRDE Administrator

13. The first object in the RDEA's Constitution outlines the RDEA's primary role as the PRDE Administrator. Table 1 summarises mentions of the PRDE Administrator in the PRDE itself also illustrates that the role of the PRDE Administrator is predominantly one of administration – maintaining registers, receiving and distributing reports, supporting the administration of the dispute process, and recovering costs associated with undertaking these activities.

Table 1: Analysis of RDEA role described in PRDE

Function	Role	PRDE Paragraph
Maintain registers	Maintain registries of signatories, their Signing Date and Effective Date, key contacts at each signatory, nominated Tier Levels, Designated Entities, Securitisation Entities, Attestations of compliance	102
Report signatory information to other signatories	Receiving information from signatories and reporting that to signatories, e.g. Tier Levels and changes to Tier Level, Designated Entities, Effective Dates, Securitisation Entities, attainment of full compliance 12 months after Effective date, acquisition of credit portfolios, annual attestation of compliance	5, 9, 24, 28, 40, 55, 57, 59, 93(f), 96, 97, 104, 105
Dispute Process Administration	Receipt of self -reports of non-compliance, receipt and where appropriate distribution or publication of Rectification Plans to signatories, Industry Determination Group, or Eminent Person, and reporting of Industry Determination Group recommendations and Eminent Person decisions	69-71, 81, 96, 103
	Receipt of objections to rectification plans.	72, 74, 82
	Issuing directions or recommendations of Industry Determination Group and Eminent Person	79
	Attending conciliations and receiving outcomes of conciliations	80
	Briefing Eminent Person and attending meetings with parties to dispute	84, 86
	As requested, assist Industry Determination Group or Eminent Person	95(b)
	Respond to CP or CRB requests to join disputes	108
	Overseeing outcomes to disputes, including requesting other parties to give effect to the outcome	92, 93(c)

	Become a party to disputes for self-reports	98
	Decide extensions of time for dispute stages	99, 101
Initiating Disputes	Restricted to non-compliance with administrative role of RDEA or a failure to pay signatory fees	107
Cost recovery	Receiving fees from signatories to pay for PRDE administration Determine tiers and amounts of PRDE annual signatory fees (as per PRDE constitution clause 15.3)	7, 13 95(c)
Standards	Maintain and manage the data standards (ACRDS) for the contribution of credit reporting information	52
PRDE review and change	Manage independent review of PRDE and response to review Review and vary the PRDE subject to consultation with signatories and RDEA Board special resolution (and possibly ARCA Board special resolution if the variation is considered significant as per PRDE constitution clause 15.4)	110 111, 95(c)

14. The second part of this document discusses how the PRDE Administrator has satisfied its obligations under the PRDE.

2.4 Relationship between the RDEA and ARCA Boards

15. The RDEA Constitution makes it clear that a Director's primary duty is to the RDEA:

> "Each Director must act in the best interests of the RDEA and with due regard to the furtherance of the RDEA's objects".[8]

16. The RDEA is however required to refer to the ARCA Board on two issues:

- Appointment of Directors[9]. The RDEA Board is responsible for determining the process for Director appointments, but nominations must be made to and approved by the ARCA Board. In September 2019, the ARCA Board agreed to the RDEA Board proposal to increase the size of the Board and appointed the nominees recommended.
- Significant changes to the PRDE or Australian Credit Reporting Data Standard (ACRDS), with a significant change being determined by the RDEA Board having consideration for "the number of signatories affected, the direct and indirect costs associated with the proposed amendment, and the impact on the operation of the PRDE and/or ACRDS as a whole".[10]

5. From time to time, the degree of overlap between membership of the RDEA and ARCA Boards has varied. Currently, two out of the five Directors on the RDEA Board are also ARCA Board Members (one of those being the Independent Director).

[8] RDEA Constitution Clause 14.1.

[9] RDEA Constitution Clause 12.3 and 12.4.

[10] RDEA Constitution Clause 15.4.

2.5 Funding of the PRDE Administrator and the RDEA-ARCA Service Agreement

17. While recognising the need for a PRDE Administrator separate to ARCA, it was always anticipated that it would be more efficient for ARCA to provide management services to the RDEA. This avoided the need to duplicate overheads, and also leveraged the range of expertise in ARCA management that could not be efficiently replicated in the RDEA.

18. In order to formalise the relationship between the RDEA and ARCA, a services agreement was developed and approved by both Boards. Work began on the services agreement in late 2016, and the contract (the 'ARCA – RDEA Services and Intellectual Property Agreement') was ultimately signed on 14 December 2017. The issue that took the greatest focus in developing the contract related to how any gap was managed between the cost of supporting the RDEA and the funds the RDEA had to pay for services received.

19. As noted above, an object in the RDEA Constitution requires the Board to ensure that the administration of the PRDE is adequately funded and resourced to operate effectively. Challenges for the RDEA in doing this included:

    - The funding of the RDEA was envisaged to be on a cost-recovery basis through signatory fees
    - The RDEA required significant costs to undertake its role effectively even without any signatories e.g. establishing the processes of the RDEA itself, developing and managing the data standards associated with the PRDE, and engaging with potential signatories prior to them signing the PRDE (including explaining the requirements of the PRDE and helping signatories through their due diligence on the PRDE and the Deed Poll)
    - The need to plan for large costs associated with infrequent projects that are required for the proper functioning of the PRDE, such as the Independent Review and the need to seek authorisation from ACCC at expiry of the current authorisation
    - The number and timing of signatories to the PRDE was uncertain.

20. It was accepted that the costs of running the PRDE Administrator would be higher than any signatory fees received, for at least the first 12 months of its operation. The expectation was that after 18 months, the PRDE Administrator would be at least breaking even.

21. Embedded within this expectation was that CPs would become signatories to the PRDE well in advance (at least 3-6 months) of going "live" with CCR. The Deed Poll itself clearly differentiated between a CP's date of signing the PRDE, and their "Effective Date" for CCR, which could be changed if implementation plans changed.

22. In practice, CPs have tended to sign the Deed Poll very close to their Effective Date, sometimes a matter of only days away. For the PRDE Administrator, this, along with delays in CP implementation projects has meant that the time taken for the administrator to reach break-even point has been significantly delayed.

23. In developing the services agreement between the RDEA and ARCA, it was decided that ARCA would accept the financial risk that the RDEA was not able to be self-funding. Moreover, it was decided to design the agreement in a manner that ensured the RDEA would not be required to take on any debt, largely eliminating any insolvency risk.

24. As anticipated in ARCA's 2015 Application,[11] the activities of the PRDE Administrator Entity have largely been undertaken by ARCA pursuant to its services agreement with the RDEA.

2.6 Intellectual Property and the RDEA-ARCA Service Agreement

25. The intellectual property associated with the PRDE and the Australian Credit Reporting Data Standard (ACRDS) was created by ARCA and its Members in the years leading up to authorisation of the PRDE and the creation of the RDEA. Hence, the ARCA-RDEA Service Agreement recognises that, while the RDEA is responsible for managing and maintaining the PRDE and the ACRDS, the intellectual property belongs to ARCA. Through the Service Agreement, ARCA effectively licences its intellectual property to the RDEA. Under that arrangement, any modification to intellectual property, even if made by the RDEA, remains the property of ARCA.

[11] 2015 Application, 'ARCA's Role' p17

3 Operation of the PRDE

26. To ensure the effectiveness of the PRDE as a clear set of standards for the management, treatment and acceptance of credit related personal information among signatories, the PRDE Administrator Entity is charged with administrative and limited compliance responsibilities under the PRDE.

27. The PRDE Administrator has little direct authority over signatories. Even where it may initiate disputes, the grounds for dispute are restricted to CP or CRB non-compliance with administrative processes. However, the PRDE Administrator does have more influence in terms of managing data standards, and its role in reviewing (and responding to independent reviews of) the PRDE, noting that any significant changes to the ACRDS and the PRDE must also be approved by the ARCA Board[12].

28. Overall the PRDE's administrative and compliance functions and the PRDE's Administrator's role in undertaking those functions has been robust and effective in maintaining overall confidence in the functioning of the PRDE. Issues have arisen over the five years of operation which have identified opportunities for amendment to the PRDE and enhancement of the overall compliance function. This section provides an overview of how the PRDE Administrator Entity has executed its responsibilities under the PRDE, and will highlight issues that have been identified around the limitations of the PRDE Administrator Entity's current role, particularly with regard to ensuring signatories' compliance with the PRDE.

29. The role of the PRDE Administrator Entity is set out at Table 1 above. This section details how the RDEA has satisfied those responsibilities as PRDE Administrator.

3.1 Reporting relevant information to signatories

30. The PRDE Administrator Entity is required to make certain information about signatories, available to other signatories according to specific paragraphs of the PRDE:

- Designated Entities (PRDE paragraph 24) and Securitisation Entities (PRDE paragraph 40)
- Change in Tier Level (PRDE paragraph 55(a))
- Attestation of full compliance within 12 months of Effective Date (paragraph 57).

31. The PRDE Administrator Entity will report that information to CPs under PRDE paragraph 104. The PRDE Administrator Entity reports relevant information to CP Signatories via a 'Paragraph 104 Notice' which is provided to the Authorised Representative of each CP signatory. The Paragraph 104 Notice is issued on an ad hoc basis, usually when a significant update is available.

32. The PRDE Administrator Entity is also required under PRDE paragraph 105 to provide to CRBs, upon request by a CRB and where consent is provided by a CP, the following information about that CP:

- Tier Levels
- Designated Entities and Securitisation Entities
- Any change in Tier Level
- Attainment of full compliance within 12 months of Effective Date.

[12] RDEA Constitution clause 15.4

33. In performing its role as PRDE Administrator Entity, the RDEA has found the requirements for a CRB to request information about a specific CP, and for the CP to provide specific consent to disclose that information, to be unnecessarily onerous given the type and purpose of information being supplied.

34. To address the practical challenges arising from the process set out in PRDE paragraph 105, the RDEA took action to improve its administrative processes. The RDEA also identified the PRDE paragraph 105 process as an item to be considered in the Independent Review of the PRDE (see Independent Review and 2020 Amendment Process below).

35. ARCA maintains its position[13], that the ability for signatories to receive relevant information about other signatories' Tier Level is important, to give CPs confidence that they will be able to identify deviations from reciprocity and consistency obligations. Moreover, it assists CRBs ensure their own compliance with PRDE paragraph 4 (i.e. the promise to only supply credit reporting information if the CRB has a reasonable basis for believing that the CP is complying with its obligations under the PRDE). The PRDE Administrator Entity also maintains that CPs' nominated Tier Levels ought to be known by all other CP signatories, but only CRBs with which the CP has a services agreement.[14]

36. Following the recommendations of the Independent Review and the 2020 Amendment Process, PRDE paragraph 105 was amended to remove the requirement for a CRB to request specific information, and for CPs to provide specific consent. PRDE paragraphs 104 and 105 were both amended to include CPs' Effective Date as relevant information for disclosure.

3.2 Receiving relevant information from signatories and maintaining appropriate registers of information

37. Signatories are required under the PRDE to provide to the PRDE Administrator certain information about their CCR participation:

- Signing Date and Effective Date (PRDE paragraph 106)
- Nominated Tier Level of data supply (PRDE paragraph 9)
- Information relating to Designated Entities (24-28) and Securitisation Entities (PRDE paragraph 40)
- Key contacts at the signatory organisation (PRDE paragraph 106)
- CPs' attainment of full compliance with the requirement to contribute all credit information within 12 months of their Effective Date (PRDE paragraph 57).

38. The PRDE Administrator Entity requires new signatories to provide a completed Administration Form alongside its properly executed Deed Poll, in order to be registered as a PRDE signatory. The Administration Form collects core information that signatories are required under the PRDE to provide to the PRDE Administrator.

39. Outside the initial onboarding process, the PRDE Administrator Entity also requires and receives the following information from signatories:

[13] Noted in 2015 Authorisation, paragraph 173

[14] 2015 Authorisation, paragraph 49

- Change in Tier Level of supply (PRDE paragraph 55). To date, only one signatory has changed Tier Level of supply.
- CP attestation that it has attained full compliance with the requirement to contribute all credit information within 12 months of its Effective Date (PRDE paragraph 57), and annual signatory attestations of compliance (PRDE paragraph 93(f)).
- No signatories have advised the PRDE Administrator Entity of acquisition of consumer credit accounts (PRDE paragraph 59).

40. Core information received from signatories is collated into a signatory register which is maintained by the PRDE Administrator Entity in accordance with PRDE paragraph 102.

3.3 Administration of fees

41. Signatories must pay costs identified by the PRDE Administrator Entity as required to administer the PRDE, in a manner required by the PRDE Administrator Entity.[15] A failure to pay those costs is grounds for the PRDE Administrator Entity to initiate a report of non-compliant conduct under PRDE paragraph 107(a).

42. The current signatory fees are either at a similar level or significantly lower (especially for smaller CPs) than those suggested in ARCA's 2015 Application[16]. Points of difference between the fees put forward in in ARCA's 2015 Application to the ACCC and the fees as actually charge are:

- In its 2015 Application, ARCA stated an expectation that the largest CPs' annual Signatory fees would be between $15,000 and $35,000 and most other CP fees would range from $10,000 to $20,000. As Table 2 shows: while the largest size CPs' annual Signatory fees are consistent with our expectation, all but the largest 6 CP signatories' annual fees are below $10,000.
- In its 2015 Application, ARCA stated an expectation that very small CPs would pay a nominal contribution of between $1,000 and $1,500. In fact, the RDEA established two annual fee tiers under $1,500, catering to CPs with loan books less than $1B or mutual banks with loan books less than $4.5B.

[15] PRDE paragraphs 7,13

[16] 2015 Application, pp20-21

Table 2: PRDE Signatory Fees			
Tier	**Indicative Metric for Tier Classification**	**Annual Fee**	**Number of Signatories (as at 25 May 2020)**
Credit Providers			
Tier 1	Major banks and large finance companies with over $50B consumer lending	$ 35,000[17]	6
Tier 2	CPs with loan books between $10B and $50B	$ 8,100	6
Tier 3	CPs with loan books over $1B; or mutual banks with less than $4.5B loan books	$4,500	15
Tier 4	CPs with loan books less than $1B, most mutual (with loan books less than $4.5B)	$ 1,260	12
Tier 5	"Micro" CPs and start-ups in their first year of operation	$250	5
Credit Reporting Bodies			
Tier 1	Large CRB	$31,500	1
Tier 2	Medium CRB	$15,800	2
Tier 3	Small CRB	$5,220	Nil

43. Signatory fees were developed after consultation with the ARCA Membership and first discussed by the ARCA Board in December 2015. At that time, the PRDE authorisation was still not effective, there were no signatories to the PRDE, and the governance of the PRDE Administrator entity itself was being finalised. Hence, the ARCA Board considered and endorsed a draft set of PRDE signatory fees, acknowledging that the final decision belonged to the PRDE Administrator.

44. The proposed set of signatory fees were calibrated as a percentage (18%) of the ARCA Membership fees then in place. This was felt appropriate because ARCA Membership fees were already calibrated based on the size of the entity and their participation in the credit reporting system[18]. The RDEA Board endorsed the fees and the approach to setting them (in terms of the factors to consider, not an ongoing linkage to ARCA Membership fees), and approved the CP fees at their March 2016 meeting, and the CRB fees on June 7 following additional discussions with the three CRBs. Since that time, the fees have been reviewed but not varied.

45. In practice the PRDE Administrator's cost recovery function includes:

[17] Note this is less than the Tier 1 fee initially set by the RDEA in 2016. The fee was revised from $35,160 to $35,000 from the 2018-19 financial year.

[18] ARCA Constitution Clause 8.4(a) sets out a range of factors that the Board can consider in determining Membership tier allocation including "factors which indicate comparative size between members of that Class in relation to the provision of consumer credit, such as number of customer accounts, net assets, gross assets and number of credit reports generated in a year".

- Assessing costs associated with administering the PRDE
- Determining signatories' Tier Sizes and associated fee
- Invoicing and recovering fees from signatories.

46. To date, there has been no need for the PRDE Administrator Entity to initiate a report for non-compliant conduct on the basis of a signatory's failure to pay costs.

3.4 Maintaining and managing the ACRDS

47. The PRDE Administrator Entity is required to maintain and manage the ACRDS[19], which PRDE signatories are required to use under Principle 3 of the PRDE.

48. The ACRDS was developed by ARCA's Data Standards Work Group, and was first published in early 2014, coinciding with the commencement of Part IIIA of the Privacy Act.

49. Since then the ACRDS has undergone regular review and change to both enhance the operation of the standard, and to ensure it operated in a manner that was compliant with legislative and regulatory requirements for the credit reporting system - such as the Privacy (Credit Reporting) Code (CR Code) which has been varied twice since 2015. Details of reviews and changes to the ACRDS are set out at Appendix D.

50. To fulfill its obligation to maintain and manage the ACRDS, the PRDE Administrator has relied on recommendations provided by ARCA's Data Standards Work Group. Key outcomes and initiatives from the Data Standards Work Group are set out at Appendix D.

51. Given use of the ACRDS is fundamental to signatories' compliance with the PRDE, it should be noted that PRDE signatories are invited and encouraged to take part in ARCA's Data Standards Work Group as full members. Given the number of PRDE signatories was until late 2018/early 2019 significantly less than the number of CPs intending to become signatories and continuing work on their implementation projects, it has been more practical to have one Work Group comprised of both signatories and non-signatories participating in the Data Standards Work Group. The Key Principles for this Work Group provide that both ARCA Members and PRDE signatories may nominate a representative to the workgroup.[20]

3.5 Reviews and Variations to the PRDE

52. The PRDE Administrator has responsibilities with regard to the Independent Review of the PRDE. The 2019 Independent Review of the PRDE and subsequent 2020 Amendment Process is discussed in detail below.

53. In addition to the Independent Review, the PRDE may be reviewed and varied at any time during its operation, on the recommendation of the Industry Determination Group or the PRDE Administrator Entity.[21] In these circumstances the PRDE Administrator Entity manages the review and variation process, including consultation.

54. Aside from the 2020 amendment process, there has been one other amendment to the PRDE since its original authorisation from the ACCC.

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[19] PRDE paragraph 52

[20] Attachment 1 to Appendix E: ACRDS and DSWG Key Principles

[21] PRDE paragraph 111.

55. In December 2016 the RDEA Board recommended an amendment to enable signatories to utilise the PRDE's compliance framework to deal with anticipated (rather than realised) breaches of the PRDE. It was considered this amendment might encourage prospective signatories to sign the PRDE and utilise the compliance process to address uncertainties around PRDE compliance which might be stalling widespread implementation of CCR.

56. In considering this amendment, the PRDE Administrator Entity consulted with signatories via their Authorised Representatives. Given the small number of signatories at the time (6 CPs and 3 CRBs), compared to the number of CPs engaged with ARCA as prospective signatories to the PRDE, the PRDE Administrator Entity also consulted with ARCA Members that were not PRDE signatories through an ARCA work group and ARCA's Member newsletter.

57. As a result, in May 2017 the RDEA decided to vary PRDE paragraphs 71, 72, 96 and 98 as set out at Attachment 2 to this document.

58. While the 2017 changes to the PRDE cannot be credited entirely for the increased use of the compliance function, it is notable that whereas the compliance function of the PRDE had only been enacted once at the time these amendments were made, 26 disputes have since been initiated by self-reports for expected or actual non-compliant conduct under PRDE paragraph 96. This accounts for all compliance issues raised under the PRDE. The operation of the PRDE compliance process to date is discussed further below.

3.6 Administration of compliance framework

59. As well as receiving attestations of compliance from signatories and reporting the same to signatories as appropriate, the PRDE Administrator Entity's administrative responsibilities extend to the compliance framework set out in Principle 5.

60. The PRDE's dispute resolution process has multiple stages of escalation including:

- Review of a Rectification Plan by all signatories, and acceptance or objection to that Rectification Plan by signatories
- Conciliation between parties to a dispute
- Referral to the Industry Determination Group (a "peer review" group drawn from signatory representatives. Terms of Reference for the Industry Determination Group are included as Attachment 3 to this document)
- Appeal to an Eminent Person (a role which requires a high level of legal or dispute resolution training or experience and sufficient independence. Terms of Reference for the Eminent Person Panel are included at as Attachment 4 this document).

61. Compliance outcomes are reserved for the Industry Determination Group and Eminent Person and are limited to those outcomes set out under PRDE paragraph 89.

62. The PRDE Administrator Entity's role in the compliance process is limited to mainly administrative responsibilities including:

- Receiving compliance documents (i.e. self-reports of non-compliant conduct, Rectification Plans, notices) (PRDE paragraphs 96, 97, 69-72)
- Where appropriate, distributing compliance documents to signatories, the Industry Determination Group and Eminent Person (PRDE paragraphs 72, 74)

- Supporting the function of the Industry Determination Group (PRDE paragraphs 74-82)
- Supporting the function of the Eminent Person (PRDE paragraphs 83 – 88)
- Overseeing compliance outcomes (PRDE paragraph 92)
- Acting as reporting party to disputes in the case of self-reported non-compliance (PRDE paragraph 98)
- Receiving requests for extensions of time (PRDE paragraph 99) and determining those requests as appropriate (PRDE paragraph 101)
- Maintaining and, where appropriate, reporting on certain information relevant to signatories' compliance (PRDE paragraphs 102-106)
- Receiving and determining requests to join disputes (PRDE paragraph 108).

63. The PRDE Administrator Entity has limited grounds to initiate a report for non-compliant conduct. To date, the PRDE Administrator Entity has only issued reports of non-compliant conduct to signatories when acting as reporting party to a self-report for non-compliant conduct that progresses to Stage 1 under PRDE paragraph 98.

64. Use of the PRDE's compliance framework (and therefore the PRDE Administrator's performance of related duties) has so far been limited to issues arising under self-reports for non-compliant conduct under PRDE paragraph 96.

Formal use of the PRDE's compliance framework

65. Overall 27 matters of compliance have been reported under the PRDE compliance process. The subject conduct across those matters can be broadly categorised as:

- Administrative (for example, where the signatory CP has failed to meet its nominated Effective Date, or has changed tier level of supply without the full 90 day notice period required under PRDE paragraph 55(a))
- Minor compliance issues (for example, temporary delays in ability to report data for a specific portfolio).

66. All but one of these compliance matters was resolved before reaching a Stage 3 dispute – i.e. they were resolved:

- during the period following a self-report for non-compliant conduct and before the Stage 1 dispute process applied[22]
- during the period of the Stage 1 dispute[23]
- when no objection to the Rectification Plan was received under Stage 2.[24]

67. In addition to its specific responsibilities under the PRDE, the RDEA actively promotes transparency between signatories around compliance matters, particularly in circumstances where the timeframes of the compliance framework may not see the matter reported to signatories in a timely manner (if at all).

68. As an example, where appropriate the PRDE Administrator Entity has sought and received signatory consent to waive the 30 day period allowed to the Signatory after

[22] PRDE paragraphs 97-98

[23] PRDE paragraph 68

[24] PRDE paragraph 72

providing its self-report and/or the 30 day period afforded to parties under Stage 1, so that the matter can be reported to other signatories as a Stage 2 dispute in a more timely manner. This practice has been endorsed by recent changes to PRDE paragraph 98 (2020 Amendment Process below).

69. In some cases, where the compliance process would not provide an appropriate means to notify signatories of a compliance matter (e.g. because the subject conduct had already been rectified, or would likely be resolved within the period of the Stage 1 dispute), the PRDE Administrator Entity has also sought and received specific consent from signatories to informally advise other signatories of the matter.

Observations on the performance of the compliance function

70. ARCA's observations on the use of the compliance function of the PRDE are that:

- In general, there is a preference among signatories that compliance matters relating to data supply be reported to fellow signatories in a timely manner. Non-compliant parties recognise that transparency around these matters promotes signatories' confidence in the credit reporting system. This has been demonstrated anecdotally through our engagement with signatories and is evidenced by the number and type of self-reports received from signatories and signatories' willingness to waive timeframes or otherwise consent to disclosure of compliance matters outside the requirements of the compliance process.
- However, there is a reluctance to utilise the compliance process to resolve certain types of compliance matters or queries. This observation is discussed further under 'Interpretation and Guidance to Support the Effectiveness of the PRDE' below.
- The limited grounds on which the PRDE Administrator Entity can initiate a report for non-compliant conduct can prove challenging where circumstances arise in which known compliance matters (e.g. withholding of RHI for hardship arrangements) or suspected compliance matters (based on, for example, signatories identifying challenges with their own or another signatory's compliance) have occurred, and the PRDE Administrator Entity has been unable to act.
- The uptick in self-reports for non-compliant conduct over the course of the PRDE's operation is a natural consequence of increased participation in CCR and the expiry of many signatories' 12-month transition period. In addition, amendments to the PRDE in May 2017 which enabled self-reporting for anticipated non-compliance and de-identification of Rectification Plans under Stage 3 for matters arising from a self-report for non-compliance, have likely encouraged signatories' utilisation of the process.
- To improve the accessibility of the compliance process, the PRDE Administrator Entity recommended a number of drafting changes to Principle 5 to clarify the process. Those changes were considered as part of the 2020 Amendment Process and the PRDE has been updated accordingly (see 2020 Amendment Process below).
- A relatively large portion of compliance matters relate to administrative issues such as signatories missing their nominated Effective Date (through failure to update the PRDE Administrator Entity of an intention to change the Effective Date) not consuming PRDE credit reporting information). In May 2018 the PRDE Administrator Entity reviewed its administrative processes to help prevent such

compliance issues. It is also anticipated that recent variations to enable the PRDE Administrator to report relevant CP signatory information to CRBs will assist identify similar issues as they arise.

- The compliance process has proven appropriate to manage non-compliance matters arising with existing signatories however there is no mechanism for non-signatories to rely on the framework to address uncertainties around potential compliance with the PRDE.
- There is need from signatories and non-signatories for guidance on the operation of the PRDE; reliance on the compliance framework is inappropriate in these circumstances. The need for the PRDE to delegate a guidance role to the PRDE Administrator Entity was considered in the 2020 Amendment Process, discussed below.

3.7 Interpretation and Guidance to Support the Effectiveness of the PRDE

71. As interest and action towards participation in CCR increased in 2016 and 2017, the RDEA recognised an increase in queries from new and prospective signatories and an emphasis from those organisations on the need for clarity and certainty around the PRDE's expectations.

72. The PRDE's compliance process was considered as a means to provide the clarity and guidance sought by signatories and prospective signatories. The 2017 amendments to the PRDE[25], enabling a signatory to self-report for anticipated non-compliance were intended to enable the compliance framework to be utilised by signatories seeking to understand whether proposed participation or limitations on participation would in fact be non-compliant with the PRDE.

73. Notwithstanding the 2017 amendments, a compliance framework designed to manage disputes has been viewed as an inefficient and adversarial way of obtaining guidance and clarity on PRDE expectations. Moreover:

- Most of the queries arose from entities that had not yet signed the PRDE, and there was a reluctance to sign the PRDE until queries were resolved
- signatories faced hurdles to internal sign-off related to initiating a self-report for non-compliance, especially in circumstances where the conduct had not and would not be actioned should it be found to be non-compliant with the PRDE).

74. In this context, there was a clear need for guidance around the operation and expectations of the PRDE. Conscious of the PRDE Administrator Entity's limited role under the PRDE, the RDEA and ARCA sought to provide informal guidance to stakeholders by way of 'views' and 'FAQs' on common matters of misunderstanding, such as:

- The operation of the 90 day notice period required for a CP to change Tier Level of supply; specifically that the notice period only applied to existing signatories that had become Effective under the PRDE (and did not therefore enforce a 90 day notice period between a signatory's Signing Date and Effective Date)
- The interaction between the PRDE's transitional provisions and initial contribution requirements; specifically that a CP's initial contribution of credit information can represent information for 50% of the CP's accounts, aggregated across all portfolios (rather than 50% of accounts for each of the CP's portfolios).

[25] Set out in Attachment 2 to Appendix E

- During the transitional period, CPs are not required to provide all Negative Tier information across all portfolios in order to take part at partial or comprehensive tier.

75. As discussed in Appendix D, ARCA has also developed guideline material relating to issues identified through workgroup discussions, with the content and drafting of the guideline then supported by Member input through various ARCA working groups. Examples of guidelines developed by ARCA that seek to address PRDE compliance include:

    - In relation to the PRDE, a mortgage default guideline to identify what the reasonable timeframe could be for reporting a mortgage default.
    - In relation to the ACRDS, specific ACRDS guidelines on reporting issues that have been identified by the Data Standards Workgroup.

76. Separate to queries which the RDEA and ARCA have sought to clarify in this manner, a number of other provisions of the PRDE have caused confusion among stakeholders. Where the area of confusion was fairly minor, RDEA management responded to queries informally in the course of its role supporting signatories and other stakeholder to prepare for participation under the PRDE or otherwise understand the expectations of the PRDE. Some of these more minor areas of confusion, such as the need for clarity on how accounts are calculated for the run-off provision[26] or how PRDE paragraphs 41 and 42 operate with regard to Securitisation Entities, were also considered as part of the Independent Review and/or as part of the 2020 Amendment Process and amendments have since been made to clarify the operation of those provisions.

77. It is also more challenging for the RDEA and ARCA to provide informal guidance or support to stakeholders in matters where the subject matter of guidance has caused, or is likely to cause, disagreement between signatories, especially if these are subject to a commercial dispute between signatories (such as could be the case between a CRB or CP).

78. This has occurred in limited circumstances over the course of the operation of the PRDE. For example, signatories have sought guidance from the RDEA on competing interpretations of the PRDE's requirements around consistency of contribution to CRBs and how these relate to transitional provisions. Ultimately, the RDEA suggested to the two signatories that the compliance mechanism was the appropriate avenue open to them to determine which of the competing views on the PRDE's expectations should prevail. However, to date, neither signatory initiated a dispute against another signatory on this basis.

79. Another area in which guidance has been sought by stakeholders and has proved challenging for the RDEA or ARCA to assist, is fundamental queries around the eligibility of certain CPs to take part in the PRDE. In these circumstances, stakeholders require clarity of the PRDE's expectations in order to initiate the necessary credit reporting projects and progress towards participation.

80. The question of eligibility to take part in credit reporting under the PRDE has arisen in the context of CPs that do not have consumer credit information and therefore supply information under the PRDE. It should be noted here that the eligibility for a CP to take

[26] PRDE paragraphs 31-32

part in credit reporting under the PRDE is of course subject to that CP's rights and obligations under the Privacy Act.

81. The question of whether a CP is eligible to take part in credit reporting under the PRDE has been raised particularly in the context of two classes of CPs:

- CPs that provide only commercial credit and therefore do not have consumer credit information
- Start-up CPs that do not yet have consumer credit information because they have only recently commenced operations.

82. ARCA also identified that the same question and concern could apply to a third class of CPs, being debt buyers that acquire 'closed' accounts.[27]

83. In all circumstances, the key question is whether a CP that is willing but unable to provide consumer credit information (on the basis that it has no consumer credit information) can comply with the reciprocity principles of the PRDE, and therefore consumer credit information under the PRDE.

84. The RDEA Board identified a need for consideration to be given to ensure any barriers to participation from commercial-only and start-up CPs were overcome. The RDEA and ARCA engaged with commercial-only CPs to determine their appetite and readiness for CCR and actively worked with start-up CPs on solutions to enable participation in CCR earlier in their operation. Additionally, ARCA identified the issue to the Independent Reviewer for consideration.

85. The 2019 Independent Review considered this issue and recommended the RDEA take action to clarify that commercial-only and start-up CPs have access to CCR notwithstanding they have no consumer credit information to contribute.

86. In February 2020, in the context of considering the Independent Review recommendations, the RDEA and ARCA reconsidered the interpretation of reciprocity under the PRDE and were satisfied that a CP is compliant with the reciprocity principles if it is contributes all available information, notwithstanding that it has no information, and that this interpretation could reasonably be adopted on the then-current drafting of the PRDE.

87. In that case, the RDEA recommended an amendment to the PRDE to clarify the interpretation of the reciprocity principles.

88. Following the 2020 Amendment Process, the following amendment was made to the 'Introduction' of the PRDE and is included in the current PRDE Version 19:

> For the avoidance of doubt, a requirement on a **CP** to **contribute credit information** only applies to the available information held by that **CP**. If the **CP** does not hold the **credit information**, this does not prevent it from participating in this PRDE.

89. The experience of the RDEA in dealing with requests for guidance and clarity from both signatories and other stakeholders has emphasised the need for a formalised guidance function for the PRDE Administrator. That function is necessary to provide general guidance on the operation and expectations of the PRDE, allow signatories to seek guidance on interpretation of the PRDE (particularly in circumstances where

[27] There are other questions that arise with regard to debt buyer participation, however in circumstances where a debt buyer acquires accounts that are 'closed' under the CR Code, the same question around reciprocity is relevant.

there is disagreement between signatories or between a signatory and the RDEA), and to respond to questions arising from non-signatories and other stakeholders with fundamental questions around participation under the PRDE. That process should require the PRDE Administrator Entity to undertake adequate consultation, to publish the guidance for transparency and consistency purposes, and should ensure compliance with the PRDE continues to rest ultimately with the existing dispute resolution bodies (i.e. the Independent Determination Group and Eminent Person).

90. On that basis the RDEA recommended amendments to Principle 5 of the PRDE to provide a formalised guidance role to the PRDE Administrator Entity. Following the 2020 Amendment Process and consultation with stakeholders, those amendments are included in the draft Version 20 of the PRDE which ARCA seeks authorisation under this Application.

4 Independent Review of the PRDE

4.1 Background to the Independent Review

91. Paragraph 109 of the PRDE requires the terms and operation of the PRDE be reviewed by and Independent Reviewer after the PRDE has been in operation 3 years and at regular intervals (not more than every 5 years) after that. The PRDE Administrator has responsibilities with regard to the review:

- To formulate and settle the review scope and terms of reference in consultation with signatories
- To ensure the review is adequately resourced and supported
- To ensure the reviewer consults with signatories
- To ensure the review report is made available to all signatories
- To ensure the review recommendations are adequately responded to.

92. The PRDE became effective and operational when two CPs had become signatories and were able to exchange credit reporting information under the PRDE. This occurred on 24 March 2016.

93. In March 2019 the RDEA began formulating the terms of reference for the Independent Review and assessed candidate-organisations to take on the role of Independent Reviewer.

94. In May 2019 the terms of reference for the Independent Review were settled following consultation with signatories and PwC was appointed as the Independent Reviewer.

95. The PRDE Administrator Entity supported the Independent Reviewer as appropriate, in particular by ensuring signatories were consulted in the course of the review. To ensure the independence of the review neither ARCA nor the RDEA participated in the consultation sessions.

96. In September 2019 the Independent Reviewer provided its Final Report (**Independent Review Report**) to the RDEA. The Independent Review Report (including its terms of reference and list of stakeholders consulted) is included as Attachment 5 to this document.

97. On 10 October 2019 the RDEA sent a copy of the Independent Review Report to all signatories. And on 17 December 2019 the RDEA provided its response to the Independent Review Report to all signatories.

4.2 Independent Review Recommendations & RDEA Response

98. PwC consulted with the PRDE Administrator, current PRDE signatories and broader industry (e.g. ARCA members, industry associations, and non-signatory CPs).

99. The Independent Review Report acknowledged that the PRDE is widely accepted and supported by industry and that there had been few reported issues with its adoption. Still, the Independent Reviewer made 15 Recommendations, presented with context that, "(the Independent Reviewer did) not see that there is a need for radical change to the PRDE but we do identify areas for improvement."[28]

100. As part of its process, PwC assessed the potential significance of each recommendation in terms of its importance to the operation of the PRDE. Its assessment in this regard was based on stakeholder consultation and sought to identify the extent to which a recommendation would impact on the achievement of the intent of the PRDE.[29]

101. The following Recommendations were put forward in the Independent Review Report as being of high importance/ most impactful:[30]

- Consideration should be given to strengthening the independent compliance, investigation and monitoring capabilities of the RDEA (Recommendation 1)
- Signatories should be encouraged to recognize that the ACRDS is dynamic not static, and to ensure that resources are available for periodic updating. To this end, consideration should be given to a 'user guide' to keep signatories abreast of changes to operational requirements and a reporting and transparency framework should be considered (Recommendation 2)
- The RDEA and signatories should consider a clearer definition of 'reasonable timeframe' for reporting of default information and consideration should also be given to how monitoring and transparent reporting is implemented to ensure that signatories are aware of any 'data gaps' in default reporting (Recommendation 5)
- ARCA should consider consulting with signatories and non-signatories to explore changes to the PRDE that would enable commercial-only lenders to access CCR data, and to explore potential credit information that could be provided by such lenders to CRBs (Recommendation 9)
- Exceptions to the requirement for CP signatories to provide an initial load of data in order to consume data should be identified and introduced, in order to allow start-up CPs to access CCR where appropriate on launch (Recommendation 11)
- Consideration should be given to providing power to the RDEA to enable it to ensure that signatories' attestations of compliance are provided in accordance with the PRDE (Recommendation 14) This recommendation was noted to be similar to Recommendation 1 (that consideration be given to strengthening the independent compliance, investigation and monitoring capabilities of the RDEA).

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[28] PricewaterhouseCoopers (PwC), Review of the Principles of Reciprocity and Data Exchange, Determination, July 2019 (**Independent Review Report**), '1.4 Summary of key recommendations', p3

[29] As well as assessing potential significance of recommendations, the Independent Reviewer also assessed the degree of difficulty and degree of consensus relating to each recommendation. See Independent Review Report '5 Overall ranking of recommendations', p26

[30] Independent Review Report Table 1, pp 4-5

102. The Independent Reviewer made the following Recommendations which it identified as relatively minor in significance:[31]

- That consideration should be given to moving the exceptions to rules against on-supply of partial or comprehensive information set out in paragraphs 11-12 of the PRDE, to an updateable Schedule (Recommendation 3)
- Consideration should be given to an exemption to the requirement to supply default information for CPs that do not classify any credit accounts as in default, if a reasonable alternative negative data supply exists (Recommendation 4)
- Paragraph 20 of the PRDE regarding requirements to report default information should be amended to refer to guarantors (Recommendation 6)
- The drafting of paragraph 32 relating to the calculation of accounts for the run-off exception should be amended to provide more clarity (Recommendation 7)
- The list of account exceptions set out in paragraph 33 and Schedule 1 of the PRDE should be updatable (Recommendation 8)
- The obligations placed on Securitization Entities under paragraph 42 of the RPDE should be reviewed and consideration given to restricting the PRDE obligations to signatory entities (Recommendation 10)
- The requirement for signatory CPs to provide three months' notice of intention to change tier level of supply should be removed (Recommendation 12)
- With regard to acquired accounts, a guidance note be issues to provide clarify on the requirements of data supply in different circumstances (Recommendation 13)
- That the requirement for CPs to consent in order for the PRDE Administrator to report their signatory status to CRBs be removed (Recommendation 15).

103. In addition to the above Recommendations the Independent Review Report also noted that in the course of the review, stakeholders provided "a range of valuable insights which fell outside of the defined scope and for which we have not made any recommendations, but we have included these insights in the report for consideration."[32] These insights are summarized below:

- Some CPs expressed that it is not sufficiently clear that requirements to report default information apply to payment obligations which fell due after the Signatory's Effective Date. The Independent Reviewer acknowledged that this issue had been addressed in a recent 'view' from the RDEA however identified an opportunity to clarify the interpretation of this provision via a guidance note. The Independent Reviewer made no recommendation on the basis that ARCA was undertaking work on this matter.
- The question of whether PRDE paragraph 45 allowing CPs to make credit eligibility information available to another CP for review purposes adequately support CPs involved in acquiring or selling consumer credit accounts. The Independent Review Report sets out considerations that arose in regard to this question, particularly concerning the eligibility of debt buyers to participate in CCR exchange. The Independent Reviewer noted the relevance of the Privacy Act to this matter and made no recommendation as part of its review.

[31] Independent Review Report '5 Overall ranking of recommendations', p26

[32] Independent Review Report '1.2 Scope of Review', p2

- Signatories questioned whether the requirement to supply 3 months of historical RHI data on first contribution of accounts was relevant to accounts reported subsequently during the signatory's transition period (i.e. would a signatory reporting a portfolio of accounts for the first time, 12 months after its Effective Date in order to satisfy its 12 month transition period, be required to report 3 months of historical RHI data on those accounts). The Independent Reviewer made no recommendation on this item, on the basis that a draft note to signatories would be provided by ARCA.
- In the course of its consultation, the introduction of new participants into the consumer credit market and their right of access to CCR was discussed in depth. The Independent Reviewer summarised that most participants agreed in principle that it would be advantageous for new participants, such as providers of buy-now-pay-later products, to take part in CCR. It was noted that nothing in the PRDE itself needed to change in order to accommodate new market entrants provided they were compliance with relevant laws, and no recommendation was made.

104. After considering the Independent Review Report, the RDEA provided its response to the Recommendations on 17 December 2019. The RDEA recommended management consult with relevant stakeholders on possible amendments to the PRDE, starting in early 2020. It was identified that some of the possible amendments may vary PRDE paragraphs subject to the ACCC's authorisation. Therefore, the RDEA noted that – while it would consult with signatories on potential amendments to the PRDE – some amendments may not be able to be implemented until appropriate authorisation was sought from the ACCC.

105. The 2020 Amendment Process that followed the Independent Review is set out in below. That process, while initiated in response to the Independent Review, also addressed a number of matters identified by ARCA management during the operation of the PRDE. To ensure the PRDE Administrator's response to the Independent Review is made clear in this Application, Table 3 sets out the PRDE Administrator's progress against each of the Independent Reviewer's Recommendations.

Table 3: RDEA Response and Progress to Independent Review Recommendations

Independent Review Recommendation		**RDEA Response & progress**
1	Consideration should be given to strengthening the independent compliance, investigation and monitoring capabilities of the RDEA	**On-going** The RDEA supported this recommendation and recommended amendments as part of the 2020 Amendment Process (see 2020 Amendment Process Statement of Consultation item 5.1). The proposed amendments have been approved but have not been passed. The proposed amendments are included in the proposed PRDE Version 20.
2	Signatories should be encouraged to recognize that the ACRDS is dynamic not static, and to ensure that resources are available for periodic updating.	**Complete – variation included in version 19** The RDEA recommended amendments to the PRDE in response to this recommendation (see 2020 Amendment Process Statement of Consultation item 3.3).

		Those approved variations are included in version 19 of the PRDE.
3	With regard to the exceptions to rules against on-supply of partial or comprehensive information set out in paragraphs 11-12 of the PRDE, that consideration should be given to moving the exceptions to an updateable Schedule, so that the PRDE remains flexible and able to accommodate future scenarios where on-supply of credit information by future industry participants could be exempt	**Complete – variation included in version 19** The RDEA recommended an amendment in response to this recommendation (see 2020 Amendment Process Statement of Consultation item 1.1). During the 2020 Amendment Process it was identified that only one additional category of on-supply in the Privacy Act (on-supply of information between CPs who hold the same security for a home loan per s21J(5)) should be included as an exception to the rules against on-supply and on that basis, an updateable Schedule was not necessary. A new paragraph 46A relating to on-supply in these circumstances. That approved variation is included in version 19 of the PRDE.
4	Consideration should be given to an exemption to the requirement to supply default information, for CPs that do not classify any credit accounts as in default and if a reasonable alternative negative data supply exists	**Complete – no variation** The RDEA did not support an exemption to the requirement to supply default information on this basis. In its response the RDEA noted: • compliance with default reporting (specifically, reporting default information and reporting in a timely manner) is important to the integrity of the credit reporting framework • the RDEA has identified challenges to CPs in complying with default reporting and management has taken steps to support transparency around non-compliance, and encourage and support compliance plans • non-signatories and other non-ACL holding CPs rely on default information
5	The RDEA and signatories should consider a clearer definition of 'reasonable timeframe' for reporting of default information and consideration should also be given to how monitoring and transparent reporting is implemented to ensure that signatories are aware of any 'data gaps' in default reporting	**On-going** The RDEA acknowledges the Independent Reviewer's recommendation and noted that ARCA had been developing default reporting guidelines and that the RDEA had worked with signatories to support transparency in any current non-compliance with this requirement. It also noted that timeliness of default reporting would remain a focus for the RDEA and that it would be highlighted as a compliance issue to be considered for monitoring under Recommendation 1.

6	Paragraph 20 of the PRDE regarding requirements to report default information, should be amended to refer to guarantors	**Complete – no variation** The RDEA initially recommended a variation in response to this recommendation (see 2020 Amendment Process Statement of Consultation item 1.2). The 2020 Amendment Process concluded that because the Privacy Act definition of 'default information' includes guarantor default information, and the PRDE is to be read with reference to the Privacy Act, no amendment was necessary.
7	The drafting of paragraph 32 relating to the calculation of accounts for the run-off exception should be amended to provide more clarity	**Complete – variation included in version 19** The RDEA recommended a variation in response to this recommendation (see 2020 Amendment Process Statement of Consultation item 1.4). That approved variation is included in version 19 of the PRDE.
8	The list of account exceptions set out in paragraph 33 and Schedule 1 of the PRDE should be updatable	**Complete – no variation** The RDEA initially recommended a variation in response to this recommendation (see 2020 Amendment Process Statement of Consultation item 1.5). The 2020 Amendment Process concluded that the existing mechanism for variation to the list of account exceptions in Schedule 1 was sufficient and on that basis no amendment was necessary.
9	ARCA should consider consulting with signatories and non-signatories to explore changes to the PRDE that would enable commercial-only lenders to access CCR data, and to explore potential credit information that could be provided by such lenders to CRBs	**Complete – variation included in version 19** The RDEA recommended an amendment to the introduction of the PRDE to confirm the operation of the PRDE as it relates to credit providers that hold no consumer credit information (see 2020 Amendment Process Statement of Consultation items 2.1 and 4.1). That approved variation is included in version 19 of the PRDE.
10	The obligations placed on Securitization Entities under paragraph 42 of the RPDE should be reviewed and consideration given to restricting the PRDE obligations to those entities that are signatories	**Complete – variation included in version 19** The RDEA recommended an amendment to clarify the operation of the PRDE as it relates to Securitisation Entities (see 2020 Amendment Process Statement of Consultation items 2.2). That approved variation is included in version 19 of the PRDE.
11	Exceptions to the requirement for CP signatories to provide an initial load of data in order to consume data should be identified and	**Complete – variation included in version 19** The RDEA recommended an amendment to the introduction of the PRDE to confirm the operation of the PRDE as it relates to credit

	introduced, in order to allow start-up credit providers to access CCR where appropriate on launch	providers that hold no consumer credit information (see 2020 Amendment Process Statement of Consultation items 2.1 and 4.1). That approved variation is included in version 19 of the PRDE.
12	The requirement for signatory CPs to provide three months' notice of intention to change tier level of supply should be removed	**Complete – variation included in version 19** The RDEA recommended an amendment to clarify the operation of the PRDE on this basis (see 2020 Amendment Process Statement of Consultation items 4.2). That approved variation is included in version 19 of the PRDE.
13	With regard to acquired accounts, a guidance note be issued to provide clarity on the requirements of data supply in different circumstances	**Ongoing** The RDEA acknowledged the Independent Reviewer's recommendation and intends to develop guidance around the requirements in paragraph 59-61 in response to this recommendation.
14	Consideration should be given to providing power to the RDEA to enable it to ensure that signatories' attestations of compliance are provided in accordance with the PRDE	**Ongoing** The RDEA acknowledged the Independent Reviewer's recommendation and considered it alongside Recommendation 1. As well as relevant amendments (considered at 2020 Amendment Process Statement of Consultation items 5.1), the RDEA in consultation with signatories and the Data Standards Work Group will review Standard Reporting Requirements relating to signatory attestations.
15	With regard to the restriction on the PRDE Administrator from reporting to CRBs, signatory CPs, the requirement for CP consent be removed	**Complete – variation included in version 19** The RDEA recommended amendments to paragraphs 104 and 105 (see 2020 Amendment Process Statement of Consultation items 5.2). Those approved variations are included in version 19 of the PRDE.

5 2020 Amendment Process 2020

106. The PRDE Administrator initiated work drafting and consulting on possible amendments to the PRDE in early 2020. The scope of amendments under consideration was based on recommendations from the Independent Review and a number of operational or administrative issues identified by management during the course of the PRDE's operation.

107. Over an eleven-week period the RDEA consulted with and invited submissions from:

- All PRDE Signatory CPs and CRBs
- ARCA Member CPs that were not current signatories to the PRDE
- Other CPs that were not ARCA Members and were not signatories to the PRDE

- Other stakeholders identified in the Independent Review Report as having been consulted as part of the Independent Review.

108. In many cases during that eleven-week period, management considered stakeholder input, reviewed proposed drafting of amendments on the basis of feedback and consulted again on its updated drafting. A Statement of Consultation as part of this process is included as Attachment 6 to this document.

109. In late May 2020, following the process provided under paragraph 111 of the PRDE and on the basis of the RDEA's recommended variations and consultation on those variations, the RDEA decided to vary the PRDE.

110. Following the process anticipated by the RDEA's Constitution with regard to amendments identified by the RDEA as 'significant',[33] in June 2020 ARCA also considered and approved relevant "significant" amendments to the PRDE.

111. On 24 June 2020 PRDE Version 19 (included as Attachment 8 to this document) was published, incorporating most of the amendments considered in the 2020 Amendment Process. Some amendments to Principle 5 of the PRDE, which ARCA considered may impact the ACCC's Authorisation, have not been enacted. Rather, those amendments are included in the proposed PRDE Version 20 for which ARCA seeks authorisation under this Application. A draft copy of the proposed PRDE Version 20 is included at Appendix A of this Application.

112. Attachment 7 to this Appendix sets out all approved amendments against the previous PRDE Version 18.

[33] As noted at 2.4 above, RDEA Constitution Clause 15.4 requires significant changes to the PRDE be referred to the ARCA Board.

AUSTRALIAN CREDIT REPORTING DATA STANDARDS (ACRDS) AND DATA STANDARDS WORK GROUP – KEY PRINCIPLES

This document sets out the principles for:

- The development and maintenance of the ACRDS
- Changing the ACRDS
- Managing the ACRDS including the role, responsibilities and operation of the Data Standards Work Group (DSWG).

Principles for development and maintenance of the ACRDS

The ACRDS should be developed and maintained in the manner which best promotes the integrity of the credit reporting system. In doing so, the use of the credit reporting system (including the use comprehensive credit reporting) for credit assessment and credit management should be encouraged and supported.

In order to promote the integrity of the credit reporting system, the following principles will guide all development and maintenance of the ACRDS:

A. **Legal compliance:** Adherence to all legal obligations and compliance requirements applicable to users of the credit reporting system.

B. **Consistency:** Credit information for the same reporting events should be reported in the same manner by each credit provider (CP), to each credit reporting body (CRB) it deals with. The ACRDS should promote consistency in data reporting, across CPs and CRBs.

C. **Non-discrimination**: The ACRDS to be developed and maintained in a manner that serves the common interests of all users regardless of their size or the nature of their credit business. Decision-making will be determined based on adherence to these ACRDS principles as well as the feedback provided by the users of the ACRDS. But it should not be determined based solely on consideration for specific organisation's or industry sector's interests.

D. **Data Integrity and Quality** – will be promoted by adhering to best practice data and technical design principles, as follows:

   1) *Clearly defined data exchange* – all data elements are to be clearly defined. This avoids misinterpretation of data exchanged through the ACRDS and enables a consistent understanding of data by all users of the credit reporting system.
   2) *Permitted data exchange* – all data element definitions must be legally permissible.
   3) *Normalisation of data elements* – data elements will only have one defined purpose to convey a single fact. Data elements should not be used for dual purposes.
   4) *Nomenclature of data elements* – the name of data elements will clearly represent the purpose and use of the data being represented.
   5) *Standardisation* – data elements will be defined to align with other industry standards where appropriate (e.g. Australia Post's address standard).
   6) *Redundant data elements* – data elements and code values that have become redundant will be removed from the ACRDS at the earliest convenience, not later than the next ACRDS version upgrade.

Principles for changing the ACRDS

Changes to the ACRDS may be required to

(i) resolve ACRDS technical flaws;

(ii) address legislative and regulatory changes;

(iii) enhance functionality where industry determines that the benefit of a proposed change outweighs the associated costs; or

(iv) otherwise, to more closely align the ACRDS with the principles for development and maintenance.

Any user of the ACRDS or other interested party may seek a change to the ACRDS. However, the change can only occur where feedback and advice has been obtained from the DSWG, and approval for the change is obtained from the Reciprocity and Data Exchange Administrator Ltd (RDEA) Board (and, where necessary, the Australian Retail Credit Association (ARCA) Board). The roles and operation of the DSWG, and the RDEA and ARCA Boards is set out in more detail under 'Principles for managing the ACRDS' below.

The following principles will guide change to the ACRDS:

E. **Change justification** - Where a change is sought to the ACRDS, the nature of the change, the reasons for it, consequences of the change, and how the change adheres to the ACRDS principles for development and maintenance must be identified for consideration of the Data Standards Workgroup, the RDEA Board and, where necessary, the ARCA Board.

   This change analysis will also address the business benefits of the ACRDS change, as well as the consequences of not proceeding with the change.

F. **Change identification** –When a change is made to the ACRDS, it is acknowledged that implementation of the change across the credit reporting industry will require support for gradual adoption, as a range of CPs will be reporting data to meet the requirements of earlier ACRDS specified data exchange that will not be able to transition to reporting the new ACRDS specified data exchange on precisely the same time lines.

   To ensure that reporting of data based on differently specified ACRDS data exchange can concurrently occur, it is necessary to ensure that each change to the ACRDS is clearly identified and referenced by CPs and CRBs in their data exchange. This means that, once an ACRDS change is implemented, the data reporting requirements arising from the change can be identified as requirements under a particular version or release of the ACRDS, and any CP or CRB can identify whether or not these requirements apply to specific data being exchanged.

   On this basis, changes to ACRDS data exchange will be identified based on the following principles:

   1) *ACRDS version/sub-version/release numbering* – Any change to the ACRDS that would result in an amended data exchange format (schema) that all ACRDS users must adopt, or any other change requiring CRBs to alter their interpretation or processing of data reported by CPs, will be implemented as a 'version', or 'sub-version' upgrade (where the version or sub-version number of the ACRDS will change).

      Any change that constitutes a significant alteration of ACRDS data exchange formats, or the way the ACRDS otherwise operates, will be implemented as a 'version' upgrade. Less significant changes that nevertheless require CRBs to interpret and/or process data differently will be implemented as a 'sub-version' upgrade.

Less significant and minor ACRDS changes, not requiring adoption by all users, may be implemented as a 'release' upgrade (where the version/sub-version numbers of the ACRDS remain unchanged). A 'release' upgrade could include text clarifications, or minor or non-mandatory extensions to existing functionality, that remain fully compatible with the existing level of data exchange (i.e. changes will not cause CRBs to interpret or process the existing level of data exchange differently). Otherwise, the change cannot be implemented as a 'release' upgrade and must at a minimum be implemented as a 'sub-version' upgrade.

2) *Schema numbering* – Whenever the CP reported or CRB responding data exchange formats (schemas) change, they will be identified by a new 'schema version' number. A new schema version may result from a 'version', 'sub-version' or 'release' upgrade of the ACRDS. However, the schema version number is unrelated to the other ACRDS specification document change numbers.

   An altered schema version due to a 'release' upgrade of the ACRDS would only occur where the nature of the ACRDS amendments mean that a CP reporting with the earlier schema version would be fully compatible with CRBs using the new schema version.

G. **Nature of changes** – changes to the ACRDS should comply with the ACRDS development and maintenance principles and should seek to properly resolve the identified issue. Changes which seek to implement a 'temporary solution' only (for instance a 'release' style change pending a 'version' change) should only occur where (a) the temporary solution otherwise complies with the ACRDS principles; and (b) a clear timeframe for implementation of the long-term solution is identified and advised to ACRDS users.

H. **Change procedure** – A well-defined change management process is necessary to provide a means of staging introduction of ACRDS amendments for different ACRDS users, as it is not possible for all ACRDS users to coordinate and adopt changes to the ACRDS at the same time.

   Implementation of changes to the ACRDS will be based on the following principles:

   1) *Multi-version support* – All CRBs will support staged adoption of upgrades to the ACRDS for CPs by concurrently supporting at least two different levels of data exchange. When a new version of the ACRDS is implemented, CRBs will concurrently support the new version and the most recently preceding version of the ACRDS during an adoption period.
   2) *Upgrade frequency* – to enable a timely, reliable and well-coordinated means for all of industry to implement significant ACRDS changes, a 'version' upgrade of the ACRDS will be scheduled annually (which will be deferred if not required). A semi-annual 'release' upgrade of the ACRDS will be scheduled to implement minor ACRDS changes.
   3) *Upgrade implementation* – implementation of all ACRDS changes will be carefully considered and planned to ensure all CRBs can feasibly implement upgrades concurrently in a way that each CP can continue to undertake the same ACRDS data exchange with all CRBs. The adoption period timeframe to be considered as a starting point for planning an ACRDS version/sub-version implementation is:
      a) Day zero: ARCA/RDEA publishes new ACRDS
      b) +6 months: CRB 'test' environments operational for CP use
      c) +12 months: CRB 'production' environments operational for CP use
      d) +24 months: CRBs end support for earlier ACRDS version.

It should be noted that this timeframe is a *suggested* timeframe only, and the agreed timeframe will vary depending on the nature and size of the ACRDS version/sub-version, and whether there is a need for an accelerated timeframe.

Governance of the ACRDS

ARCA is the owner of the ACRDS. However, under the Principles of Reciprocity and Data Exchange (PRDE) the RDEA is responsible for maintenance and management of the ACRDS. Both the ARCA and the RDEA Boards must approve any substantive changes to the ACRDS, although the RDEA Board alone can approve minor changes to the ACRDS.

The DSWG currently operates as a sub-committee of the RDEA, with the role of providing feedback and advice to the RDEA on matters concerning the maintenance and management of the ACRDS. The DSWG may comprise representatives from the ARCA Membership and PRDE signatories.

The DSWG has a critical role in assisting the RDEA in its maintenance and management of the ACRDS. However, the RDEA board (and, to an extent, the ARCA board) remains the ultimate decision-making forum for all ACRDS matters.

I. Role, responsibilities and operation of DSWG:

The DSWG will operate based on the following principles:

1) *Advisory* – all decision-making concerning the ACRDS is vested in the ARCA and RDEA Boards. However, the DSWG provides a vital role in advising and providing feedback to the Board on all ACRDS matters.
2) *Representative* – all ARCA Members and PRDE Signatories may nominate representatives to participate in DSWG.
3) *Expert* – only appropriately skilled individuals should be nominated as representatives, with expertise in some or all of the following areas: data exchange concepts, data quality principles, legislative framework for credit reporting, Credit Industry, Credit Reporting.

   For areas a representative is not expert, they must have access to relevant technical & business expertise within their organisation for review and advise on matters.
4) *Industry led* – to promote DSWG's role to provide an industry voice informing ARCA and RDEA Board decision-making, DSWG meetings will be Chaired by a Member representative, with ARCA/RDEA assisting the Chair with meeting administration.
5) *Best practice* – all DSWG representatives will marshal their technical and industry expertise to provide advice on the development, maintenance and implementation of the ACRDS and upgrades to it consistent with the principles for the development and maintenance of the ACRDS rather than to advance their own organisational interests.
6) *Transparency* – outcomes of all DSWG meetings will be documented and circulated for review and reference. Where the RDEA and/or ARCA Board is required to make a decision on an ACRDS matter, a brief will be provided setting out the DSWG feedback and advice (whether consensus or not).

APPENDIX E – Attachment 1 – PRDE Amendments May 2017

Referral to **PRDE Administrator Entity** – Stage 2 Dispute

71. When a Stage 2 Dispute is referred to the **PRDE Administrator Entity**, the **PRDE Administrator Entity** is required to make the **Rectification Plan** available to **signatories** within 3 business days of receipt of the **Rectification Plan**. Where a dispute arises from a self-report of non-compliant conduct under paragraph 96, the **PRDE Administrator Entity** will take reasonable steps to de-identify the **Rectification Plan** before making it available under this paragraph.

72. Any **signatory** may object to the **Rectification Plan** by issuing a notice of objection to the two initial reporting and respondent parties or, where dispute that arises from a self-report of **non-compliant** conduct, to the **PRDE Administrator Entity**, within 7 calendar days of publication of the **Rectification Plan**. Such notice of objection must comply with the **SRR**.

73. In the event that a **signatory** issues a notice of objection, for the purposes of this PRDE that **signatory** will be the reporting **CP** or **CRB**, and the two initial reporting and respondent parties will be deemed to be the respondent parties. The dispute resolution process set out in paragraphs 66 to 70 above will then apply to the dispute.

…

Self-reporting

96. Where a **CP** or **CRB** forms an opinion that it has engaged in, or may engage in, **non-compliant conduct**, it may issue a report to the **PRDE Administrator Entity**. Such a self-report is required to comply with the **SRR**.

97. Where a **CP** or **CRB** files a self-report, it will have 30 calendar days in which to file a **Rectification Plan** with the **PRDE Administrator Entity**. This **Rectification Plan** will comply with the **SRR**.

98. Upon the expiry of 30 calendar days, the dispute resolution process set out in paragraphs 66 to 70 above will apply to the issue, with the PRDE Administrator Entity acting as reporting party and the self-reporting party becoming the respondent party. ~~respondent to the dispute being the **PRDE Administrator Entity**~~.

TERMS OF REFERENCE
INDUSTRY DETERMINATION GROUP (IDG)

(As at 22 December 2015)

PART ONE: PRELIMINARY MATTERS

Purpose of the IDG

1. The IDG has been established as a representative industry group to consider, conciliate and, where necessary, issue recommendations in **disputes** arising under the Principles of Reciprocity and Data Exchange (**PRDE**).

Principles that underpin IDG operations and processes

2. In dealing with **disputes** about compliance with the **PRDE**, the IDG shall facilitate the resolution of the issues in a timely manner. To achieve this principle, the IDG will apply its Terms of Reference and the **PRDE** with the objective of facilitating the purpose of the **PRDE**.

3. The **IDG** shall, in undertaking their review of a **dispute**, consider any information it considers relevant whilst also acting in accordance with its confidentiality and privacy obligations.

Scope of the Terms of Reference

4. These Terms of Reference set out how the IDG is structured and operates, who can lodge **disputes** with the IDG, the manner in which those **disputes** will be processed including the available compliance outcomes, reporting to the **PRDE Administrator Entity** and other related matters. These Terms of Reference are binding upon **PRDE signatories**, the IDG and its representatives, and the **PRDE Administrator Entity**.

PART TWO: IDG STRUCTURE

Structure of the IDG

5. Each **PRDE signatory** may nominate a representative to the IDG. Each representative will then be allocated to a **college**, depending upon the **Tier** of the **PRDE signatory**. When a **dispute** is then referred to the IDG, the IDG for each **dispute** will be made up of a group of appointed representatives, in accordance with paragraphs 6 and 7 below. For each nominated IDG representative, they may then sit on the IDG for any **dispute** referred to the IDG on a rotation basis, subject to the total number of representatives for each **college**, any conflict of interest and availability.

6. Subject to paragraph 8 and 9 below, for each **dispute** referred to the IDG where the issues in **dispute** are not predominantly about repayment history information, the IDG representatives for that **dispute** shall constitute 1 representative from each **college**, except for the **Tier** 1 Financial **CP college**, which may have 2 representatives on the IDG for that **dispute**.

7. Subject to paragraph 8 and 9 below, for each **dispute** referred to the IDG where the issues in **dispute** are predominantly about repayment history information, the IDG representatives for that **dispute** shall constitute 1 representative from each financial **CP** and **CRB PRDE signatory college**, except for the Tier 1 Financial **CP college**, which may have 2 representatives on the IDG for that **dispute**. A non-financial **CP PRDE signatory** is unable to be an IDG representative for a **dispute** where the predominant issues in dispute concern repayment history information.

8. The composition of the IDG for each **dispute** will be in accordance with the structure in paragraphs 6 and 7 above and the quorum in paragraph 31 below and will be comprised of:

   a) those IDG representatives who are, at the time of referral of the **dispute**, available on rotation to hear that **dispute**;

   b) representatives from each IDG **college** that has the minimum number of IDG representatives;

   c) only those representatives who are not subject to a conflict of interest in accordance with part 5 below, and otherwise available to participate in the IDG meeting at the time nominated by the **PRDE Administrator Entity**; and

   d) a Chairperson.

9. Where an IDG for a **dispute** has been formed in accordance with either paragraphs 6 or 7, and in the opinion of the **PRDE Administrator Entity**, the composition of that IDG does not provide a fair and balanced **PRDE signatory** representation, the **PRDE Administrator Entity** may reconstitute the IDG for that **dispute**. In reconstituting the IDG for that **dispute**, the **PRDE Administrator Entity** may combine **colleges** so that one **college** may be required to represent the views of more than one Tier of **PRDE signatory**.

10. The composition of each **college Tier** will be determined by the **PRDE Administrator Entity**.

11. Each IDG **college** will have a minimum of 1 representative, and no maximum number of representatives.

12. If the **college** does not have the minimum number of representatives, then that **college** will remain unrepresented on the IDG until such time as sufficient nominees are provided to the **PRDE Administrator Entity**.

Eligibility as an IDG representative

13. To be an IDG representative, that person must meet the following criteria:

    a) they will be a natural person;

    b) they may only hold one role as an IDG representative;

    c) in the reasonable opinion of the **PRDE signatory** who has nominated the IDG representative that person has:

        i) a high level of experience in credit reporting and/or financial systems; and
        ii) a knowledge of the **PRDE**;

    d) that person cannot be a director of **PRDE Administrator Entity** or the Australian Retail Credit Association Limited or any other subsidiary of the Australian Retail Credit Association Limited;

14. It is not necessary for an IDG representative to be employed by the **PRDE signatory** whom it represents at the IDG.

15. All **PRDE signatories** other than those **PRDE signatories** at the lowest **signatory Tier** are unable to nominate a representative of another **PRDE signatory** as its IDG representative. **PRDE signatories** at the lowest **signatory Tier** may nominate a representative of another lowest **signatory Tier PRDE signatory** as their IDG representative.

Manner of appointment to the IDG

16. At any time from the **PRDE signatory**'s **Effective Date**, each **PRDE signatory** may nominate an IDG representative for the **signatory**'s **college**.

17. The **PRDE Administrator Entity** will confirm whether or not a nominated representative satisfies the eligibility criteria set out in paragraph 13 above.

18. Each nominated IDG representative will then be required to be available for appointment by the **PRDE Administrator Entity** to the IDG.

Nomination of the IDG representative

19. The **PRDE Administrator Entity** will be responsible for reviewing and approving appointments to the IDG.

Removal from the IDG

20. An IDG representative must be removed as a representative where:

    a) The IDG representative ceases to fulfil the eligibility criteria in paragraph 13 above;

    or

    b) The **PRDE signatory** wishes to nominate another IDG representative or remove their IDG representation entirely.

21. In addition to paragraph 20, an IDG representative may be removed as a representative where:

    a) The IDG representative, by reason of his or her conduct, is unable to continue to fulfil his or her obligations as IDG representative, in accordance with paragraphs 35 and 36 below; and

    b) The Board of the **PRDE Administrator Entity** passes an ordinary resolution vote to remove that IDG representative.

PART THREE: JURISDICTION OF THE IDG

Disputes within scope of the IDG

22. The IDG may only consider a **dispute** where:

    a) The **dispute** has been referred to the IDG in accordance with the **PRDE**; and

    b) Both **parties** to the **dispute** are **PRDE** signatories.

Disputes outside the scope of the IDG

23. The IDG may not consider a **dispute** where:

    a) The referral of the **dispute** to the IDG is not in accordance with the **PRDE**; and/or

    b) One or both **parties** are not **PRDE** signatories; and/or

    c) The **dispute** is currently before or has already been dealt with in legal proceedings in a court or tribunal.

PART FOUR: OPERATIONS OF THE IDG

Referral of **disputes** to IDG

24. Where a **dispute** is referred to the **PRDE Administrator Entity**, the **PRDE Administrator Entity** will manage the appointment process for the composition of the IDG for that **dispute**. The **PRDE Administrator Entity** will advise the composition of the IDG within 3 business days of receipt of a **notice of dispute**.

25. The composition of the IDG for each **dispute** will be in accordance with the structure in paragraphs 6 and 7 above and the quorum in paragraph 31 below.

Chairperson

26. The **PRDE Administrator Entity** will select the Chairperson for each **dispute** and may select any eligible IDG representative.

27. The Chairperson for IDG meetings will be the point of contact between the **PRDE Administrator Entity** and the IDG.

Meetings of the IDG

28. Once the composition of the IDG has been determined by the **PRDE Administrator Entity** in accordance with paragraph 24 above, the IDG will meet within 3 business days of receipt of an identified report of **dispute** from the **PRDE Administrator Entity**.

29. The Chairperson will, if present, preside at all meetings of the IDG. If absent, the IDG representatives present at the meeting will elect one of them to be chairperson of the meeting.

30. An IDG meeting may be held at the time, place and via the form of technology prescribed by the **PRDE Administrator Entity**. Every meeting notice provided by the **PRDE Administrator Entity** must specify the time, place and form of the meeting, including any form of technology for the meeting.

31. The quorum required for an IDG meeting is that number of IDG representatives which represents more than 50% of the total number of **colleges** with IDG representatives at the time of the IDG meeting plus one IDG representative.

Decision-making by the IDG

32. In making a recommendation, for the recommendation to be issued it will require approval of two-thirds of the IDG representatives.

33. Where the IDG is unable to make a recommendation with two-thirds approval, the Chairperson will notify the **PRDE Administrator Entity** within 2 business days. The **PRDE Administrator Entity** will be required to form a new IDG within 3 business days, with no representative from the first IDG able to sit on the new IDG.

34. The new IDG will meet within 3 business days. Where the new IDG is unable to make a recommendation with two-thirds approval, the **dispute** will be referred to the **Eminent Person** for decision.

Powers and duties of the IDG representatives

35. The IDG representatives are obliged to perform their duties in accordance with these Terms of Reference and the **PRDE**.

36. Where the IDG representative is provided with **Confidential Information**, whether about a **dispute**, the **parties** to the **dispute**, or any other matter related to the discharge of his/her duties as IDG representative then, the IDG representative:

    a) will keep confidential the **Confidential Information** unless and until the **parties** agree that the **Confidential Information** is in the public domain other than by a breach of this obligation or unless required by law;

    b) will not disclose or use the **Confidential Information** unless with the prior written consent of the disclosing party;

    c) must **de-identify** any **Confidential Information** where the IDG representative is required to confer and seek advice on the **dispute** within the **PRDE signatory** which nominated the IDG representative.

37. When acting as conciliator of a **dispute** in accordance with paragraphs 53 to 59 below, the IDG representative is required to:

    a) have completed conciliation training, as approved by the **PRDE Administrator Entity**;

    b) facilitate discussion between the **parties** and, in all other respects, remain neutral to the discussion of possible **dispute** resolution outcomes.

PART FIVE: CONFLICTS OF IDG REPRESENTATIVES

Conflict of interest of IDG representatives

38. IDG representatives are required, wherever possible and without acting outside the obligations owed to their **PRDE signatory** organisations, to act in the best interests of the **PRDE** and achieving the objectives underlying the **PRDE** being:

    a) Building trust and confidence in the credit reporting system for all users;

    b) Strengthen and support the reciprocity arrangements that exist in bilateral contracts between **CPs** and **CRBs**;

    c) Support a data exchange standard for the credit reporting system that will help improve accuracy and completeness;
    d) Enable a tiered system of exchange – negative, partial and comprehensive.

39. Where a **dispute** is referred to the IDG and the IDG representative's **PRDE signatory** is either a reporting or respondent party to the **dispute** (an actual conflict), then:

    a) the IDG representative shall not be involved in the review, conciliation or recommendation of the **dispute**; and

    b) the alternate representative of the IDG representative's **college** shall be the IDG representative for the purpose of that **dispute**.

40. In addition to a situation of actual conflict in paragraph 39, where the IDG representative considers that they have a perceived or actual conflict of interest which prevents them from proper consideration of a **dispute**, then:

    a) the IDG representative may elect not to be involved in the review, conciliation or recommendation of the **dispute**; and

    b) the alternate representative of the IDG representative's **college** shall be the IDG representative for the purpose of that **dispute**.

41. In addition to paragraphs 39 and 40 above, the **parties** to a **dispute**, once notified by the **PRDE Administrator Entity** of the IDG for the **dispute** have 3 business days to lodge an objection with the **PRDE Administrator Entity** to an IDG representative or representatives on the grounds of conflict of interest. Upon receipt of the objection, the **PRDE Administrator Entity** has 3 business days in which to appoint a new IDG, and notify the **parties**. The **parties** are unable to object to the new IDG on the grounds of conflict.

PART SIX: DISPUTE RESOLUTION PROCESSES

Dispute resolution criteria

42. The IDG is not bound by any legal rule of evidence.

43. Subject to paragraph 42, when deciding a **dispute** and whether a compliance outcome should result, the IDG will have regard to each of the following:

    a) applicable industry standards and any **PRDE** guidance;

    b) good industry practice;

    c) legal principles, where applicable; and

    d) previous relevant recommendations of the IDG or previous relevant decisions of the **Eminent Person** (although the IDG will not be bound by these).

Consideration by the IDG

44. On receipt of an identified report of **dispute**, in accordance with paragraph 76 of the **PRDE**, the IDG is required to:

a) review the **dispute**; and

b) Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

45. When reviewing the **dispute** and identifying further information, the IDG is required to have regard to:

a) the issues in and impact of the **dispute**;

b) the parties impacted by the **dispute**;

c) the information provided by each party to the **dispute**;

d) industry experience and practice which may be relevant to the issues in **dispute**; and

e) any relevant attestation provided by the respondent party to the **PRDE Administrator Entity** in accordance with paragraph 93 (f) of the **PRDE**.

Information requests by the IDG

46. The IDG may request from a party to the **dispute** such information as is determined to be:

a) relevant to the issues in **dispute**; and/or

b) necessary to assist the IDG to understand how the systems, processes and practice of a party to the **dispute** operate, to the extent that this understanding is necessary to enable the IDG to determine the **dispute**.

47. A party to the **dispute** may refuse to provide information. Where a party refuses to provide information without reasonable excuse, the IDG may issue a recommendation which includes a resolution that an adverse inference can be drawn from the failure to provide information.

48. A party to the **dispute** may refuse to enable the IDG to disclose that information to the other party to the **dispute**. Where a party refuses consent to disclosure, the IDG cannot rely on that information in forming its recommendation.

Attendance by **parties** at IDG meetings

49. Pursuant to paragraph 77 of the **PRDE**, the IDG may, where it considers necessary, request representatives of the **parties** attend the IDG meeting.

50. In determining whether such attendance is necessary, the IDG should have regard to:

a) the adequacy of the documentary information provided by the parties;

b) the purpose of the attendance.

51. **Parties**' attendance can occur by way in the form of prescribed by the IDG, including any form of technology.

52. Where the IDG determines attendance is necessary it will notify the **PRDE Administrator Entity**. Such notification will identify the parties required to attend, proposed date and time for attendance and the prescribed form for the meeting, including any form of technology.

Conciliation by the IDG

53. Pursuant to paragraph 78(a) of the **PRDE**, the IDG may determine that the **parties** to the **dispute** participate in a conciliation, and a reasonable timeframe for this conciliation.

54. In making this determination that a conciliation is appropriate, the IDG should have regard to:

    a) the **parties'** consent to participation in a conciliation;

    b) the likelihood of the **dispute** resolving at conciliation; and

    c) any other matter it considers relevant.

55. If the IDG determines a **dispute** ought to be referred to conciliation, it must provide written notification of this to the **PRDE Administrator Entity**. The IDG is not required to provide reasons for referring the **dispute** to conciliation.

56. When a **dispute** is referred to conciliation, the IDG will nominate a representative to conduct the conciliation. In nominating the representative, the IDG will:

    a) identify the IDG representatives who meet the criteria for conducting conciliations, set out in paragraph 37 above;

    b) nominate a date for the conciliation, with such date being suitable for the **parties** and the **PRDE Administrator Entity**;

    c) ensure a representative of the **PRDE Administrator Entity** is in attendance at the conciliation.

57. Conciliations can be conducted in the form prescribed by the IDG, including any form of technology.

58. Where a conciliation results in a **dispute** being resolved, the IDG representative will be required to ensure the outcome:

    a) is recorded in a **Rectification Plan**; and

    b) signed by both **parties**.

59. Where a **Rectification Plan** is signed in accordance with paragraph 58:

a) the **dispute** will be referred to the IDG for review of the **Rectification Plan**; and

b) the IDG will within a period of 3 business days:

a) Confirm endorsement of the **Rectification Plan** and notify the **PRDE Administrator Entity** to publish the **Rectification Plan**; or

b) Decline endorsement of the **Rectification Plan** and provide its reasons to the **parties**. The **parties** will then have 3 business days in which to provide the **PRDE Administrator Entity** an amended **Rectification Plan** which the **PRDE Administrator Entity** will provide to the **IDG**. Where the **Rectification Plan** is then not endorsed by the **IDG**, the **IDG** will be required to issue a recommendation in accordance with paragraph 60 below.

Recommendations by the IDG

60. Each recommendation must:

a) be in writing;

b) comply with the **SRR**;

c) reach a conclusion about the merits of the **dispute**;

d) set out the reasons for the conclusion about the merits of the **dispute**;

e) specify a compliance outcome in the manner set out in paragraph 62 below; and

f) be provided to the **PRDE Administrator Entity** for distribution to the **parties**.

Compliance outcomes

61. The IDG can only determine a compliance outcome set out in paragraph 89 of the **PRDE**. Monetary sanctions may not be awarded.

62. Such a compliance outcome should be, wherever possible, presented as a series of compliance outcomes, with each subsequent outcome the result of non-compliance with the earlier compliance outcome. In determining what the appropriate series of compliance outcomes are, the IDG will have regard to:

a) the severity of the **PRDE** breach;

b) the impact of the **PRDE** breach on other **PRDE signatories**; and

c) any other matters considered relevant.

PART SEVEN: EXTENSIONS OF TIME

Extensions of time

63. Pursuant to paragraph 100 of the **PRDE**, the IDG may determine an extension of time for any **dispute** which has been referred to the IDG.

64. In determining an extension of time, the IDG will have regard to:

    a) the period of the extension sought;

    b) the reasons for the extension;

    c) the impact of the extension on the other party to the **dispute**, and **PRDE Signatories** as a whole;

    d) any other matter it considers relevant.

65. Any extension of time by the IDG must:

    a) be in writing;

    b) set out the grounds for extension, taking into account the factors in paragraph 64 above; and

    c) be provided to the **PRDE Administrator Entity** for distribution to the **parties**.

PART EIGHT: LEGAL PROCEEDINGS

Legal Proceedings

66. Where a party to a **dispute** has instigated or subsequently instigates legal proceedings in respect to the issues in **dispute**, the IDG will cease its consideration of the **dispute** until:

    a) the legal proceedings are either discontinued, permanently stayed or resolved; and

    b) the IDG determines an issue remains unresolved which it has jurisdiction to investigate. In accordance with paragraph 23 above, the IDG does not have jurisdiction to consider any other issues which have been dealt with in the legal proceedings.

67. Paragraph 66 shall apply to **disputes** where only one party to the **PRDE dispute** is a party to the legal proceedings, where it can be demonstrated that the issues in the legal proceedings are the same issues as the issues in the **dispute**.

PART NINE: VARIATION AND REVIEW OF THESE TERMS OF REFERENCE

Independent review

68. These terms of reference must be reviewed by an independent reviewer after they have been in operation 3 years and at regular intervals after that (not more than every 5 years), with such a review to occur as part of the **PRDE** review.

69. The **PRDE Administrator Entity** is responsible for formulating the scope and terms of reference of an independent review. These must be settled in consultation with **PRDE** signatories and other relevant industry stakeholders. The **PRDE Administrator Entity** must also ensure that the independent review is adequately resourced and supported, the reviewer consults with **PRDE signatories**, the review report is made available to all **PRDE signatories** and the review recommendations are adequately responded to.

Variation

70. In addition to the independent review, the **PRDE Administrator Entity** may review and vary these terms of reference at any time during its operation. Such variation must be supported by a statement of consultation, with such consultation appropriate to the nature and scope of the variation.

71. In addition to the review and variation in paragraphs 68 to 70 above, the **PRDE Administrator Entity** may review and, if necessary, vary the **college Tier** composition as required.

PART TEN: REPORTING TO THE PRDE ADMINISTRATOR ENTITY

Reports to the **PRDE Administrator Entity**

72. The IDG may report to the **PRDE Administrator Entity** recommended variations to the **PRDE** or to these Terms of Reference.

PART ELEVEN: DEFINITIONS

"**College**" means the college tier composition determined by the **PRDE Administrator Entity**.

"**Confidential Information**" means information provided by either party to a dispute and which, in the circumstances surrounding disclosure, a reasonable person would regard as confidential.

"**CP**" means 'credit provider' and has the same meaning as defined by the **Privacy Act**. Any reference to a CP in the **Industry Determination Group** Terms of Reference is a reference to a **signatory** CP unless otherwise expressly stated, and also includes reference to any **Designated Entities** of the **CP**.

"**CRB**" means 'credit reporting body' and has the same meaning as defined by the **Privacy Act**. Any reference to a CRB in the **Industry Determination Group** Terms of Reference is a reference to a **signatory CRB** unless otherwise expressly stated.

"**De-identify**" means to remove identifying characteristics from information to the extent that it is not possible to identify the **PRDE signatory** to which the information is connected to.

"**Dispute**" means where a **CP** or **CRB** has formed an opinion of **non-compliant conduct** in accordance with paragraph 66 of the **PRDE**, the **parties** have been unable to resolve the issues in accordance with paragraphs 68 or 69 of the **PRDE** and have notified the **PRDE Administrator Entity** in accordance with paragraph 70 of the **PRDE**.

"**Effective Date**" means the date nominated by the **CP** or **CRB** as the date that the **CP** or **CRB**'s obligations (as applicable) under the **PRDE** become effective.

"**Eminent Person**" means an independent person who fits the criteria of **Eminent Person**, in accordance with the **Eminent Person** Terms of Reference, and who has consented to inclusion on the panel of **Eminent Persons**.

"**Industry Determination Group**" means a group formed by representatives of signatories, in accordance with the **Industry Determination Group** Terms of Reference.

"**Non-compliant conduct**" means conduct which breaches the **PRDE**.

"**Notice of dispute**" means a notice issued to the **PRDE Administrator Entity** in accordance with paragraph 70 of the **PRDE**.

"**Parties**" means the parties to the **Dispute**.

"**PRDE**" means the Principles of Reciprocity and Data Exchange, which commenced operation on 25 December 2015.

"**PRDE Administrator Entity**" means the Reciprocity and Data Exchange Administrator Ltd (ACN 606 611 670), a subsidiary of the Australian Retail Credit Association Ltd (ACN 136 340 791).

"**PRDE Signatory**" in relation to a **CP** or **CRB**, means a **CP** or **CRB** that has chosen to be a **signatory** to the **PRDE** and has not withdrawn from its participation in the **PRDE**.

"**Rectification Plan**" has the same meaning as defined by the **SRR**.

"**SRR**" means the Standard Reporting Requirements which are the standards used for reporting compliance with the **PRDE**.

"**Tier**" means the **Tier** of the signatory determined by the **PRDE Administrator Entity** and can include **Tiers** for Financial CPs, Non-Financial CPs and CRBs.

TERMS OF REFERENCE

EMINENT PERSON PANEL (EPP)

(As at 22 December 2015)

PART ONE: PRELIMINARY MATTERS

Purpose of the EPP

1. The EPP has been established as a panel of qualified and independent people who are able to review and issue binding decisions in **Disputes** arising under the **PRDE**.

Principles that underpin EPP operations and processes

2. In dealing with **Disputes** about compliance with the **PRDE**, each **Eminent Person** shall facilitate the resolution of the issues in an impartial and timely manner. To achieve this principle, the **Eminent Person** will apply these Terms of Reference and the **PRDE** with the objective of facilitating the purpose of the **PRDE**.

3. The **Eminent Person** shall, in undertaking their review and issue of binding decisions, consider any information it considers relevant whilst also acting in accordance with their confidentiality and privacy obligations.

Scope of the Terms of Reference

4. These Terms of Reference set out how the EPP is structured, who can lodge **Disputes** with the **Eminent Person**, the manner in which those **Disputes** will be processed including the available compliance outcomes and other related matters. These Terms of Reference are binding upon the EPP, the **PRDE Administrator Entity** and signatories of the PRDE.

PART TWO: EPP STRUCTURE & OPERATION

Structure of the EPP

5. The EPP shall be comprised of **Eminent Persons**.

Eligibility as an **Eminent Person**

6. To be an **Eminent Person**, that person must meet the following criteria:

   a) a high level of legal training and experience, or dispute resolution training and experience;

   b) demonstrated decision-writing ability, whether in a judicial, advisory or administrative capacity;

   c) that person cannot be a director of the **PRDE Administrator Entity** or the Australian Retail Credit Association Limited, or a subsidiary of the Australian Retail Credit Association Limited; and

   d) that person cannot be an employee of a **PRDE Signatory,** whether currently or within the 12 months prior to appointment to the EPP.

   In addition to this criteria, a high level of expertise on credit reporting and/or financial services will be highly regarded.

Manner of appointment to the EPP

7. The **PRDE Administrator Entity** will be responsible for reviewing and approving appointments to the EPP.

Term of appointment to the EPP

8. The term of appointment to the EPP is:

   a) until the **Eminent Person** notifies the **PRDE Administrator Entity** that he or she withdraws from the EPP.

   b) until the **Eminent Person** is removed from the EPP is accordance with paragraph 9.

Removal from the EPP

9. An **Eminent Person** must be removed from the panel where:

   a) The **Eminent Person** ceases to fulfil the eligibility criteria in paragraph 6 above; or
   b) By reason of death or mental incapacity, the **Eminent Person** is unable to continue to act as **Eminent Person**; or

10. In addition to paragraph 9, an **Eminent Person** may be removed from the EPP where:

    a) The **Eminent Person**, by reason of his or her conduct, is unable to continue to fulfil his or her obligations as an **Eminent Person** in accordance with paragraph 14 below; and

    b) The Board of the **PRDE Administrator Entity** passes a special resolution vote to remove that **Eminent Person**.

Selection of **Eminent Person** for a **Dispute**

11. Where a **Dispute** is referred to an **Eminent Person** in accordance with paragraph 83 of the **PRDE**, the **PRDE Administrator Entity** will, within 14 calendar days:

    a) Select the next available **Eminent Person** from the **Eminent Person** Panel;

    b) Confirm the selected **Eminent Person** is not subject to a conflict of interest, in accordance with paragraphs 14 and 15 below; and

    c) Brief the **Eminent Person** in accordance with paragraph 84 of the **PRDE**.

PART THREE: JURISDICTION OF THE EPP

Disputes within scope of the EPP

12. An **Eminent Person** may only consider a **Dispute** where:

    a) The **Dispute** has been referred to the **Eminent Person** in accordance with the **PRDE**; and/or

    b) Both **Parties** to the **Dispute** are **PRDE Signatories**.

Disputes outside the scope of the EPP

13. An **Eminent Person** may not consider a **Dispute** where:

    a) The referral of the **Dispute** to the **Eminent Person** is not in accordance with the **PRDE**; and/or

    b) One or both **Parties** are not **PRDE Signatories**.

PART FOUR: CONFLICTS OF EMINENT PERSONS

Conflict of interest of **Eminent Persons**

14. In determining a **dispute**, an **Eminent Person** will attest that it has no conflict of interest in respect to that **dispute**.

15. For the purposes of paragraph 14, an **Eminent Person** will have a conflict of interest where the **Eminent Person**:

    a) has previously within the 2 years prior to the **Dispute**, been an advisor to one of the **Parties** to the **Dispute** or, in some other capacity, undertaken to provide a service to one of the **Parties** to the **Dispute**;

    b) has previously within the 2 years prior to the **Dispute**, been employed by one of the **Parties** to the **Dispute**;

    c) has a significant or material pecuniary interest in either of the **Parties** to the **Dispute**, including holding shares in either party to the **Dispute**; or

    d) has otherwise an existing or potential financial or other significant interest or connection relevant to the **Dispute** (including the **Parties** and the issues in the **Dispute**) which may impair or appear to impair the **Eminent Person**'s independence.

16. Where the **Eminent Person** has a conflict of interest, he or she will notify the **PRDE Administrator Entity** immediately, cease consideration of the **dispute** and return all material related to the **dispute** to the **PRDE Administrator Entity**. The **PRDE Administrator Entity** will appoint a new **Eminent Person** to the **dispute** in accordance with paragraph 11 above.

17. The **PRDE Administrator Entity** may also remove the **Eminent Person** from deciding the **Dispute** where it is otherwise notified of a conflict of interest and it is satisfied that such conflict may impair, or may appear to impair, the **Eminent Person**'s ability to impartially decide the **Dispute**.

PART FIVE: DISPUTE RESOLUTION PROCESSES

Dispute resolution criteria

18. The **Eminent Person** is not bound by any legal rule of evidence.

19. When deciding a **dispute** and whether a compliance outcome should result, the **Eminent Person** will have regard to each of the following:

a) applicable industry standards and any **PRDE** guidance;

b) good industry practice;

c) legal principles, where applicable; and

d) previous relevant recommendations of the **Industry Determination Group** or previous decisions of the **Eminent Person** (although the **Eminent Person** will not be bound by these).

Investigations by the **Eminent Person**

20. On receipt of an identified report of **dispute**, in accordance with paragraph 85 of the **PRDE**, the **Eminent Person** is required to:

a) review the **dispute**; and

b) Identify further information required to determine the issues in **dispute**, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

21. When reviewing the **dispute** and identifying further information, the **Eminent Person** is required to have regard to:

a) the issues in and impact of the **dispute**;

b) the parties impacted by the **dispute**;

c) the information provided by each party to the **dispute**;

d) industry experience and practice which may be relevant to the issues in **dispute**; and

e) any relevant attestation provided by the respondent party to the **PRDE Administrator Entity** in accordance with paragraph 93(f) of the **PRDE**.

Information requests by the **Eminent Person**

22. The **Eminent Person** may request from a party to the **dispute** such information as is determined to be:

a) relevant to the issues in **dispute**; and/or

b) necessary to assist the **Eminent Person** to understand how the systems, processes and practice of a party to the **dispute** operate, to the extent that this understanding is necessary to enable the **Eminent Person** to determine the **dispute**.

23. A party to the **dispute** may refuse to provide information. Where a party refuses to provide information without reasonable excuse, the **Eminent Person** may issue a decision which includes a resolution that an adverse inference can be drawn from the failure to provide information.

24. A party to the **dispute** may refuse to enable the **Eminent Person** to disclose that information to the other party to the **dispute**. Where a party refuses consent to disclosure, the **Eminent Person** cannot rely on that information in forming its decision.

Attendance by **parties** at an **Eminent Person** discussion

25. Pursuant to paragraph 86 of the **PRDE**, the **Eminent Person** may, where he or she considers necessary, request representatives of the **parties** attend a meeting with the **Eminent Person** to discuss the **dispute**.

26. **Parties**' attendance can occur by way of the form of technology approved by the **Eminent Person**.

27. Where the **Eminent Person** determines attendance is necessary it will notify the **PRDE Administrator Entity**. Such notification will identify the **parties** required to attend and proposed date and time for attendance.

Powers and duties of the **Eminent Person**

28. The **Eminent Person** is obliged to perform his or her duties in accordance with these Terms of Reference and the **PRDE**.

29. Where the **Eminent Person** is provided with **Confidential Information**, whether about a **dispute**, the **parties** to the **dispute**, or any other matter related to the discharge of his/her duties as **Eminent Person** then, the **Eminent Person**:

    a) will keep confidential the **Confidential Information** unless and until the **parties** agree that the **Confidential Information** is in the public domain other than by a breach of this obligation or unless required by law;

    b) will not disclose or use the **Confidential Information** unless with the prior written consent of the disclosing party.

Decisions by the **Eminent Person**

30. In accordance with paragraph 87 of the **PRDE**, the **Eminent Person** is required to issue a decision within 14 calendar days of determining that he or she has sufficient information and/or does not require further information.

31. Each decision must:

    a) be in writing;

    b) comply with the Standard Reporting Requirements (**SRR**);

    c) reach a conclusion about the merits of the **dispute**;

    d) set out the reasons for the conclusion about the merits of the **dispute**;

    e) specify a compliance outcome in the manner set out in paragraph 33 below;

    f) identify who is liable to pay the **Eminent Person**'s costs (in accordance with paragraph 42 below) and any apportionment of liability for those costs; and

    g) be provided to the **PRDE Administrator Entity** for distribution to the **parties**.

Compliance outcomes

32. The **Eminent Person** can only determine a compliance outcome set out in paragraph 89 of the **PRDE**. Monetary sanctions may not be awarded.

33. Such a compliance outcome should be, wherever possible, presented as a series of compliance outcomes, with each subsequent outcome the result of non-compliance with the earlier compliance outcome. In determining what the appropriate series of compliance outcomes are, the **Eminent Person** will have regard to:

    a) the severity of the **PRDE** breach;

    b) the impact of the **PRDE** breach on other signatories; and

    c) any other matter that **parties** consider relevant.

PART SIX: EXTENSIONS OF TIME

Extensions of time

34. Pursuant to paragraph 100 of the **PRDE**, the **Eminent Person** may determine an extension of time for any **dispute** which has been referred to it.

35. In determining an extension of time, the **Eminent Person** will have regard to:

    a) the period of the extension sought;

    b) the reasons for the extension;

c) the impact of the extension on the other party to the **dispute**, and **PRDE Signatories** as a whole;

d) any other matter it considers relevant.

36. Any extension of time by the **Eminent Person** must:

a) be in writing;

b) set out the grounds for extension, taking into account the factors in paragraph 35 above; and

c) be provided to the **PRDE Administrator Entity** for distribution to the **parties**.

PART SEVEN: LEGAL PROCEEDINGS

Legal Proceedings

37. Where a party to a **dispute** has instigated or subsequently instigates legal proceedings in respect to the issues in **dispute**, the **Eminent Person** will cease his or her consideration of the **dispute** until:

a) the legal proceedings are either discontinued, permanently stayed or resolved; and

b) the **Eminent Person** determines an issue remains unresolved which he or she has jurisdiction to investigate. In accordance with paragraph 12 above, the **Eminent Person** does not have jurisdiction to consider any other issues which have been dealt with in the legal proceedings.

38. Paragraph 37 shall apply to **disputes** where only one party to the **PRDE dispute** is a party to the legal proceedings, where it can be demonstrated that the issues in the legal proceedings are the same issues as the issues in the **dispute**.

PART EIGHT: COSTS OF THE EMINENT PERSON

Costs of the **Eminent Person**

39. The **Eminent Person** will, within 14 business days of providing his or her decision to the **PRDE Administrator Entity**, issue an invoice for his or her costs to the **PRDE Administrator Entity**.

40. The costs invoice will itemise the reasonable costs incurred by the **Eminent Person** in reviewing, investigating and deciding the **dispute**, and will otherwise comply with the requirements for invoices of any professional association, institute or society of which the **Eminent Person** is a member.

41. In accordance with paragraph 31 above, the **Eminent Person** will decide which party is liable for his or her costs on the basis that costs follow the event, and, as such, the unsuccessful party will be liable for those costs. Costs may be apportioned where a party is partially unsuccessful.

42. The **PRDE Administrator Entity** will pay the invoice of the **Eminent Person** in the manner set out in the **Eminent Person**'s decision, within the invoice payment terms. The **PRDE Administrator Entity** will thereafter seek recovery of this payment as a debt owed by the liable party, with this liability determined by the **Eminent Person** in accordance with paragraph 31 above.

PART NINE: VARIATION AND REVIEW OF THESE TERMS OF REFERENCE

Independent review

43. These terms of reference must be reviewed by an independent reviewer after they have been in operation for 3 years and at regular intervals after that (not less than every 5 years), with such a review to occur as part of the **PRDE** review, as outlined in paragraph 109 of the **PRDE**.

44. The **PRDE Administrator Entity** is responsible for formulating the scope and terms of reference of reviews in accordance with paragraph 43 above. These must be settled in consultation with **PRDE signatories** and other relevant industry stakeholders. The **PRDE Administrator Entity** must also ensure that the independent review is adequately resourced and supported, the reviewer consults with **PRDE signatories**, the review report is made available to all **PRDE signatories** and the review recommendations are adequately responded to.

Variation

45. In addition to the independent review, the **PRDE Administrator Entity** may review and vary these terms of reference at any time during its operation. Such variation must be supported by a statement of consultation, with such consultation appropriate to the nature and scope of the variation.

PART TEN: DEFINITIONS

"**Confidential Information**" means information provided by either party to a **Dispute** and which, in the circumstances surrounding disclosure, a reasonable person would regard as confidential.

"**CP**" means a credit provider and has the same meaning as defined by the **Privacy Act**. Any reference to a **CP** in the **Eminent Person** Terms of Reference is a reference to a signatory **CP** unless otherwise expressly stated, and also includes reference to any **Designated Entities** of the **CP**.

"**CRB**" means a credit reporting body and has the same meaning as defined by the **Privacy Act**. Any reference to a **CRB** in the **Eminent Person** Terms of Reference is a reference to a signatory **CRB** unless otherwise expressly stated.

"**Dispute**" means where a **CP** or **CRB** has formed an opinion of **non-compliant conduct** in accordance with paragraph 66 of the **PRDE**, the **Parties** have been unable to resolve the issues in accordance with paragraphs 68 or 69 of the **PRDE** and have notified the **PRDE Administrator Entity** in accordance with paragraph 70 of the **PRDE**.

"**Eminent Person**" means an independent person who fits the criteria of **Eminent Person**, in accordance with the **Eminent Person** Terms of Reference, and who has consented to inclusion on the panel of **Eminent Person**s.

"**Industry Determination Group**" means a group formed by representatives of signatories, in accordance with the **Industry Determination Group** Terms of Reference.

"**Non-compliant conduct**" means conduct which breaches the **PRDE**.

"**Parties**" means the **Parties** to the **Dispute**.

"**PRDE**" means the Principles of Reciprocity and Data Exchange, which commenced operation on 25 December 2015.

"**PRDE Administrator Entity**" means the Reciprocity and Data Exchange Administrator Ltd (ACN 606 611 670), a subsidiary of the Australian Retail Credit Association Ltd (ACN 136 340 791).

"**PRDE Signatory**" in relation to a **CP** or **CRB**, means a **CP** or **CRB** that has chosen to be a **signatory** to the **PRDE** and has not withdrawn from its participation in the **PRDE**.

"**Privacy Act**" means the *Privacy Act 1988* as amended from time to time (including by the *Privacy Amendment (Enhancing Privacy Protection) Act 2012*) and includes Regulations made under that Act, and the *Privacy (Credit Reporting) Code 2014* (CR Code) registered pursuant to that Act.

"**SRR**" means the Standard Reporting Requirements which are the standards used for reporting compliance with this **PRDE**.

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Reciprocity and Data Exchange Administrator

Review of the Principles of Reciprocity & Data Exchange

July 2019

pwc

RECIPROCITY & DATA EXCHANGE ADMINISTRATOR

Contents

1 Executive Summary

1.1 Background

The Principles of Reciprocity and Data Exchange ("PRDE") are industry-developed data exchange rules designed to support the move towards, and the ongoing operation of, Australia's comprehensive credit reporting ("CCR") system, embracing additional data elements to improve the accuracy of consumer credit assessment. The PRDE was established by the Australian Retail Credit Association (ARCA) following extensive industry discussion over many years. Key clauses of the PRDE were authorised by the ACCC in 2015.

CCR has long been recognised internationally as an important tool to support responsible lending, but Australia has been one of the last countries in the world to introduce it. Information on credit applicants' repayment histories and their accounts and limits with other lenders is extremely useful in assessing creditworthiness.

The likely contribution of these additional data sources to making better, more responsible lending decisions was a key finding of the Australian Law Reform Commission report (2008). This report found in favour of changing the Privacy Act to permit CCR and was foundational in recommending the removal of the restrictions on such data exchange then imposed by Part IIIA of the Privacy Act (1988).

The PRDE are "a set of agreed principles that credit reporting bodies (CRBs) and credit providers (CPs) agree to abide by to ensure that those CRBs and CPs have trust and confidence in their credit reporting exchange". The primary underpinning of the PRDE is the facilitation of the sharing of credit reporting information among signatories through the creation and management of a reciprocal data exchange.

Currently the PRDE is the industry mechanism by which CCR information is exchanged by credit providers that are signatories to the PRDE, and only CPs that supply CCR data to a CRB are able to access CCR data provided to that CRB by other lenders. However, we note that there is not a "monopoly" position held by the PRDE and that other forms of data sharing agreement can be developed.

A self – regulating code is the consumer credit industry's preferred means by which CPs and CRBs can ensure that the data exchange system is working fairly and correctly. Its efficient operation is essential in enabling an accurate risk assessment of consumers applying for credit to be made, and in assisting CPs to fulfil their responsible lending obligations.

Industry transition to CCR is currently well progressed and the PRDE is the accepted framework for the sharing of CCR information. Currently there are 35 credit providers that have signed the PRDE, ranging from the major banks to small credit unions and start – ups and including all three of Australia's CRBs. PRDE signatories represent all major banks and most of the Tier 2 and 3 credit providers. CCR data supply is growing significantly with 50% of all consumer credit accounts now being supplied with comprehensive data to CRBs, a proportion that will grow to 80% by the final quarter of this calendar year.

The use of the PRDE is widely accepted and supported by industry and to date there have been few reported issues with its adoption.

The PRDE is oversighted by the Principles of Reciprocity and Data Exchange Administrator ("RDEA") which is a separate entity to ARCA and which is, according to its constitution, designed to:

(a) administer the PRDE, including the compliance process, and any documents or instruments created for the purpose of assisting the administration, governance and operation of the PRDE

(b) promote and maintain trust and confidence in the PRDE and, in doing so, to promote and maintain the integrity of the credit reporting system as a whole

(c) ensure that the administration of the PRDE is adequately funded and resourced to operate effectively.

There is a periodic review requirement in paragraph 109 of the PRDE, which mandates that, in consultation with PRDE signatories, the RDEA must set out the scope and terms of reference for an independent review which must occur after the PRDE has been in operation for three years (PRDE paragraphs 109 and 110). Under the RDEA scope and terms of reference, the independent reviewer is to consult with the PRDE Administrator, current PRDE signatories and broader industry (e.g. ARCA members, industry associations, non – signatory credit providers and CRBs, and commercial lenders) as appropriate.

PwC was engaged by the RDEA to undertake this independent review of the operation of the PRDE in accordance with the RDEA terms of reference.

Note that the RDEA terms of reference are in Appendix C and the PRDE are in Appendix D.

1.2 Scope of Review

The scope of this review is a review of the terms and operation of the PDRE. Broader policy considerations or issues that would require changes to the CR Code and Privacy Act do not fall within the scope of this review. A detailed consideration of the operation of the Australian Credit Reporting Data Standards is also outside scope as this is currently under review by ARCA.

In the course of our review, stakeholders provided a range of valuable insights which fell outside of the defined scope and for which we have not made any recommendations, but we have included these insights in the report for consideration.

The terms of reference set by the RDEA required us to assess the operation of the PRDE as it relates to:

- achieving the intent of the PRDE, which is "to create a clear standard for the management, treatment and acceptance of credit related information among signatories"
- supporting industry transition to comprehensive credit reporting
- encouraging broad participation in the exchange of credit reporting information
- facilitating a clear and efficient dispute framework for compliance issues.

1.3 Our Approach

Our approach to the review of the PRDE was guided by the terms of reference supplied by the PRDE Administrator (see Appendix C). For each of the key questions within the terms of reference we sought the views of a range of organisations involved in the provision of consumer and commercial credit.

a) **Consultation process:** the scope called for insights gained from the operation of the PRDE. Accordingly, our approach to assessing the PRDE included a wide – ranging consultation process to seek the views of interested stakeholders.

Stakeholders were identified in consultation with ARCA and included signatory and non-signatory credit providers, credit bureaus, and relevant industry associations. We focused on engaging peak organisations who were able to bring the views of their members. Further details of our approach are set out in Section 2 of this report.

A summarised list of targeted consultation participants is provided in Appendix B.

Members from ARCA or the RDEA did not participate in the targeted consultation sessions in recognition of the requirement for independence in respect of the Review.

b) **Evaluation process:** we have assessed the PRDE by considering the overall operation of the PRDE, each principle and all specific provisions and paragraphs as at June 2019.Our evaluation process has included:

- Seeking feedback from participants on each paragraph of the PRDE in relation to the extent to which it "effectively supports the intent of the PRDE" as described in the terms of reference
- Identifying the issues raised
- Gathering the various perspectives obtained in respect of each issue to enable us to properly understand the nuances of the issue
- Assessing whether the issue fell within the scope
- For issues within the scope, considering an appropriate response, bearing in mind the operational impact on participants.

c) **Recommendations:** we have included recommendations where relevant.

We have presented the recommendations in the form of a matrix that considers the ease of implementation against the importance of the issue and the likely degree of consensus amongst signatories.

Scope Limitations

Our review does not constitute an audit or review in accordance with Australian Auditing Standards applicable to review engagements and accordingly no such assurance is provided in this report or any other deliverable. Our work does not constitute legal advice or a legal opinion.

1.4 Summary of key recommendations

The most important recommendations from our review are summarised in Table 1 below. We do not see that there is a need for radical change to the PRDE but we do identify areas for improvement.

In addition to the major recommendations below, we have also identified a further 10 recommendations which are described in Section 3.

All recommendations are evaluated in terms of their importance, their ease of implementation, and the likely degree of agreement that exists across signatories (see section 3.7).

Section 4 of the report provides more detail on the workshop and stakeholder interviews that we undertook as part of the PRDE review.

Table 1 Summary of High importance / most impactful recommendations

Recommendation 1 – Powers of the RDEA

Consideration should be given to strengthening the independent compliance investigation and monitoring capabilities of the RDEA.

The RDEA has relatively weak powers of investigation and compliance monitoring. The powers of the RDEA are set out in paragraph 107 of the PRDE and only permit the RDEA to initiate a report of non-compliant conduct in certain defined circumstances. These provisions mean that the RDEA is heavily reliant upon CPs and CRBs to self – report non-compliant conduct in a timely manner. The ability of the RDEA to initiate such action itself in response to known issues is highly constrained.

This means, for example, that the RDEA cannot investigate issues relating to the non - compliant provision of default information or the withholding of repayment history information even if it becomes aware that such issues are occurring. The PRDE as currently written requires CRBs and CPs to self – report issues such as these and if they do not, the only avenue open to the RDEA is on the grounds that a CRB or CP's annual attestation is deemed, on reasonable grounds, to be wholly or partly false (PRDE paragraph 107(k)).Such a provision does not allow for the timely identification and communication of non – compliance.

In this context we note that regulatory guidance (e.g. ASIC Regulatory Guidance Note 183 and the ACCC Guidelines for developing effective voluntary industry codes of conduct) requires that specific standards be met for a body (such as the RDEA) which exercises independent oversight, transparency, investigation and compliance enforcement in relation to the code.

This is an issue that could be addressed by changing the PRDE to give the RDEA powers in addition to those set out in paragraph 107 to independently investigate and monitor compliance with certain aspects of the PRDE. For example, to enable the RDEA to examine areas such as compliance with the ACRDS, timeliness of default provision, completeness of repayment history information supply, and to be able to assess accurately the extent of CPs' data provision to CRBs relative to the total size of their customer base.

Principle / Paragraph	Importance	Ease of implementation	Consistency in agreement	Reference
Principle 1 (para 2-12)	Most impactful	Moderately difficult	Low	Section 4.1.1

Recommendation 2 – Consistency with the ACRDS

Consideration should be given to improving CPs' alignment with the most recent version of the Australian Credit Reporting Data Standards ("ACRDS").

This is not an issue that requires a change to the PRDE but it is an issue regarding CPs' compliance with its provisions.

We note that the impact of non - compliance is reduced by the l kelihood that CRBs will remediate any data deficiencies on behalf of the CP prior to loading its data to the bureau.

We suggest that consideration be given to raising the profile of this issue by targeted communications to signatories explaining the importance of adherence to the ACRDS and we note the lack of enforcement powers of the RDEA in this regard (see Recommendation 1).

Principle / Paragraph	Importance	Ease of implementation	Consistency in agreement	Reference
Principle 1 (para 10)	Most impactful	Most difficult	Moderate	Section 4.1.2

Recommendation 5 – Timescale for default reporting

Consideration should be given to improving the timeliness of default reporting by clarifying more precisely what is meant by a "reasonable timeframe". The delays in reporting defaults weaken the integrity of the credit reporting system and the wording used is open to widely different interpretation.

The timely reporting of defaults is of fundamental importance to the credit reporting system. For a variety of reasons defaults are not reported by CPs in a timely manner and the powers of investigation by the RDEA to identify and provide transparency about this issue are limited (see Recommendation 1).

Consideration should be given to changing the PRDE to include a clearer definition of required timescales and a means by which at a minimum transparency can be given to all CPs where default data supply from one or more CPs is not meeting compliance requirements.

We note that this issue is currently under active review by ARCA and its members and that guidelines are I kely to be issued in the near term in respect of timely default reporting requirements.

Principle / Paragraph	Importance	Ease of implementation	Consistency in agreement	Reference
Principle 1 (para 20)	Most impactful	Most difficult	Moderate	Section 4.1.3

Recommendation 9 – Access to comprehensive data for commercial – only credit providers

Consideration should be given to enabling commercial – only providers of loans to have access to comprehensive credit reporting information.

Such access would require a change to the PRDE.

We note that the Privacy Act allows commercial – only credit providers to access "negative" consumer credit information and that the PRDE currently would not permit such lenders to access CCR.

We further note that unless the commercial credit provider holds an Australian Credit Licence it will only be able to access CCLI (consumer credit liability information) and not RHI (repayment history information).

Principle / Paragraph	Importance	Ease of implementation	Consistency in agreement	Reference
Principle 2 (para 34-36, 38)	Most impactful	Most difficult	Moderate	Section 4.2.2

Recommendation 11 – Access to comprehensive data for start –ups

Consideration should be given to enabling start-up CPs to have access to comprehensive credit reporting information from the point at which they commence commercial operations.

The PRDE should be changed to permit access for start –ups without requiring three months of data supply. We note that the obligations in the PRDE for subsequent full data supply under reciprocity compliance requirements will apply to start ups in the same way as they also apply to established credit providers.

Principle / Paragraph	Importance	Ease of implementation	Consistency in agreement	Reference
Principle 4 (para 58)	Most impactful	Least difficult	High	Section 4.4.1

Recommendation 14 – Attestation by CPs and CRBs regarding compliance with the PRDE is self – disclosed

Consideration should be given to providing powers to the RDEA to enable it to ensure that the annual attestations by CPs and CRBs are being provided in accordance with the requirements of the PRDE.

We note that there is no mechanism for the RDEA to investigate non – compliance with the provisions of the PRDE in this regard and that the RDEA relies on self – attestation and cannot initiate a dispute process (except in limited circumstances). This issue is linked to Recommendation 1.

Consideration should be given to changing the PRDE to enable the RDEA to investigate and gain assurance in respect of the self - attestations provided by CRBs and CPs - for example by making audit reports available or by providing for sample testing by the RDEA.

Principle / Paragraph	Importance	Ease of implementation	Consistency in agreement	Reference
Principle 5 (para 93)	Most impactful	Least difficult	Low	Section 4.5.2

2 Our approach

Our approach to the review of the PRDE was guided by the terms of reference supplied by the PRDE Administrator (see Appendix C). For each of the key questions within the terms of reference we sought the views of a range of organisations involved in the provision of consumer and commercial credit.

a) **Consultation process:** workshops were conducted with representatives of ARCA and the Australian Finance Industry Association, PRDE signatory credit providers, PRDE non – signatory credit providers, commercial – only credit providers and the three credit reporting bureaus. Additional interviews were undertaken where requested by individual participants.

The workshops and interviews followed the sequence of questions in the terms of reference and participants were given an opportunity to raise any other issues not covered in the terms of reference.

b) **Evaluation process**: the key issues and recommendations were drawn from the themes arising from the interviews and workshops and are described in the next section of this report. In our report we have followed the sequence of each issue as set out in the terms of reference.

Regulatory guidance from ASIC and the ACCC regarding self – regulating industry codes was reviewed and compared against the terms and operation of the PRDE.

c) **Recommendations**: the RDEA terms of reference requested an evaluation or ranking of the issues which is based on three criteria in relation to each recommendation:

- its significance in terms of impact to the operation of the PRDE;
- its operational complexity or cost to implement for CRBs and/or CPs and;
- the extent to which the issue is likely to be agreed in principle amongst signatories.

Section 5 provides further details of this approach.

3 Summary of issues and recommendations

A summary of issues along with associated recommendations is set out in the tables below. They are cross – referenced with the RDEA Terms of Reference ("TOR") reference number (Appendix C).

Further details of the assessment of the effectiveness of the PRDE drawn from stakeholder discussions are provided in Section 4. There are issues that have been noted for which there are no corresponding recommendations, either because the issue is being currently managed or is out of scope of this review.

3.1 Principle One

No.	Issue	Recommendation	TOR Ref
01	**Powers of the RDEA** The demonstration of compliance with the PRDE by CRBs is through their own internal processes that are not disclosed to the RDEA.	Consideration should be given to strengthening the independent compliance investigation and monitoring capabilities of the RDEA. The RDEA has relatively weak powers of investigation and compliance monitoring. The powers of the RDEA are set out in paragraph 107 of the PRDE and only permit the RDEA to initiate a report of non-compliant conduct in certain defined circumstances. These provisions mean that the RDEA is heavily reliant upon CPs and CRBs to self – report non-compliant conduct in a timely manner. The ability of the RDEA to initiate such action itself in response to known issues is highly constrained. This means, for example, that the RDEA cannot investigate issues relating to the non - compliant provision of default information or the withholding of repayment history information even if it becomes aware that such issues are occurring. The PRDE as currently written requires CRBs and CPs to self – report issues such as these and if they do not the only avenue open to the RDEA is on the grounds that a CRB or CP's annual attestation is deemed, on reasonable grounds, to be wholly or partly false (PRDE paragraph 107(k)). Such a provision does not allow for the timely identification and communication of non – compliance. In this context we note that regulatory guidance (e.g. ASIC Regulatory Guidance Note 183 and the ACCC Guidelines for developing effective voluntary industry codes of conduct) requires that specific standards be met for a body (such as the RDEA) which exercises independent oversight, transparency, investigation and compliance enforcement in relation to the code. This is an issue that could be addressed by changing the PRDE to give the RDEA powers in addition to those set out in paragraph 107 to independently investigate and monitor compliance with certain aspects of the PRDE. For example, to enable the RDEA to examine areas such as compliance with the ACRDS, timeliness of default provision, completeness of repayment history information supply, and to be able to assess accurately the extent of CPs' data provision to CRBs relative to the total size of their customer base.	4.1.1
02	**Consistency with the ACRDS** Where CPs do not update their operational systems to be consistent with the current	Consideration should be given to improving CPs' alignment with the most recent version of the Australian Credit Reporting Data Standards ("ACRDS").	4.1.2

No.	Issue	Recommendation	TOR Ref
	version of the ACRDS there is a risk of inconsistency relative to the data standard. If data is supplied that is not in the required format there is a risk of errors and inaccuracies in the credit reporting database and the risk of increasing divergence from the Standard over time.	This is not an issue that requires a change to the PRDE but it is an issue regarding CPs' compliance with its provisions. We note that the impact of non - compliance is reduced by the likelihood that CRBs will remediate any data deficiencies on behalf of the CP prior to loading its data to the bureau. We suggest that consideration be given to raising the profile of this issue by targeted communications to signatories explaining the importance of adherence to the ACRDS and we note the lack of enforcement powers of the RDEA in this regard (see Recommendation 1).	
03	**Schedule to capture account exceptions** Paragraphs 11/12 list current exemptions but it is possible that in future more exceptions will be required.	Consideration should be given to moving the account exceptions to the application of paragraph 11 into an updateable Schedule. See also Recommendation 8.	4.1.2
04	**Alternative data to default information** One CP does not default its home loan customers and cannot provide default information and is therefore in breach.	Consideration should be given to alternative data that could be supplied by CPs where their credit policies and processes do not classify any credit accounts as defaults.	4.1.3
05	**Timescale for reporting** Lengthy delays in contributing default information impacts negatively on the integrity of the credit reporting system.	Consideration should be given to improving the timeliness of default reporting by clarifying more precisely what is meant by a "reasonable timeframe". The delays in reporting defaults weaken the integrity of the credit reporting system and the wording used is open to widely different interpretation. The timely reporting of defaults is of fundamental importance to the credit reporting system. For a variety of reasons defaults are not reported by CPs in a timely manner and the powers of investigation by the RDEA to identify and provide transparency about this issue are limited (see Recommendation 1) Consideration should be given to changing the PRDE to include a clearer definition of required timescales and a means by which at a minimum transparency can be given to all CPs where default data supply from one or more CPs is not meeting compliance requirements. We note that this issue is currently under active review by ARCA and its members and that guidelines are likely to be issued in the near term in respect of timely default reporting requirements.	4.1.3
06	**Reference to guarantors** The PRDE only refers to individuals who have defaulted, not a guarantor.	Include reference to a guarantor default not just an "individual" in paragraph 20 of the PRDE.	4.1.3
07	**Clarification of calculation** The method for calculating total CP accounts is not clear.	The drafting of paragraph 32 should provide more clarity on the calculation requirements to improve the operation of the provision and to avoid ambiguity.	4.1.5
08	**Move account exceptions into a Schedule** Further exceptions may arise in the future and it would be more efficient to enable these to	Consideration should be given to the use of an updateable Schedule rather than have exceptions in the main body of the PRDE.	4.1.5

No.	Issue	Recommendation	TOR Ref
	be captured flexibly in a Schedule rather than in the main body of the PRDE text.		

3.2 Principle Two

No.	Issue	Recommendation	TOR Ref
09	**Access to comprehensive data for commercial-only credit providers** Commercial – only CPs cannot access CCR information.	Consideration should be given to enabling commercial – only providers of loans to have access to comprehensive credit reporting information. Such access would require a change to the PRDE. We note that the Privacy Act allows commercial – only credit providers to access "negative" consumer credit information and that the PRDE currently would not permit such lenders to access CCR. We further note that unless the commercial credit provider holds an Australian Credit Licence it will only be able to access CCLI (consumer credit liability information) and not RHI (repayment history information).	4.2.2
10	**Clarify obligations placed on non-signatory entities** The PRDE places obligations on securitisation entities that are not signatories to the PRDE. Such obligations may not be enforceable.	Paragraph 42 should be reviewed and consideration given to restricting PRDE obligations to those entities that are signatories.	4.2.3

3.3 Principle Three

No issues raised.

3.4 Principle Four

No.	Issue	Recommendation	TOR Ref
11	**Access to comprehensive data for start-ups** Start – ups cannot access CCR on launch as they have no data to contribute.	Consideration should be given to enabling start-up CPs to have access to comprehensive credit reporting information from the point at which they commence commercial operations. The PRDE should be changed to permit access for start –ups without requiring three months of data supply. We note that the obligations in the PRDE for subsequent full data supply under reciprocity compliance requirements will apply to start ups in the same way as they also apply to established credit providers.	4.4.1
12	**Remove notice requirement**	Remove the 3 months' notice of intent to change tier level of supply.	4.4.2

No.	Issue	Recommendation	TOR Ref
	The requirement for a CP to provide 3 months' notice of a change in their Tier level is unnecessary.	We note that this provision was included when it was anticipated that in the transition to CCR there would be large impacts on bureau scores and other bureau data as major credit providers began to contribute CCR data and/or changed level of provision. This transition period is now coming to an end and therefore this paragraph is no longer needed.	
13	**Clarity on requirements of data supply** There was a lack of clarity about the treatment of accounts when purchased by a CP operating at a different tier level than the CP from which the accounts were acquired.	Provide clarity to the CPs raising this issue on the requirements of data supply when the acquiring CP and its acquired accounts have different Tier Levels, specifically to cater for the 2 scenarios below: i) The acquiring CP holds a lower Tier Level than the acquired credit portfolio. ii) The acquiring CP holds a higher Tier Level than the acquired credit portfolio.	4.4.4

3.5 Principle Five

No.	Issue	Recommendation	TOR Ref
14	**Attestation by CPs and CRBs** Compliance with the PRDE is self – disclosed.	Consideration should be given to providing powers to the RDEA to enable it to ensure that the annual attestations by CPs and CRBs are being provided in accordance with the requirements of the PRDE. We note that there is no mechanism for the RDEA to investigate non – compliance with the provisions of the PRDE in this regard and that the RDEA relies on self – attestation and cannot initiate a dispute process (except in limited circumstances). This issue is linked to Recommendation 1. Consideration should be given to changing the PRDE to enable the RDEA to investigate and gain assurance in respect of the self - attestations provided by CRBs and CPs - for example by making audit reports available or by providing for sample testing by the RDEA.	4.5.2
15	**Remove requirement for CP consent** The need for the Administrator to gain consent from a CP in order to provide certain information to a CRB is an unnecessary requirement, and the RDEA's obligation to act only at the request of the CRBs was also seen as unnecessary.	Remove the requirement for CP consent and allow proactive reporting regarding CRBs. This is linked to Recommendation 1.	4.5.3

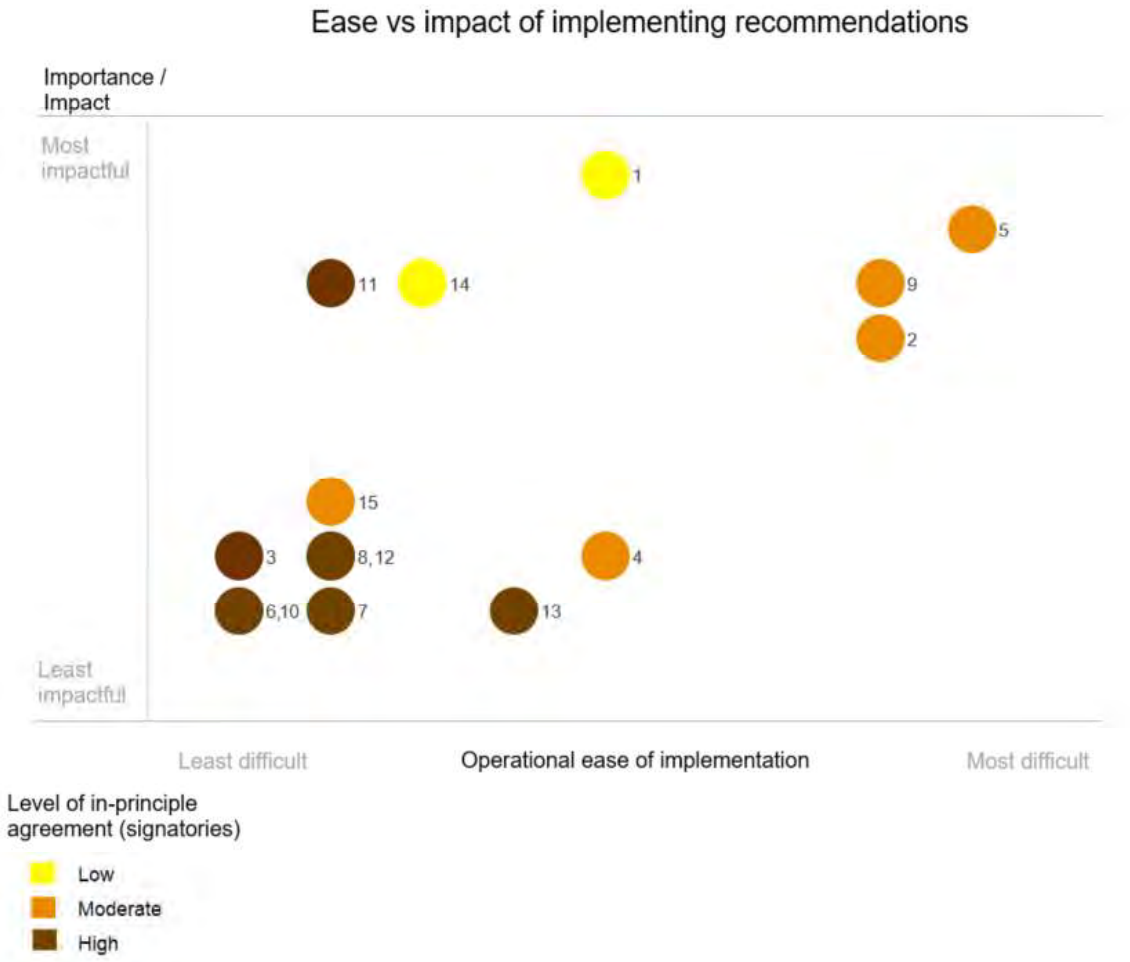
3.6 Principle Six

No issues raised.

3.7 Evaluation

As required from the terms of reference, we have evaluated each recommendation in terms of its importance to the operation of the PRDE; the ease of implementation; and the likely degree of agreement on each recommendation from the perspective of signatories. We have illustrated how each recommendation (represented as a coloured dot on the graph) "scores" on these criteria and plotted them on a graph – see Figure 1.

Figure 1 Evaluation of Recommendations



No.	Recommendation	Operational ease of implementation (1=easiest)	Level of signatories' in - principle agreement (1=least)	Importance / Impact (1=least)
1	Powers of the RDEA	5	1	10
2	Consistency with the ACRDS	8	5	7
3	Consider use of a Schedule to capture exceptions and remove from the body of the PRDE	1	10	3
4	RDEA to consider alternative data to defaults to be supplied by a CP in as timely a manner as possible	5	5	3
5	RDEA to consult with signatories and consider a clearer definition of "reasonable timeframe"	9	6	9
6	Include reference to guarantors in P20 of the PRDE	1	10	2
7	Clarify calculation of total consumer credit accounts	2	10	2
8	Move account exceptions into a Schedule	2	10	3
9	RDEA to consult with signatories to explore changes to the PRDE that would enable commercial - only lenders to access CCR data	8	5	8
10	Clarify obligations placed on non - signatory security entities	1	9	2
11	Introduce and identify exceptions for when a CP does not need to supply 3 months of RHI upon signing up to PRDE	2	10	8
12	To remove the 3 months' notice of intent to change tier level of supply	2	9	3
13	Provide clarity on the requirements of data supply when the acquiring CP and acquired accounts have different Tier Levels	4	8	2
14	Strengthen attestation process	3	1	8
15	Remove requirement for CP consent and allow proactive reporting	2	5	4

4 Detailed assessment of the operational effectiveness of the PRDE

This section provides detail of the broader discussion points that were provided in interviews and workshops with stakeholders and which gave rise to the recommendations set out in the previous section. This section also includes issues that were identified but for which there is no recommendation.

The same sequence of items for consideration under each Principle is followed as per the order of questions set out in the RDEA terms of reference document. Each specific item is highlighted in a text box and numbered and cross – referenced to the question asked in the terms of reference – see Appendix C.

4.1 Principle One

4.1.1 Do the promises by CRBs set out in paragraphs 2-7 of the PRDE support the intent of the PRDE?

Context: It is essential that CRBs agree to operate in accordance with the fundamental rules of reciprocity to ensure an efficient and fair data exchange environment.

Identification of issue – paragraph 4 of the PRDE

Our review found that some stakeholders were concerned in relation to the application of paragraph 4 of the PRDE in respect of the independent monitoring of the compliance of CPs by the CRBs, specifically in relation to their obligations under the PRDE to contribute credit information fully and in a timely manner.

While there has been no incidence of non-compliance by CPs to date reported to the RDEA by the CRBs, the RDEA has little visibility of any non-compliant conduct given the voluntary nature of disclosure and its limited powers of investigation.

Summary of consultation views

In response to substantiating that CRBs "have a reasonable basis for believing that a CP is complying with its obligations under the PRDE", all bureaus stated that they have formally documented internal review processes in place to ensure that credit providers were complying with their data supply obligations. This included the checking of data quality, supply frequency and consistency in data volumes.

All CRBs reported that they hold regular review meetings (typically monthly) to check that all accounts are being supplied and that data is only being supplied to CPs at the appropriate tier. In the event that anomalies were discovered, the bureaus work with their client(s) to implement a "Rectification Plan". This is designed to ensure that compliance with PRDE will be met in future. This is a process that is operated by the bureau(s) working together with their customers and one which is not visible to the RDEA.

In the discussion of reciprocity rules, CRBs and CPs expressed concern at alleged non-compliance with data tier reciprocity rules reportedly occurring in NZ and had no appetite for adopting business practices that breached the fundamental reciprocity rules in the PRDE.

Despite recognising these concerns, there was no support from workshop participants for any extension of the powers of the PRDE Administrator. CRBs argued that there are sufficient mechanisms in place to detect non-compliant conduct and issues that have surfaced to date have been raised directly with the CRBs and resolved by them in a timely manner.

Non-signatories suggested that any increase in RDEA's powers may heighten the risk of non-signatories not wishing to sign the PRDE, noting that the data sharing environment is already highly regulated, especially for established CPs. It was suggested that any increased powers of the RDEA to have more scrutiny should apply to smaller CPs, start – ups and non-ADIs.

Evaluation

CRBs attest that they are operating in a manner compliant with the PRDE, however they are not required to supply documentary evidence of compliance with the rules of reciprocity to the RDEA. The RDEA has no powers of inspection. We note that to date there have been no issues reported where reciprocity rules have been broken, however this may be because the RDEA has not been informed of such issues.

There is a concern that CRBs may not be voluntarily reporting non-compliant conduct that should be raised with the RDEA and made known to signatories. Examples include the late reporting of defaults and the non-provision of repayment history information ("RHI") for hardship accounts. These are issues known across industry and by the RDEA but to date not formally communicated through the non- compliance reporting provisions of the PRDE. Under the PRDE the RDEA has limited and defined powers to itself raise an issue of non-compliant conduct (see paragraph 107).

We note that both ASIC and the ACCC in their guidance notes on industry self-regulating codes require that there is an independent oversighting entity (in this case the RDEA) with adequate investigative, reporting and enforcement powers to ensure that the code is operating in accordance with its principles and objectives. Against these standards, the RDEA's governance and control could be improved. As a result there is a possibility that regulators may not consider the PRDE to be adequately independently oversighted and, *in extremis*, this could lead to the replacement of the self-regulating code with a more highly regulated compliance regime.

There is no process in place that would allow the RDEA to independently ensure that all eligible CP accounts are being supplied, which is a fundamental requirement of the PRDE.

This is not to suggest that the code is not being properly applied; rather, the issue is that the RDEA does not have clear sight of whether it is or not and, as such, this represents a control weakness.

Recommendation 1

Consideration should be given to the enhancement of the compliance monitoring powers of the RDEA.

This could take the form of making the demonstration of compliance with the PRDE an annual audit requirement for CRBs, to which the RDEA has the right of access; and/or to give the right to enable the RDEA to undertake sample inspection and testing of compliance controls. Further consideration should be given to implementing a means by which the RDEA can check "control totals" of numbers of each CP's consumer credit accounts by comparing the total account numbers held by each CP, with the total account numbers disclosed to the RDEA by the CRBs.

4.1.2 Do the promises by CPs set out in paragraphs 8-13 of the PRDE support the intent of the PRDE?

Context: It is essential that CPs agree to operate in accordance with the fundamental rules of reciprocity to ensure an efficient and fair data exchange environment.

Identification of issue – Paragraph 10 of the PRDE

Some stakeholders interviewed expressed concerns about CPs' non – compliance with the Australian Credit Reporting Data Standards ("ACRDS") in respect of CPs' contribution of credit information. The ACRDS are a "living" set of data standards and are updated periodically, which requires CPs to also update their processes in order to remain consistent with the Standard. Some CPs have implemented the ACRDS without making provision for its continuous updating which may lead to inconsistency, contrary to the intent of the Standard. It was also noted that CRBs have implemented and/or interpreted the ACRDS in slightly different ways, resulting in inconsistent acceptance of CP files and inconsistent error reporting.

Summary of consultation views

It is noted that the PRDE Administrator and the Data Standards Work Group is currently finalising a separate comprehensive review and revision to the ACRDS.

CPs varied in their practice but many were concerned about their ability to find the budget and/or make updating a sufficiently high priority item to enable the required IT resources to be made available in order to keep up to date with the evolving Standards.

Evaluation

It appears that some CPs are not aware of or are unable to fulfil the requirement to comply with a dynamic ACRDS.

Consistency in data supply is important in maintaining the integrity of the credit reporting system and in minimising errors that may lead to poor consumer outcomes. While it is recognized that CRBs can assist with ensuring that data standards are maintained, there remains a risk, which increases over time, that errors will arise if divergence from the ACRDS continues or increases. CPs should consider the ACRDS to be a "living" set of standards not a one-off set of requirements

and provide sufficient resource to keep to either the current version, or next to latest version. We note that the RDEA has no powers of compulsion in this regard.

Recommendation 2

ARCA should encourage signatories to recognise that the ACRDS is dynamic not static and to encourage signatories to ensure that resource is available for periodic updating. Consideration should be given to the production of a "user guide" to keep signatories abreast of changes in operational requirements. A reporting and transparency framework should also be considered.

Identification of issue – paragraph 12 of the PRDE

Paragraph 12 of the PRDE lists the exceptions to paragraph 11 with respect to the promises made by CPs to not on-supply to another CP any partial information or comprehensive information that the other CP is not able to obtain directly from the CRB. There is a potential issue in that the PRDE as currently written would not easily permit changes to be made to the list of exceptions. Such changes may be required in future as new market participants emerge. For each future instance, the PRDE would need to be amended, with formal approval, as exceptions are currently 'hard-coded' in paragraph 12. This may prevent the PRDE from responding to market environment changes in a timely manner.

Summary of consultation views

Participants were in favour of the use of a schedule rather than having exemptions in the body of the PRDE.

Recommendation 3

Consideration should be given to moving the exceptions to the application of paragraph 11 into an updateable Schedule. The PRDE should remain flexible to be able to accommodate future scenarios where the on-supply of credit information by future industry participants could be exempt.

4.1.3 Are the rules around negative information clear and consistent with the intent of the PRDE? Paragraphs 17-21

Context: "negative information" includes defaults, bankruptcies and Court Judgements and has been the underpinning of the Australian credit reporting system since its inception. It is important that the rules regarding its supply and use are fair, clear and consistent.

Identification of issue – paragraph 19 of the PRDE

An issue has been raised about accessing negative data without supplying default data. One CP does not default home loan customers, but the process is to implement Court Judgement proceedings, which are subsequently reported. The current wording of the PRDE requires default information to be provided, which would make this CP non-compliant.

Summary of consultation views

The CP in question is aware of its non-compliance with the provision of negative data requirements and seeks exemption given the restrictions on its business model/credit policy. The CP is willing to supply Court Judgement data to the CRBs which is in effect the closest status to 'default' that is available from the CP. The risk in granting an exemption is that this could establish a precedent that could lead to a deterioration in default data supply.

In addition, it is noted that the listing of Court judgements is a lengthy process that may take several months to resolve/report.

Evaluation

The CP (and any other similarly challenged CPs) need to be engaged with ARCA to determine whether a workable compromise may be achievable through the provision of other data similar to default information.

Recommendation 4

Consideration should be given to CPs where their credit policies and processes do not classify any credit accounts as defaults. The RDEA should consider an exemption from the requirement to supply default information for these CPs, if there exists a reasonable alternative negative data supply.

Identification of issue – paragraph 20 of the PRDE

Concerns were expressed as to the interpretation of a 'reasonable timeframe' in paragraph 20 in relation to the contribution of default information by CPs of the account becoming overdue where an individual has defaulted on their obligations. It is noted that CPs vary widely in the timeliness of supplying default data to CRBs and some are particularly slow (for example in home loan default reporting).

Summary of consultation views

A consensus was reached in principle that the delay in providing default information weakens the integrity of the credit reporting system and it was proposed that the PDRE define more clearly what constitutes a 'reasonable timeframe' for default data provision. However, for some CPs these delays are due to operational difficulties and a number of arguments were presented in support of the current choice of phrasing in the PRDE by the CPs. CPs commented that default listing is a last resort and all possible avenues to assist the customer need to be explored before taking that step. This is in particular relevant for home loan customers. In some cases, the deferment of listing a customer on the bureau(s) is part of an overall collections strategy. Some CPs suggested the adoption of different "reasonable" timeframes for the supply of unsecured credit defaults compared with homer loan defaults.

Evaluation

The main industry impact of slow or no supply of negative information is in preventing other lenders from seeing which customers are in default when, potentially, that same customer applies for another loan (from a different CP). This weakens the integrity of the credit reporting system and has obvious responsible lending implications. The reliance on self–reporting and the limited powers of intervention for the RDEA in this regard have already been discussed in Section 3.1.1.

Recommendation 5

RDEA to consult with signatories and consider a clearer definition of "reasonable timeframe", perhaps differentiated by product type, without introducing an unreasonable impost on CPs or an unduly burdensome administrative overhead for the RDEA. Consideration should also be given to how monitoring and transparent reporting is implemented to ensure that signatories are aware of any "data gaps".

Identification of issue – paragraph 20 of the PRDE

A concern was raised in regard to the timescale of the obligation to report historical default information. Some CPs expressed that it is not sufficiently clear in paragraph 20 of the PRDE that this requirement only applies to those payment obligations which fell due after the signatory's effective date, and CPs are not obliged to provide historical information prior to the date of signing.

Evaluation

It is acknowledged that this issue was previously addressed in a recent RDEA Board 'review', however, there is an opportunity to clarify the proper interpretation of this provision with respect to the timescales for default data provision, which could be done by the provision of a guidance note for signatories. There is no recommendation as this is current work in progress by ARCA.

Identification of issue – paragraph 20 of the PRDE

One participant noted the absence of any reference to guarantors who should be included in addition to "individuals".

Recommendation 6

Include reference to guarantors in paragraph 20 of the PRDE.

4.1.4 Is the definition of, and process to elect, a Designated Entity clear, practical and effective in supporting the intent of the PRDE and participation in the framework

Context: A Designated Entity is a CP operating under its own brand but a division of the CP or a related body corporate of that CP.

No issues raised

4.1.5 Do the materiality, run – off and account exceptions in paragraphs 31-33 of the PRDE adequately support the intent of the PRDE?

Context: These provisions are designed to allow exemption to a CP in respect of accounts that are being run off and other exemptions.

Identification of issue – paragraph 32 of the PRDE

Clarification was requested by one CP with respect to the calculation methodology of the total consumer credit accounts of the CP. Paragraph 20 of the Standard appears to be ambiguous stating "… a CP and its Designated Entity or Entities will be treated as ***separate*** CP entities" and "may apply the calculation of number of accounts based upon the ***total*** consumer credit accounts ***separately*** held by each of the CP and its Designated Entity or Entities". It is unclear as to whether CP is allowed to choose to either aggregate, or calculate separately the consumer credit accounts of a CP and a Designated Entity (or Entities) for the purpose of calculating the number of accounts held.

Recommendation 7

The drafting of paragraph 32 should provide more clarity on the calculation requirements to improve the operation of the provision and to avoid ambiguity.

Identification of issue – paragraph 33 of the PRDE

The list of account exceptions that are not required to be contributed by a CP as part of the credit information is detailed in Schedule 1 of the PRDE. There was a suggestion to include other account types such as de-novated leases and unregulated credit. It was suggested that there may be merit in a variable Schedule, for the same reasons as set out in section 3.1, to enable the more flexible addition and removal of excepted accounts.

Recommendation 8

Consideration should be given to the use of an updateable Schedule rather than have exceptions in the main body of the PRDE.

4.2 Principle Two

4.2.1 Are the rules around on–supply of signatory and non–signatory partial and comprehensive nformation effective to guard against the on–supply of signatory data to non–signatories and are those rules adequately monitored and enforced?

Context: These rules are designed to control the on-supply of CCR information and prevent CPs not eligible to access CCR from receiving it by having it on – supplied by another CP.

No issues raised.

4.2.2 Do the promises by CRBs around the supply of partial and comprehensive information to non–signatory entities adequately support the intent of the PRDE and the intent of CCR information more generally; in particular whether CRBs should be permitted to disclose partial and comprehensive information to non–signatory commercial credit providers?

Context: Reciprocity requires that all CPs that access CCR also must supply it, but where small business loans are provided by a commercial – only CP it will have no consumer data to supply but would benefit from being able to access CCR. This is because for sole traders and small businesses, the credit risk of the owner (consumer) correlates strongly with the risk of the small business.

Identification of issue – paragraph 38 of the PRDE

The effect of this paragraph of the PRDE is to exclude commercial–only credit providers from accessing CCR information. Credit providers that service sole traders and small businesses would benefit from being able to understand the risk of the individual behind such businesses but because they do not have a consumer lending book they are not permitted, under reciprocity rules, to access CCR data. CPs that have both a consumer and a commercial lending book (and are signatories) can access CCR data when making a credit assessment for a commercial loan. This confers a competitive advantage on such CPs and conversely a disadvantage for commercial–only CPs.

Summary of consultation views

Our review found that there was considerable debate on this issue and while most participants agreed that, in principle, commercial–only CPs should be able to access CCR information, there were divergent views as to whether reciprocity obligations should apply.

On the one hand were those who argued that access without supply was unacceptable because it undermined the fundamental principle of reciprocity, giving commercial CPs in effect a “free ride”, while others were of the view that sourcing commercial credit data to create in effect a comprehensive commercial credit bureau would be an onerous task and unlikely to receive priority for funding.

There are additional complications arising from the Privacy Act which only permits RHI to be accessed by CPs with an Australian Credit Licence. Standalone commercial lenders do not generally have an ACL. There are exception paragraphs that could be used to allow an exemption for small business commercial CPs but any such change to the Act is unlikely to occur in the short term.

Evaluation

Post the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, there is heightened awareness of the need for credit providers to lend more responsibly and there is little doubt that CCR would improve commercial-only CPs’ ability to do that. Indeed, the Government has recently gone on record to say that CCR will benefit small business in improving access to credit.

Recommendation 9

ARCA to consider consulting with signatories and non - signatories to explore changes to the PRDE that would enable commercial - only lenders to access CCR data, and to explore potential credit information that could be provided by such lenders to the CRBs.

4.2.3 Is the definition of, and process to elect, a Securitisation Entity clear, practical and effective?

Context: Securitisation entities require access to CCR and need to comply with the PRDE in order to do so.

Identification of issue – paragraph 42 of the PRDE

A concern has been raised over the obligation placed on Securitisation Entities that are not signatories to the PRDE. Under paragraph 42 of the Standard, where a Securitisation Entity obtains the supply of credit reporting information for the securitisation related purposes of the CP, the Securitisation Entity will be required to contribute credit information held by the Securitisation Entity. There is uncertainty around the enforceability of this provision in cases where the Securitisation Entity is not a signatory of the PRDE.

Recommendation 10

Paragraph 42 should be reviewed and consideration given to restricting PRDE obligations to those entities that are signatories.

4.2.4 Does the provision of paragraph 45 of the PRDE allowing CPs to make credit eligibility nformation available to another CP for review purposes adequately support CPs involved in acquiring or selling consumer credit accounts?

Context: For debt purchasers and CPs that wish to acquire a "book" of loans from another CP provisions exist for a one – off assessment of the acquired accounts to establish the level of risk of the portfolio

Identification of issue – paragraph 45 of the PRDE

A CP, whether a signatory or not, can request credit eligibility information to be made available for the purpose of assessing the consumer credit accounts that they are considering acquiring. It was suggested that this credit information could be provided after the consumer credit accounts are acquired, on an ongoing not just a one - off basis.

Clarity on the eligibility and definition of the acquiring CP to access CCR was sought by CRBs – in particular whether debt buyers are considered as CPs and as such can access to CCR. For a debt purchaser to have ongoing access it would need to be defined as a licensed credit provider which under the Privacy Act it may not be.

Summary of consultation views

There was a general consensus by all participants that a "one off data wash" would be acceptable and useful for CPs involved in the sale or purchase of consumer credit accounts. However, there was little support for the suggestion to provide on-going access to the acquiring CP after the initial purchase of the consumer credit accounts. The argument is that this does not comply with the fundamental principle of reciprocity.

There are also issues for debt purchasers in relation to the definition of a CP under the Credit Reporting ("CR") code and the Privacy Act. Should changes be made to the CR code and Privacy Act for debt purchasers that would enable their eligibility as CPs, there is nothing in the PRDE that would prevent participation by such companies. Accordingly, no recommendation has been made.

4.3 Principle Three

4.3.1 Has paragraph 51 of the PRDE that forbids constraints to restrict a CP from contributing to another CRB operated effectively to date?

Context: This provision is designed to ensure that CPs are free to provide CCR information to as many bureaus as they wish and are not locked by their service contract into provision to one CRB only.

No issues raised.

4.3.2 Has the PRDE Administrator's role in maintaining and managing the ACRDS operated effectively to date?

Context: Feedback was sought on the way in which the PRDE administrator had discharged its responsibilities.

No issues raised.

4.4 Principle Four

4.4.1 Could the transition requirements cater better to start–up CPs that hold no accounts to report credit reporting information on but wish to access CCR information at launch

Context: The fundamental principle of reciprocity requires data to be supplied in order for data to be received but for start – ups there is no data to supply on day one of their operation and with no data capable of being supplied, the PRDE as it stands prevents the start up from accessing CCR data.

Identification of issue – paragraph 58 of the PRDE

Under paragraph 58 of the PRDE, CP signatories that have chosen to provide and have access to comprehensive information are obliged to contribute repayment history information for all existing consumer credit accounts for a period of three calendar months prior to the first contribution by the CP. This provision has an unintended consequence which prevents new start-ups from accessing CCR on launch due to the lack of existing historical data for consumer accounts.

Summary of consultation views

Industry views were unanimous in supporting a change to the PRDE in this regard. Some new fin-tech or start-up CPs have found alternative solutions to 'work-around' this provision. For example, in order to gain access to CCR, a start-up CP has created a loan account for its employee so as to satisfy the requirement to provide RHI for all of its credit accounts i.e. one employee account. Another way to work around this is to purchase an existing credit portfolio from another CP. There was agreement that such approaches were far from ideal and that the preferred way forward would be to revise the PRDE.

There was unanimous support across all participants for start-ups to be able to access CCR on launch, to promote market competitiveness. It was proposed that an exemption to the provision be allowed for start-ups in the PRDE, provided that there are robust controls and close monitoring process in place that ensure these start-ups have the infrastructure set up, are able to provide data to the CRB(s) once the accounts are booked, and that the data is of quality as expected of signatory CPs.

Evaluation

There is a clear case to support changing the PRDE to allow start – ups access to CCR on launch.

Recommendation 11

Introduce and identify exceptions for when a new CP does not need to supply 3 months of RHI upon signing up to the PRDE, and ensure that the new CP complies with their obligations in terms of data supply going forward.

4.4.2 Is the requirement for existing signatories to provide 3 months' notice of their intent to change tier level of supply necessary to support the effective operation of the PRDE?

Context: This provision was designed to enable CPs to be given notice that a CP intends to change its Tier Level of contribution.

Identification of issue – paragraph 55 of the PRDE

It was suggested that the requirement for existing signatories to provide three months' notice of intent to change Tier Level of supply creates inefficiencies in supporting the effective operation of the PRDE.

Summary of consultation views

There was a consensus reached by substantial majority of the participants that this provision was unnecessary and administratively cumbersome. It was pointed out by one CP that the provision was introduced to the PRDE to allow time for other CPs to have time to assess the impact of a major data provider changing tier which could affect bureau scores. However it is unlikely that, after the transition period, this would be a common occurrence.

Evaluation

On balance there does seem to be a good case for removing this provision.

Recommendation 12

To remove the 3 months' notice of intent to change tier level of supply.

4.4.3 Are the data supply requirements for negative, partial and comprehensive information clear and consistent; and whether they support industry transition to credit reporting under the PRDE?

Context: This provision was designed to encourage CPs to supply CCR data as early as possible and in a phased manner. Transitionary arrangements are set out in the PRDE to facilitate this.

Identification of issue – paragraph 58 of the PRDE (no recommendation)

A concern was expressed by a CRB in respect of the operation of paragraph 58 on the data supply requirements for negative, partial and comprehensive information. The supply of 3 months' worth of historical RHI at the date of first contribution by CP applies to the minimum required 50% of accounts but not when 100% of the accounts need to be supplied Participants requested additional clarity. We note that this issue is currently work in progress for ARCA and that a draft note providing clarification is under way, therefore no recommendation is made.

4.4.4 Do the processes and timeframes relating to credit information on acquired accounts support signatory compliance?

Context: This provision is to cater for circumstances where a CP acquires accounts from another CP which has been operating at a different tier level from the acquiring CP.

Identification of issue – paragraph 45 of the PRDE

It appears that further clarification is required regarding provisions relating to the supply of credit information from consumer credit accounts that are purchased by a CP whose Tier Level is different from the original CP's Tier Level. Treatment of the acquired accounts is not clear, in particular whether they remain 'open' accounts if and when acquired by non-signatories?

Questions were also raised in the case that the acquiring CP holds a higher Tier Level than the acquired credit portfolio – should the open date be the date of acquisition or date of original account opening?

Recommendation 13

Provide clarity on the requirements of data supply when they acquiring CP and acquired accounts have different Tier Levels. This could be achieved by issuing a guidance note to cater for the 2 scenarios below:

- The acquiring CP holds a lower Tier Level than the acquired credit portfolio.
- The acquiring CP holds a higher Tier Level than the acquired credit portfolio.

4.4.5 Have any issues arisen in the operation of the provisions relating to non-PRDE services agreements?

Context: This question has been asked in the interests of completeness (i.e. to consider non-PRDE service agreements in addition to PRDE service agreements).

No issues raised.

4.5 Principle Five

4.5.1 Do the processes and timeframes set out in the dispute process support a timely and transparent resolution of compliance issues?

Context: A dispute resolution process is required as part of the self-governing code.

Summary of consultation views

Participants were not aware of the dispute procedure having been invoked to date. This may be due to the significant delay in the operation of CCR.

While most participants acknowledged that this process is yet to be tested and as such were not able to provide comments, one CP suggested that the dispute processes be simplified after attempting to map out the processes which resulted in multiple pages in an excel format.

4.5.2 Do the obligations on CPs and CRBs set out in paragraph 93 of the PRDE operate to provide satisfactory reporting and monitoring requirements on signatories?

Context: These provisions are intended to ensure that CPs and CRBs will comply with the outcomes of the dispute provisions of the PRDE, and more generally.

Identification of issue – paragraph 93 of the PRDE

No comments were raised by participants specifically in terms of paragraph 93 but we note that the attestation requirement in respect of assuring compliance with the PRDE (paragraph 93f) relies on self – disclosure by CPs and CRBs. The PRDE requires that the signatory has the authority to bind the CP or CRB and has primary responsibility for the records of the signatory relating to its compliance with the PRDE. This is an extremely important provision which relies upon self – attestation by CPs and CRBs.

Recommendation 14

Consideration should be given to providing powers to the RDEA to enable it to ensure that the attestations are being provided in accordance with the requirements of the PRDE. Such powers are similar to those referenced in Section 3.1.1

4.5.3 Are the powers of the PRDE Administrator, as they relate to issues which it can initiate a report of non-compliant conduct, sufficient to support compliance with the PRDE?

Context: The PRDE provides for certain powers for the PRDE Administrator in respect of reporting non-compliant conduct.

Identification of issue – paragraph 105 of the PRDE

Under paragraph 105, the PRDE Administrator is required to obtain consent from a CP to be able to advise a CRB of certain information about that CP. However, concern has been raised that this provision serves little practical purpose and creates an unnecessary administrative overhead for the RDEA.

Summary of consultation views

While the consultation feedback was limited on this issue, there was a general consensus that this provision is not necessary and it was proposed that this requirement be removed from the PRDE. It was also suggested that the RDEA should be able to report to bureaus proactively and not on request by the CRBs.

Recommendation 15

Remove the requirement for CP consent and allow proactive reporting regarding CRBs.

4.6 Principle Six

4.6.1 Does the review and variation process set out in Principle 6 adequately support the operation and ntent of the PRDE?

Context: It is important to check that the provisions in the PRDE to enable it to be reviewed and varied are working satisfactorily.

No issues raised.

4.7 Other matters not set out in the Terms of Reference

4.7.1 Introduction of buy-now-pay-later products

The introduction of new participants into the consumer credit market and their right of access to CCR was discussed in depth. As a matter of principle most participants agreed that extending the CCR database to include BNPL would be advantageous. The operational difficulties in matching accounts and conforming to the ACRDS were noted. However, there was agreement that there was nothing in the PRDE itself that needed to change in order to accommodate new market entrants providing that they were compliant with definitions in the CR code and Privacy Act.

The provisions of the PRDE as they are currently written do provide for new entrants to supply and consume CCR information as long as they comply with the PRDE rules and are eligible businesses under the Privacy Act and the CR code.

Accordingly, no recommendation has been made.

5 Overall ranking of recommendations

5.1 Ranking criteria

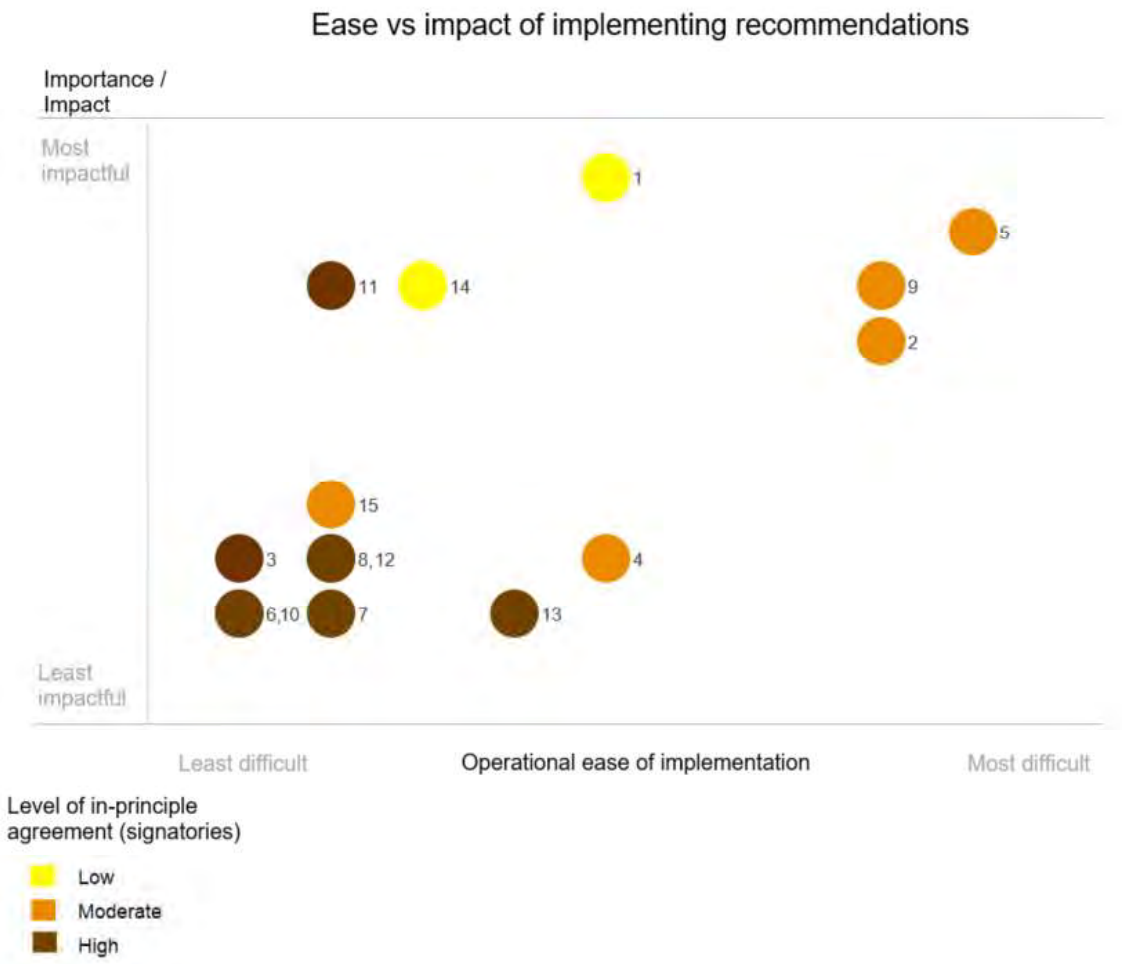
Three sets of criteria have been used, both relying on our (subjective but fact – based) assessment of each issue based on the outcomes from the industry workshops and individual discussions.

1) **Potential significance:** the first set of criteria relates to our assessment of the ***potential significance*** of each issue in respect of the extent to which it impacts on the achievement of the intent of the PRDE. Some issues are relatively minor in this regard (for example the notice period required for a CP to inform a bureau of its intention to change its tier level for data supply) while some will have a significant impact on the operation or control of the data sharing system. One example of this would be the weak control environment that makes the independent verification of compliance less effective than would be expected from ASIC's and the ACCC's regulatory guidelines.
2) **Degree of difficulty:** the second set of criteria relates to the ***degree of difficulty*** (operationally, or from a cost perspective) likely to be encountered in implementing the recommendation to address the issue raised. Again, some may be easy to implement (for example allowing start – ups access to CCR from day one) while others will be harder to put in place (for example imposing time limits on the supply of default data).
3) **Degree of consensus:** the third set of criteria relates to the ***degree of consensus*** that would be likely to exist in relation to each recommendation and is a guide to the extent of agreement that in our view will exist amongst signatories.

By cross – tabulating these recommendations it will be clear which issues are easy to implement, with a high degree of consensus and of high significance, ranging to those at the opposite end of this scale.

Structuring the issues/recommendations in this way lays the foundation for a prioritised action plan and gives a guide as to how much time and effort is likely to be needed to implement the recommendations.

The graph below illustrates how our recommendations map across these measures.



The graph has been produced on the basis of the “scores” associated with each recommendation as shown in the table below:

No.	Recommendation	Operational ease of implementation (1=easiest)	Level of signatories' in - principle agreement (1=least)	Importance / Impact (1=least)
1	Powers of the RDEA	5	1	10
2	Consistency with the ACRDS	8	5	7
3	Consider use of a Schedule to capture exceptions and remove from the body of the PRDE	1	10	3
4	RDEA to consider alternative data to defaults to be supplied by a CP in as timely a manner as possible	5	5	3
5	RDEA to consult with signatories and consider a clearer definition of "reasonable timeframe"	9	6	9
6	Include reference to guarantors in P20 of the PRDE	1	10	2
7	Clarify calculation of total consumer credit accounts	2	10	2
8	Move account exceptions into a Schedule	2	10	3
9	RDEA to consult with signatories to explore changes to the PRDE that would enable commercial - only lenders to access CCR data	8	5	8
10	Clarify obligations placed on non - signatory security entities	1	9	2
11	Introduce and identify exceptions for when a CP does not need to supply 3 months of RHI upon signing up to PRDE	2	10	8
12	To remove the 3 months' notice of intent to change tier level of supply	2	9	3
13	Provide clarity on the requirements of data supply when the acquiring CP and acquired accounts have different Tier Levels	4	8	2
14	Strengthen attestation process	3	1	8
15	Remove requirement for CP consent and allow proactive reporting	2	5	4

Appendices

Appendix A Glossary of defined terms

Term	Definition
ACCC	Australian Competition and Consumer Commission
ACRDS	Australian Credit Reporting Data Standard
Act	*Privacy Act 1988* (Cth)
ACL	Australian Credit Licence
ARCA	Australian Retail Credit Association
ASIC	Australian Securities and Investments Commission
Australian Consumer Law	The Australian Consumer Law per Schedule 2 of the *Competition and Consumer Act 2010* (Cth)
CCR	Comprehensive credit reporting
CR Code	*Privacy (Credit Reporting) Code 2014* (Cth) v1.2
Commissioner	The Australian Privacy Commissioner and Australian Information Commissioner
CP	Credit provider
CRB	Credit reporting body
Determination	The decision and reasons for decision of Australian Privacy Commissioner, Timothy Pilgrim, with respect to *Financial Rights Legal Centre Inc. & Others and Veda Advantage Information Services and Solutions Ltd* [2016] AICmr 88 dated 9 December 2016
OAIC	Office of the Australian Information Commissioner
PRDE	Principles of Reciprocity and Data Exchange standard
PwC	PricewaterhouseCoopers
RDEA	Reciprocity and Data Exchange Administrator
Regulation	*Privacy Regulation 2013* (Cth)
Review	PwC's independent review of the PRDE in accordance with principle 6 paragraph 109 of the PRDE
RHI	Repayment history information

Appendix B Targeted consultation participants (summary)

Targeted consultation participants	
Credit provider signatories	15 in total ranging from major banks to start – ups and including motor finance, mutuals and collections companies
Credit reporting bureau signatories	Equifax
	Experian
	illion
Non-signatories	9 in total including credit card and commercial – only credit providers
Industry associations	Australian Finance Industry Association (AFIA
	Australian Retail Credit Association (ARCA)
	Consumer Owned Banking Association (COBA)

Appendix C RDEA Terms of Reference

INDEPENDENT REVIEW OF THE PRDE. TERMS OF REFERENCE.

1 Objective

The principal objective of the independent review is to consider the terms and operation of the PRDE as they relate to:

- achieving the intent of the PRDE, which is "to create a clear standard for the management, treatment and acceptance of credit related information among signatories"
- supporting industry transition to comprehensive credit reporting
- encouraging broad participation in the exchange of credit reporting information
- facilitating a clear and efficient dispute framework for compliance issues.

2 Inputs

The Independent Reviewer will be supported by the PRDE Administrator and will be provided relevant information and documents as appropriate.

The Independent Reviewer will consult with the PRDE Administrator, current PRDE signatories and broader industry (eg ARCA Members, industry associations, non-signatory CPs and CRBs, commercial lenders) as appropriate.

3 Scope

The Independent Reviewer will achieve the above objectives by considering the overall operation of the PRDE, each principle and any specific provisions or paragraphs as appropriate. Explicit exclusions to the scope of the review are set out at point 4 of this document.

While not limiting the range of issues that the Independent Reviewer might identify after stakeholder consultation, the Reviewer should at a minimum consider:

Whether the requirements, processes and practical options set out in *Principle 1* effectively support the intent of the PRDE. Specifically whether:

- the promises by CRBs set out in paragraphs 2-7 of the PRDE support the intent of the PRDE (see section 4.1.1)
- the promises by CPs set out in paragraphs 8-13 of the PRDE support the intent of the PRDE (see section 4.1.2)
- the rules around negative information are clear and consistent with the intent of the PRDE (see section 4.1.3)
- the definition of, and process to elect, a Designated Entity is clear, practical and effective in supporting the intent of the PRDE and participation in the framework (see section 4.1.4)
- the materiality, run-off and account exceptions in paragraphs 31-33 of the PRDE adequately support the intent of the PRDE (see section 4.1.5)

Whether the rules around supply and on-supply of partial and comprehensive information in *Principle 2* are consistent with, and supportive of, the intent of the PRDE. Specifically, whether:

- the rules around on-supply of signatory and non-signatory partial and comprehensive information are effective to guard against on-supply of signatory data to non-signatory, and whether those rules are adequately monitored or enforced (see section 4.2.1)
- the promises by CRBs around supply of partial and comprehensive information to non-signatory entities adequately support the intent of the PRDE and the intent of comprehensive credit reporting information more generally; in particular whether CRBs should be permitted to disclose partial and comprehensive information to non-signatory commercial credit providers whether otherwise appropriate (see section 4.2.2)
- the definition of, and process to elect, a Securitisation Entity is clear, practical and effective (see section 4.2.3)
- the provision of paragraph 45 of the PRDE allowing CPs to make credit eligibility information available to another CP for review purposes, adequately supports CPs involved in acquiring or selling consumer credit accounts (see section 4.2.4)

Given the ongoing, comprehensive review of the ACRDS, the PRDE review will only consider a limited number provisions relating to the ACRDS in *Principle 3*. Specifically, whether:

- paragraph 51 of the PRDE, forbidding constraints to restrict a CP from contributing credit information to another CRB, has operated effectively to date (see section 4.3.1)
- the PRDE Administrator's role in maintaining and managing the ACRDS has operated effectively to date (see section 4.3.2)

Whether *Principle 4* effectively supports industry transition and broad participation in credit reporting, and otherwise support the intent of the PRDE. Specifically, whether:

- the transition requirements could better cater to start-up credit providers, that hold no accounts to report credit reporting information on but wish to consumer credit reporting information at launch (see section 4.4.1)
- the requirement for existing signatories to provide 3 months' notice of intent to change tier level of supply, is necessary to support the effective operation of the PRDE (see section 4.4.2)
- the data supply requirements for negative, partial and comprehensive information clear and consistent; and whether they support industry transition to credit reporting under the PRDE (see section 4.4.3)
- the processes and timeframes relating to credit information on acquired accounts support signatory compliance (see section 4.4.4)
- any issues have arisen in the operation of the provisions relating to non-PRDE services agreements (see section 4.4.5)

Whether the monitoring, reporting and compliance requirements set out in *Principle 5* adequately support and address signatories' compliance with the PRDE and otherwise support the intent of the PRDE? Specifically, whether:

- the processes and timeframes set out in the dispute process support a timely and transparent resolution of compliance issues (see section 4.5.1)
- the obligations on CPs and CRBs set out in paragraph 93 of the PRDE operate to provide satisfactory reporting and monitoring requirements on signatories (see section 4.5.2)
- the powers of the PRDE Administrator, as they relate to issues which it can initiate a report of non-compliant conduct, are sufficient to support compliance with the PRDE (see section 4.5.3)

Whether the review and variation process set out in *Principle 6* adequately supports the operation and intent of the PRDE. (see section 4.6.1)

4 Excluded from scope

Drafting of any recommended PRDE revision

The Independent Reviewer's role is to review the operation of the PRDE and report on their findings. While these findings may include recommendations that call for revision or variation of the PRDE, the wording of any specific redrafting of the PRDE is outside of scope.

ACRDS

Compliance with the Australian Credit Reporting Data Standards (ACRDS) is a fundamental obligation under the PRDE. The PRDE Administrator and the Data Standards Work Group is currently finalising a comprehensive review and revision to the ACRDS. The ACRDS is therefore out of scope for this review.

ACCC Authorisation

ARCA sought and received ACCC authorisation for certain provisions in the PRDE relating to the principles of reciprocity, consistency and enforceability. The ACCC authorisation relates to specific paragraphs of the PRDE. It does not represent ACCC endorsement of the Principles. Rather, it provides statutory protection from court action for conduct that meets the net public benefit test and that might otherwise raise concerns under the competition provisions of the *Competition and Consumer Act 2010*.

The ACCC Authorisation was granted on 25 December 2015 for a period of 5 years. The PRDE Administrator Entity anticipates some recommendations from the review may touch on paragraphs subject to ACCC Authorisation. However, matters relating specifically to the ACCC Authorisation (including, for example the process or purpose of the re-authorisation) are not in scope of this review.

5 Output

The Independent Review will provide a report on its review process and findings. The PRDE Administrator Entity will ensure the report is provided to all signatories.

If the review recommends revision to any PRDE provisions as a response to its findings, the report will:

- Identify the finding to which the recommendation relates
- Outline the rationale for any revision, including the benefits or other impacts on current and prospective PRDE signatories
- Consider the impact of the revision on the operation of the PRDE, including the impact on systems and processes of current and prospective signatories and other stakeholders
- Suggest an overall rating/ranking of recommended revisions and the criteria used to determine the rating/ranking

In accordance with paragraph 106 of the PRDE, the PRDE Administrator Entity will ensure any recommendations are adequately responded to.

6 Key Milestones

The PRDE Administrator Entity, in consultation with signatories, will finalise the terms of reference for the review by **14 May 2019.**

The Independent Reviewer will finalise consultation with all stakeholders by **31 May 2019.**

The Independent Reviewer will provide its Final report to the PRDE Administrator Entity by **30 June 2019.**

Appendix D The Principles of Reciprocity and Data Exchange

Principles of Reciprocity and Data Exchange (PRDE)
(As at 31 May 2017)

Introduction

The PRDE is a set of agreed principles that credit reporting bodies (**CRBs**) and credit providers (**CPs**) agree to abide by to ensure those **CRBs** and **CPs** have trust and confidence in their credit reporting exchange. The PRDE is not intended to be relied upon by non-signatories, or other stakeholders, in any way or in any forum.

The intention of the PRDE is to create a clear standard for the management, treatment and acceptance of credit related information amongst **signatories**. The PRDE only applies to consumer **credit information** and **credit reporting information**.

Adherence to the **ACRDS** is a fundamental part of the PRDE for **signatories**, as is adherence to the principles of reciprocity as set out in this PRDE.

The PRDE also facilitates the creation of three **Tier Levels** in the PRDE credit reporting exchange, and allows **CPs** to voluntarily select their own **Tier Level** of participation.

The PRDE applies to **CRBs** and **CPs** that choose to become **signatories** to this PRDE.

It comes into effect on the **Commencement Date**.

A **CRB** or **CP** is bound to comply with the PRDE upon becoming a **Signatory**.

Nothing in the PRDE obliges a **CRB** or **CP** to do or refrain from doing anything, where that would breach Australian law.

Principle 1

Principle 1: The obligations under this PRDE shall be binding and enforceable upon PRDE signatories. PRDE signatories agree to execute the Deed Poll to make this PRDE and the authority of the PRDE Administrator Entity (and through it, the Industry Determination Group and Eminent Person) effective and binding.

Effect of the PRDE

1 The PRDE are a set of agreed principles that are governed by the **PRDE Administrator Entity**. The principles within the PRDE are given effect by each **signatory** executing the **Deed Poll** on the **Signing Date** and covenanting to comply with the requirements of the PRDE and therefore to be bound by the obligations contained within this PRDE. Upon a CP or CRB executing the **Deed Poll** and nominating an **Effective Date**, the CP or CRB are deemed to be **Signatories** from that **Signing Date** and are bound from the **Effective Date** to comply with any request made by the **PRDE Administrator Entity** pursuant to this PRDE, any recommendation issued by the **Industry Determination Group** (which is accepted by the parties) pursuant to this PRDE and any decision issued by the **Eminent Person** pursuant to this PRDE. Promises by **CRBs**

2 Our **services agreement** with a **CP** will oblige both us and the **CP** to execute and give effect to the **Deed Poll**.

3 We will allow a **CP** to choose its supply **Tier Level** consistent with the requirements of this PRDE.

4 We will only **supply credit reporting information** to a **CP** to the extent permitted under this PRDE and if we have a reasonable basis for believing that the **CP** is complying with its obligations under this PRDE to **contribute credit information** (subject to the exceptions contained in paragraphs 29 to 33 or transitional provisions contained in paragraphs 53 to 64 that apply to that **CP**).

5 On request, we will inform a **CP**, with which we have a **services agreement**, and the **PRDE Administrator Entity**, of the **Tier Level** of a **CP** that **contributes credit information** to us.

6 Our **services agreement** with a **CP** will not prevent the **CP** from **contributing credit information** to another **CRB**.

7 We will pay such costs identified by the **PRDE Administrator Entity** as required to administer this **PRDE**, in the manner required by the **PRDE Administrator Entity**.

Promises by **CPs**

8 We will only obtain the **supply** of **credit reporting information** from a **CRB** that is a **signatory** to this PRDE. Our **services agreement** will oblige both us and the **CRB** to execute and give effect to the **Deed Poll**.

9 We will nominate a single **Tier Level** at which we will obtain **supply** of **credit information** (whether from one or more **CRBs**). We will disclose our chosen **Tier Level** to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**.

10 We will **contribute credit information** to the extent required by this PRDE to a **CRB** from which we obtain the **supply** of **credit reporting information**. Our **contribution** of **credit information** will comply with **ACRDS** including its timeframe requirements and will be at the chosen **Tier Level** for **supply**.

11 If we are supplied by a **CRB** with **partial information** or **comprehensive information**, we will not **on-supply** to another CP (whether a **signatory** or nonsignatory) any **partial information** or **comprehensive information** that the other CP (whether a **signatory** or non-signatory) is not able to obtain directly from the **CRB**, because the other CP either:

- a is not a **signatory**; or
- b does not **contribute** any **credit information** to the **CRB**; or
- c has chosen to be **supplied** with **credit reporting information** at a lower **Tier Level** than that we have chosen.

12 The provisions in paragraph 11 above do not, however, apply:

- a where the **on-supply** is for the purposes of another CP (whether a **signatory** or non-signatory) assessing whether to acquire our consumer credit accounts; or

b where the **on-supply** is to a **Securitisation Entity** in accordance with paragraphs 41, 42 and 44 below; or

c where the **on-supply** is to a third party in accordance with paragraph 46 below.

13 We will pay such costs identified by the **PRDE Administrator Entity** as required to administer this **PRDE**, in the manner required by the **PRDE Administrator Entity**.

Tier Levels

14 A **CP** and its **Designated Entity** (if applicable) is able to choose its **Tier Level** for obtaining **supply** of **credit reporting information** from **CRBs** (although the **CP's** and its **Designated Entity's** choice may be restricted by the **Privacy Act** requirement that **repayment history information** may only be supplied to a **CP** that is an Australian credit licensee).

15 The **CP's** and its **Designated Entity's** (if applicable) choice of **Tier Level** means that it must **contribute credit information** at that chosen **Tier Level** to all **CRBs** that it has a **services agreement** with (see paragraph 30 for the **contribution** requirements for each **Tier Level**) to the extent the **CRB** is able to receive **supply** of **credit information**. This does not, however, mean that the **CP** and its **Designated Entity**, when making an **access request** to one **CRB**, must also make the same **access request** to all other **CRBs** with which it has a **services agreement**.

16 The **CP** and its **Designated Entity** (if applicable) must **contribute credit information** to all those **CRBs** with which it has a **services agreement** consistently across all of their consumer credit accounts for all its credit portfolios subject only to:

a the materiality and other exceptions set out in paragraphs 29 to 33; and

b the transitional provisions in Principle 4; and

c any recommendation by the **Industry Determination Group** or decision by the **Eminent Person**

Contribution of **Negative information**

17 A **CRB** may **supply negative information** to any person or organisation as **permitted** by the **Privacy Act.** It is not necessary for that person or organisation to be a **signatory** to this PRDE to receive **supply** of **negative information**.

18 All **negative information** contributed by a **CP** can be supplied to a person or organisation as permitted by the **Privacy Act**.

19 Where a **CP** has chosen to **contribute negative information** under this **PRDE** (for any of the three **Tier Levels**), the **CP** must **contribute** the following types of **credit information**:

a identification information (paragraph (a) of the definition of **credit information** in the **Privacy Act**);

b default information (paragraph (f) of the definition of **credit information** in the **Privacy Act**);

c payment information (paragraph (g) of the definition of **credit information** in the **Privacy Act**); and

d new arrangement information (paragraph (h) of the definition of **credit information** in the **Privacy Act**).

20 When **contributing** default information in accordance with subparagraph 19(b) above, where an individual has defaulted on their obligations, a **CP** must ensure default information is contributed within a reasonable timeframe of the account becoming overdue.

21 Where a **CP** chooses to **contribute** to a **CRB credit information** including its name and the day on which consumer credit is entered into, in relation to consumer credit provided to an individual, this **contribution** of **credit information**, for the purposes of this PRDE, will be deemed a **contribution** of **negative information** provided:

a the **CRB**'s subsequent **supply** of **credit reporting information** at the **CP's** nominated **Tier Level** is a permitted CRB disclosure (in accordance with item 5 of subsection 20F(1) of the **Privacy Act**); and

b the **CP's** use of the **credit eligibility information** is a permitted CP use (in accordance with item 5 of section 21H of the **Privacy Act**).

Designated entities

22 A **CP** may elect to specify one or more **Designated Entities** where permitted to by paragraphs 23 to 28.

23 Each **Designated Entity** must then choose a **supply Tier Level** and **contribute credit information** consistent with that choice. A **CP's Designated Entities** are not all required to choose the same **Tier Level**.

24 If a **CP** specifies **Designated Entities**, the **CP** must notify the **PRDE Administrator Entity** of its **Designated Entities** so that the **PRDE Administrator Entity** can make this information available to **signatories**. The **CP** must also provide a copy of the notification to each **CRB** with which it has a **services agreement**.

Designated entity requirements

25 A **CP** may specify as a **Designated Entity**:

a another **CP** that is a related body corporate of the designating **CP**; or

b a division or group of divisions of the **CP** that operate one or more distinct lines of business;

provided that (and for so long as) the specified entity meets the requirements of paragraph 26.

26 A **Designated Entity** must satisfy the following criteria:

a It operates under its own brand or brands; and

b It must have in place documented controls to prevent **on-supply** of **partial information** or **comprehensive information** to other CPs (whether **signatory CPs** or non-signatory CPs) or **Designated Entities**, where **on supply** is not permitted by this PRDE.

27 If a **CP** choses to nominate a **Designated Entity**, whether as a result of acquisition, or the result of internal creation of the **Designated Entity**, the **CP** must notify the **PRDE Administrator Entity** of its proposed **Designated Entity** and identify how it satisfies the **Designated Entity** criteria.

28 If a **Designated Entity** ceases to meet this criteria, the **CP** must:

a Notify the **PRDE Administrator Entity** and advise any change in the **supply Tier Level** for the **CP**;

b Where this means that the former **Designated Entity** will now be **supplying** at a different **Tier Level**, advise each **CRB** with which it has a **Services Agreement** of its new **supply Tier Level**.

Materiality exception

29 A **CP** is required to endeavour to **contribute** all eligible **credit information** for its chosen **Tier Level**. A **CP** will comply with its obligations if it meets the **Participation Level Threshold**, subject to the run-off exception in paragraphs 31 and 32 and account exceptions in paragraph 33.

30 The **Participation Level Threshold** is met if:

a the consumer credit accounts for which **credit information** is not **contributed** ("excluded accounts") do not represent a subset of consumer credit accounts that are unique in terms of their credit performance or behaviour (for example, excluded accounts cannot be all of the delinquent accounts); and

b the **CP** has acted in good faith to provide all available **credit information**.

Run-off exception

31 A **CP** is not required to **contribute credit information** about consumer credit accounts where:

a the accounts relate to a product that is in run-off and accordingly no new accounts of this type are being opened; and

b the number of accounts is not more than 10,000; and

c the total number of accounts does not constitute more than 3% of the total consumer credit accounts of the **CP**.

32 In calculating the total consumer credit accounts of the **CP** in paragraph 31(b), a **CP** and its **Designated Entity** or **Entities** (as applicable) will be treated as separate **CP** entities and may apply the calculation of number of accounts based upon the total consumer credit accounts separately held by each of the **CP** and its **Designated Entity** or **Entities** (as applicable).

Account exceptions

33 A **CP** is not required to **contribute credit information** about those accounts listed in Schedule 1 to this PRDE.

Principle 2

Principle 2: It is necessary to be a PRDE signatory in order to exchange PRDE signatory Consumer Credit Liability Information (CCLI) and Repayment History Information (RHI) with other PRDE signatories.

Exchange of **Partial Information** and **Comprehensive Information**

34 For a **CP** to **contribute partial information** or **comprehensive information** and, if it then elects, to obtain **supply** of **partial information** or **comprehensive information** which has been **contributed** by a **signatory** it must also be a **signatory** to this PRDE and its nominated **Tier Level** must be either **partial information** or **comprehensive information** (as applicable).

35 For a **CRB** to receive **contribution** of **partial information** or **comprehensive information** from a **signatory** it must also be a **signatory** to this PRDE. For a **CRB** to then **supply** that **contributed partial information** or **comprehensive information** to a **CP** it must ensure that **CP** is a **signatory** to this PRDE and each recipient of such information must have nominated a **Tier Level** of either **partial information** or **comprehensive information** (as applicable).

36 A **CRB** may receive **contribution** of **partial information** or **comprehensive information** from a non-signatory CP, and a **CRB** may also **supply partial information** or **comprehensive information** to a non-signatory CP. However, a **CRB** must not **supply signatory CP partial information** or **comprehensive information** to a non-signatory CP.

37 **Contribution** and **supply** of **partial information** and **comprehensive information** by **signatories** must comply with the **ACRDS**.

Promises by **CRBs**

38 We will only **supply partial information** and **comprehensive information contributed** by a **signatory** to a **CP** if it is a **signatory** to this PRDE or a **CP** which is engaged by a **CP** as an agent or as a **Securitisation Entity** (either in its own capacity or for or on behalf of the **CP**), or the recipient is otherwise a **Mortgage Insurer** or a **Trade Insurer** and receives the information for a **Mortgage Insurance Purpose** or **Trade Insurance Purpose**.

Promises by **CPs**

39 We will only **contribute** and obtain **supply** of **partial information** and **comprehensive information** from a **CRB** which a signatory to this PRDE is.

40 We will notify the **PRDE Administrator Entity** of the **Securitisation Entities** we engage and enable to obtain **supply** of **partial information** or **comprehensive information** from a **CRB** for a **securitisation related purpose**. We will disclose these **Securitisation Entities** to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**.

Securitisation Entities

41 Where a **Securitisation Entity** obtains the **supply** of **credit reporting information** for the **securitisation related purposes** of the **CP**, the **Securitisation Entity** will only be able to obtain **credit reporting information** that would have been accessible to the **CP**.

42 The **Securitisation Entity** will be required to **contribute credit information** held by the **Securitisation Entity**, but if such **contribution** is at a lower **Tier Level** this will not prevent the **supply** of **credit reporting information** at a higher **Tier Level,** subject to the requirements of paragraphs 40 and 41.

On supply of information

43 Disclosure to other CPs (whether a **signatory** or non-signatory) and to **Designated Entities**

A **CP** is not permitted to **on-supply partial information** or **comprehensive information** to another CP (whether a **signatory** or a non-signatory) or **Designated Entity** if the terms of this PRDE prevent that other CP (whether a **signatory** or a non-signatory) or **Designated Entity** from obtaining the **supply** of that **partial information** or **comprehensive information** directly from that **CRB**.

For example, where a **CP** has chosen to obtain the **supply** from **CRBs** of **comprehensive information,** the **CP** is prohibited from **on-supplying** any **repayment history information** or information derived from that information to a **CP** or to a **Designated Entity** that has chosen to obtain the **supply** from **CRBs** of **partial information** only.

44 Despite paragraph 43, a **CP** is permitted to **on-supply partial information** or **comprehensive information** to a **Securitisation Entity** provided that the purpose of the **on-supply** of that **partial information** or **comprehensive information** is for **securitisation related purposes** of a **CP**.

45 Despite the prohibition preventing **on-supply** above, a **CP** may make **credit eligibility information** available to another CP (whether a **signatory** or nonsignatory) for review purposes only to enable them to assess whether or not to acquire consumer credit accounts.

For example, if a **CP** (the acquirer **CP**) who has chosen to contribute **negative information** only, acquires consumer credit accounts from a **CP** (the acquired **CP**) who has chosen (in respect of the acquired consumer credit accounts) to contribute **comprehensive information**, the acquirer **CP** will be able to review the **comprehensive information** of the acquired **CP** (in respect of the acquired consumer credit accounts) to assess whether or not to acquire the consumer credit accounts. The acquirer **CP**'s review of the **credit eligibility information** may be restricted by the **Privacy Act** requirement that **repayment history information** may only be supplied to a **CP** that is an Australian credit licensee.

46 Disclosure to third parties

Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on supply partial information** or **comprehensive information** to third parties who are not **CPs** or who are a CP within the meaning of s6H of the **Privacy Act**, where the disclosure of this information is a permitted disclosure in accordance with section 21G(3) of the **Privacy Act** and, the **on-supply** of **repayment history information**, occurs only in the circumstances set out in section 21G(5) of the **Privacy Act**.

Principle 3

Principle 3: Services agreements between PRDE signatories will require reciprocity and the use of the ACRDS

Services agreements

47 **Services agreements:**

a will require **CPs** to **contribute credit information** at their nominated **Tier Level** and **CRBs** to **supply credit reporting information** at the nominated **Tier Level**;

b will require **CPs** to use the **ACRDS** when **contributing credit information** to **CRBs**; and

c may, in respect of those **services agreements** with non-signatory CPs, provide that the non-signatory CPs can continue to **contribute** outside the **ACRDS**, provided that this provision of information meets the requirements under the **Privacy Act** and also encourage the use of the **ACRDS**.

Promises by **CRBs**

48 We will not accept **contributed credit information** from a **CP** unless the information is compliant with **ACRDS** or the **CP** has engaged us to convert the **contributed credit information** into an **ACRDS** compliant format.

49 We may provide a service for **CPs** that will convert **contributed credit information** into an **ACRDS** compliant format.

Promises by **CPs**

50 Our **contributed credit information** will comply with the **ACRDS** or alternatively we will utilise the **CRB's** service to convert our contributed **credit information** into an **ACRDS** compliant format.

Contribution barriers

51 **CRBs** must not impose constraints to restrict a **CP** from **contributing credit information** to another **CRB**.

Management of the **ACRDS**

52 The **PRDE Administrator Entity** is required to maintain and manage the **ACRDS**.

Principle 4

Principle 4: PRDE signatories agree to adopt transition rules which will support early adoption of partial and comprehensive information exchange.

Transitional arrangements

53 Subject to the materiality and other exceptions set out in paragraphs 29 to 33 and the transitional provisions set out in paragraphs 54 to 64, a **CP** will **contribute credit information** about their consumer credit accounts at their chosen **Tier Level** before obtaining their first **supply** of **credit reporting information** from a **CRB**.

54 For **CPs** that become a **signatory** to the PRDE:

a at the time of the **Effective Date**, they must **contribute** the **credit information** for at least 50% of the accounts for the nominated **Tier Level** that they are required by this PRDE to **contribute** prior to obtaining **supply** of **credit reporting information** at this nominated **Tier Level** from a **CRB**;

b within 12 months of the **Effective Date**, they are required to **contribute** all of the **credit information** for the accounts at the nominated **Tier Level** to fully comply with their obligations under this PRDE.

55 For **CPs** that are existing signatories to this PRDE and nominate to obtain **supply** of **credit reporting information** (and to **contribute credit information**) at a different **Tier Level**:

a they must notify their nomination of the different **Tier Level** to the **PRDE Administrator Entity** and to a **CRB** with which they have **services agreements** not less than 90 days before commencing **contribution** of **credit information** at the different **Tier Level**. The notification of the change in **Tier Level** will be provided to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**;

b at the time of notifying their nomination, and if nominating to a higher **Tier Level**:

(i) they must **contribute** the **credit information** for at least 50% of the accounts for the **Tier Level** they are required by this PRDE to **contribute** prior to obtaining **supply** of **credit reporting information** at the higher **Tier Level** from a **CRB**;

(ii) within 12 months of nomination of the **Tier Level**, they must **contribute** all of the **credit information** for the accounts they are required to **contribute** to fully comply with their obligations under this PRDE.

56 **CPs** can nominate to **contribute** at a different **Tier Level** in accordance with paragraph 55, although the full **contribution** of **credit information** in accordance with paragraph 54 has not occurred.

For example, on signing the PRDE at the start of January 2015, a **CP** may nominate to obtain **supply** at **negative information Tier Level** with full **contribution** required by the end of December 2015 (to be compliant for January 2016). The **CP** subsequently nominates to obtain **supply** at **comprehensive information Tier Level** at the start of June 2015. **Contribution** at each **Tier Level** will run from the date of each nomination so that the **CP** will provide full **contribution** of **negative information Tier Level** in December 2015, six months before it is required to provide full **contribution** of **comprehensive information Tier Level** by the end of May 2016 (to be compliant for June 2016).

57 **CPs** must notify the **PRDE Administrator Entity** upon attainment of full compliance, in accordance with subparagraphs 54(b) and 55(b)(ii) above. Such notification may be provided at any time before the expiry of the 12 month period and will be published to other signatories.

Data supply

58 Subject to the above transitional requirements, **CPs** must comply with the following requirements when **contributing credit information**:

a For **negative information**, **contribution** of **negative information** for all consumer credit accounts which are eligible in accordance with the **Privacy Act** and **ACRDS** at the date of first **contribution** by the **CP** and, thereafter, all consumer credit accounts on an ongoing basis.

b For **partial information**, in addition to complying with the requirements for **negative information**, **contribution** of **consumer credit liability information** for all consumer credit accounts which are open at the date of first **contribution** by the **CP** and, thereafter, all consumer credit accounts on an ongoing basis.

c For **comprehensive information**, in addition to complying with the requirements for **negative** and **partial information**, **contribution** of **repayment history information** for all consumer credit accounts which are open at the date of first **contribution** by the **CP** for a period of three calendar months prior to the first **contribution** by the **CP** or alternatively, supply over three consecutive months to then amount to first **contribution** by the **CP**, and, thereafter, all consumer credit accounts on an ongoing basis.

For example, where a **CP** has chosen to **contribute comprehensive information**, the **CP** will be required to provide at least 50% of the **repayment history information** for the period dating three calendar months immediately prior to first **contribution** by the **CP** and, ongoing, at least 50% of all **repayment history information** for those first 12 months. This means that, 12 months from the date of the first **contribution** the **CP** will be required to have **contributed**:

a at least 50% **repayment history information** on the first **contribution** (for the previous 15 months) then;

b all **repayment history information** on an ongoing basis.

Acquisition of consumer credit accounts

59 Where a **CP** acquires consumer credit accounts from another CP, the **CP** may, for a period of 90 days (the review period), from the date of acquisition, review these accounts for compliance with the PRDE. The **CP** must notify the **PRDE**

Administrator Entity of the acquisition of these consumer credit accounts, including the date of acquisition, within 7 business days of this acquisition.

60 At the expiry of the review period, and subject to the run-off exception in paragraphs 31 and 32 above and the **Designated Entity** provisions in paragraph 22 to 28 above, the **CP**:

a must **contribute** the **credit information** for at least 50% of the acquired consumer credit accounts for the **Tier Level** they are required by this PRDE to **contribute**;

b within 12 months, they must **contribute** all of the **credit information** for the acquired consumer credit accounts.

61 The provisions relating to acquisition of consumer credit accounts only apply to acquired consumer credit accounts, and do not affect all other **CP contribution** obligations contained in this PRDE.

Testing and data verification

62 Despite the provisions above in Principle 4, the PRDE does not prohibit a **CP** or **CRB** (as applicable) from the **supply** and/or **contribution** of **credit information** and the obtaining **supply** and/or **contribution** of **credit reporting information** where such **contribution**, **supply** and obtaining of **supply** is for testing and data verification purposes.

Non-PRDE Services Agreements

63 Where a CRB and a CP (whether signatories or non-signatories)

a enter into a services agreement which enables the **contribution, supply** or obtaining of **supply** of **partial information** or **comprehensive information** outside of the PRDE; and

b the CRB or CP choose to subsequently become PRDE **signatories**;

the **contribution**, **supply** or obtaining of **supply** of **partial information** or **comprehensive information** pursuant to that services agreement (non-PRDE services agreement) will be deemed compliant with this PRDE provided that the criteria set out in paragraph 64 below is satisfied.

64 The **contribution**, **supply** or obtaining of **supply** of **credit information** and/or **credit reporting information** by either the CP or CRB under the non-PRDE services agreement will be compliant with this PRDE where, within a period of no longer than 90 days from the **Signing Date**:

a the supply, contribution and obtaining of supply of partial information or comprehensive information is in accordance with this PRDE;

b the **contribution** of **credit information** by the **CP** to the non-PRDE services agreement is in accordance with the **ACRDS**;

c the **credit information** previously contributed for the **CP**'s consumer credit accounts is included in the calculation of initial **contribution**, in accordance with paragraph 54 above;

d the transition period which applies to the **contribution** of **credit information** by the **CP** is 12 months from the **Signing Date** or in the event that a **CP** has supplied its **partial information** or **comprehensive information** pursuant to a non-PRDE services agreement for a period of more than 12 months prior to the **Signing Date**, then 90 days from the **Signing Date**;

e the **contribution**, **supply** and obtaining **supply** of the **partial** and/or **comprehensive information** is subject to the monitoring, reporting and compliance requirements contained within Principle 5 below. However, it is noted that the obligations contained in Principle 5 will only become effective at the **Signing Date**.

Principle 5

Principle 5: PRDE signatories will be subject to monitoring, reporting and compliance requirements, for the purpose of encouraging participation in the exchange of credit information and data integrity

65 Upon becoming a **signatory** to the PRDE, a **signatory** does not make any representation (whether direct or implied) arising by reason of its signing the PRDE to any other **signatory** to this PRDE. Principle 5 sets out the agreed process for addressing non-compliance with the PRDE. A **CP** or a **CRB** who forms an opinion of **non-compliant conduct** by another **CP** or **CRB** is required to adhere to the process set out in this Principle to resolve a dispute about **non-compliant conduct** and may not take any other action or steps against the **CP** or **CRB**. Any information exchanged by the parties as part of this process cannot be relied upon in any other forum.

Initial report of non-compliant conduct

66 Where a **CP** or **CRB** (the reporting **CP** or **CRB**) forms an opinion that any **CP** or **CRB** (the respondent **CP** or **CRB**) to this PRDE has engaged in **non-compliant conduct**, it will issue to that **CP** or **CRB** a report of **non-compliant conduct**. Such a report must comply with the **SRR**.

67 From the date of the receipt of the report by the respondent **CP** or **CRB**, the parties have 30 calendar days (the Initial Period) in which to:

a Confer;

b Respond to the report of **non-compliant conduct**, providing such supporting information as the respondent **CP** or **CRB** deems necessary; and/or

c Enter into a **Rectification Plan**. The **Rectification Plan** must comply with the **SRR**; or

d Agree that the conduct of the respondent **CP** or **CRB** is compliant with the PRDE**.**

68 If the **Rectification Plan** results in the **non-compliant conduct** being rectified within the Initial Period (Stage 1 Dispute), the dispute is closed and no information about the dispute will be provided to the **PRDE Administrator Entity**.

69 If the **Rectification Plan** is entered into within the Initial Period but the **noncompliant conduct** will not be resolved within that timeframe (Stage 2 Dispute), both parties to the **Rectification Plan** are obliged to provide the **Rectification Plan** to the **PRDE Administrator Entity** within 3 business days of the expiry of the Initial Period.

70 If there is no **Rectification Plan** entered into within the Initial Period and there is no agreement that the conduct is compliant (Stage 3 Dispute), both parties to the dispute are obliged to notify the **PRDE Administrator Entity** within 3 business days of the expiry of the Initial Period.

Referral to **PRDE Administrator Entity –** Stage 2 Dispute

71 **When a Stage 2 Dispute is referred to the** PRDE Administrator Entity, **the** PRDE Administrator Entity **is required to make the** Rectification Plan **available to** signatories **within 3 business days of receipt of the** Rectification Plan. Where a dispute arises from a self-report of **non-compliant conduct** under paragraph 96, the **PRDE Administrator Entity** will take reasonable steps to de-identify the **Rectification Plan** before making it available under this paragraph.

72 Any **signatory** may object to the **Rectification Plan** by issuing a notice of objection to the two initial reporting and respondent parties or, where dispute that arises from a self-report of **non-compliant conduct**, to the **PRDE Administrator** Entity, within 7 calendar days of publication of the **Rectification Plan**. Such notice of objection must comply with the **SRR**.

73 In the event that a **signatory** issues a notice of objection, for the purposes of this PRDE that **signatory** will be the reporting **CP** or **CRB**, and the two initial reporting and respondent parties will be deemed to be the respondent parties. The dispute resolution process set out in paragraphs 66 to 70 above will then apply to the dispute.

Referral to **PRDE Administrator Entity –** Stage 3 Dispute

74 When a Stage 3 Dispute is referred to the **PRDE Administrator Entity**, the **PRDE Administrator Entity** is required to, within 3 business days of referral of the dispute:

a make a de-identified report of the dispute issues available to **signatories**;

b make an identified report of the dispute available to the **Industry Determination Group**.

Both reports of the dispute must comply with the **SRR**.

Referral to the **Industry Determination Group**

75 The **Industry Determination Group** will convene within 3 business days of receipt of an identified report of dispute from the **PRDE Administrator Entity**.

76 The **Industry Determination** Group will:

a Review the dispute; and

b Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

77 The **Industry Determination Group** may, where it considers necessary, request representatives of the parties attend the **Industry Determination Group** meeting.

78 Where the **Industry Determination Group** determines that it has sufficient information and/or no further information is required, the **Industry Determination Group** will:

a Determine whether it is necessary for the parties to participate in a conciliation to resolve the dispute and a reasonable timeframe for this conciliation; or

b Issue a recommendation within 14 calendar days. The recommendation must comply with the **SRR**.

79 The **PRDE Administrator Entity** will issue to the parties the **Industry Determination Group's** directions or recommendation within 3 business days of each **Industry Determination Group** direction or recommendation.

80 Where the **Industry Determination Group** has directed the parties to conciliation, the following process applies:

a The conciliation will be confidential;

b The conciliation will be conducted by a nominated representative of the **Industry Determination Group** and will occur in the presence of a representative of the **PRDE Administrator Entity**;

c At the conclusion of the conciliation, the **Industry Determination Group** representative ('the conciliator') will provide the **PRDE Administrator Entity** a certificate of outcome. This certificate will:

i. Confirm settlement of the dispute and attach an agreed **Rectification Plan**; and

ii. Refer the dispute back to the **Industry Determination Group** for further review, in accordance with paragraph 76 above.

81 Where a dispute has been referred to the **Industry Determination Group** in accordance with paragraphs 76 and 80 above, the **Industry Determination Group** will within a period of 3 business days:

a Confirm endorsement of the **Rectification Plan** and notify the **PRDE Administrator Entity** to publish the **Rectification Plan**; or

b Decline endorsement of the **Rectification Plan** and provide its reasons to the parties. The parties will then have 3 business days in which to provide the **PRDE Administrator Entity** an amended **Rectification Plan** which the **PRDE Administrator Entity** will provide to the **Industry Determination Group**. Where the **Rectification Plan** is then not endorsed by the **Industry Determination Group**, the **Industry Determination Group** will be required to issue a recommendation in accordance with paragraph 76(b) above.

Referral to **Eminent Person**

82 Where the **Industry Determination Group** has issued a recommendation in accordance with paragraph 78 above, the parties have 14 calendar days from issue of the recommendation by the **PRDE Administrator Entity** to accept or reject this recommendation. If the parties do not respond within this timeframe, they are deemed to have accepted the recommendation.

83 In the event either or both of the parties reject the recommendation, the dispute will be referred to the **Eminent Person** for review and decision.

84 The **PRDE Administrator Entity** will brief the **Eminent Person** within 14 calendar days of notice of the rejection. The brief will include:

a The **Industry Determination Group** recommendation;

b The report of **non-compliant conduct** or notice of objection (as applicable);

c Any further information provided to the **Industry Determination Group** by the parties.

85 The **Eminent Person** will:

a Review the dispute; and

b Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

86 The **Eminent Person** may, where it considers it necessary, request the parties meet with the **Eminent Person** to discuss the dispute. Such meeting may be on a confidential basis and will be attended by a representative of the **PRDE Administrator Entity**.

87 Where the **Eminent Person** determines that it has sufficient information and/or no further information is required, the **Eminent Person** will issue a decision within 14 calendar days. The decision will comply with the **SRR**.

88 The decision of the **Eminent Person** is binding and final.

Compliance outcomes

89 The possible outcomes available to the **Industry Determination Group** and to the **Eminent Person** are:

a The respondent **CP** or **CRB** is compliant with the PRDE and no outcome is required; and/or

b Issue a formal warning to the **CP** or **CRB** on their compliance with the PRDE; and/or

c Issue a direction to the respondent **CP** or **CRB** with which they must comply, including, but not limited to, the completion of staff training, and/or provision of satisfactory evidence of compliance; and/or

d Require the respondent **CP** or **CRB** to **contribute** and obtain **supply** of **credit information** and **credit reporting information** (as applicable) at a lower **Tier Level** for a nominated period.

90 Any **CP** (whether a party to a dispute or not) will be exempt from the requirements in paragraph 15 above, for the **CRB** which has had a compliance outcome applied to it in paragraph 89 (b to d) above**.**

91 These outcomes may be identified as an escalated process within the recommendation or decision.

92 Such outcomes will be overseen by the **PRDE Administrator Entity**. Obligations

93 **CPs** and **CRBs** will:

a Comply with the directions of the **Industry Determination Group** and the **Eminent Person** within the time specified in the direction;

b Be bound by a compliance outcome, where contained in a **Rectification Plan** (under paragraphs 68, 69 and 81(a)), or an accepted recommendation (under paragraph 82), or **Eminent Person** decision (under paragraph 87);

c Comply with a request from the **PRDE Administrator Entity** in respect to matters arising from paragraph 89, including where the **CP** and/or **CRB** is not a party to the compliance outcome but may be required to take steps to give effect to the outcome;

d Act in good faith at all times;

e When provided with confidential information during the compliance process, keep this information confidential. Confidential information means information provided by either party to a dispute and which, in the circumstances surrounding disclosure, a reasonable person would regard as confidential; and

f Attest to their compliance with the PRDE. Such attestation will be provided by a representative of a **signatory** who has the authority to bind the **CP** or **CRB** and who has the primary responsibility for the records of the **signatory** relating to its compliance with the PRDE. The attestation will be wholly true and accurate, will comply with the **SRR** and be provided on an annual basis to the **PRDE Administrator Entity** within 7 business days of the **Effective Date** anniversary.

94 The **Industry Determination Group** and **Eminent Person** are obliged to act in accordance with their respective Terms of Reference.

95 The **PRDE Administrator Entity** is obliged to:

a Issue such reports as are identified in paragraphs 103 to 105 below;

b Provide assistance, as requested, to the **Industry Determination Group** and **Eminent Person**; and

c Act in accordance with its constitution.

Self-reporting

96 Where a **CP** or **CRB** forms an opinion that it has engaged in, or may engage in, **noncompliant conduct**, it may issue a report to the **PRDE Administrator Entity**. Such a self-report is required to comply with the **SRR**.

97 Where a **CP** or **CRB** files a self-report, it will have 30 calendar days in which to file a **Rectification Plan** with the **PRDE Administrator Entity**. This **Rectification Plan** will comply with the **SRR**.

98 Upon the expiry of 30 calendar days, the dispute resolution process set out in paragraphs 66 to 70 above will apply to the issue, with the **PRDE Administrator Entity** acting as reporting party and the self-reporting party becoming the respondent party.

Extension of time

99 At any stage, other than the Initial Period, the parties may apply to the **PRDE Administrator Entity** to seek an extension of time for a response. The request for an extension of time must comply with the **SRR**.

100 Where a dispute is being dealt with by the **Industry Determination Group** or **Eminent Person**, the request for an extension of time will be determined by the **Industry Determination Group** or **Eminent Person** (as applicable).

101 In all other circumstances, the request for an extension of time will be determined by the **PRDE Administrator Entity**.

PRDE Administrator Entity reporting

102 The **PRDE Administrator Entity** will keep a register of:

a **Signatories**, their **Signing Date** and **Effective Date** for the **Deed Poll**, and key contacts at each signatory;

b The nominated **Tier Levels** for each **CP**;

c The **Designated Entities** of each CP;

d The **Securitisation Entities** of each CP;

e Attestation of compliance for each **CP** in accordance with paragraph 57.

103 The **PRDE Administrator** Entity will report to **signatories**:

a De-identified reports of Stage 2 disputes;

b Identified reports of the **Industry Determination Group's** recommendations (where such a recommendation is accepted by the parties) or identified reports of the **Eminent Person's** decision.

104 The **PRDE Administrator Entity** will report to CPs:

a **Tier Levels** of **signatories** in accordance with paragraph 9;

b **Designated Entities** of **CPs** in accordance with paragraph 24;

c **Securitisation Entities** in accordance with paragraph 40;

d Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with paragraph 55(a);

e Attainment of full compliance by a **CP** in accordance with paragraph 57.

105 The **PRDE Administrator Entity** will report to a **CRB**, upon request by a **CRB** and where consent is provided by a **CP**, the following information about that **CP**:

a **Tier Level** of the **CP** in accordance with paragraph 9;

b The **Designated Entities** of the **CP** in accordance with paragraph 24;

c The **Securitisation Entities** of the **CP** in accordance with paragraph 40;

d Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with paragraph 55(a); and

e Attainment of full compliance by a **CP** in accordance with paragraph 57.

106 **CPs** and **CRBs** will supply the **PRDE Administrator Entity** such information as required to enable it to fulfil its obligations as specified in 102 to 105.

PRDE Administrator Entity powers

107 The **PRDE Administrator Entity** may initiate a report of **non-compliant conduct**, in which case it will be the reporting party, and the dispute resolution provisions set out in paragraphs 66 to 70 will apply. Such a report can only be issued where the noncompliance relates to:

a A **CRB** or **CP**'s failure to pay the costs identified by the **PRDE Administrator Entity**, as required by paragraphs 7 and 13 above;

b A **CRB**'s failure to inform the **PRDE Administrator Entity** of the **Tier Level** of a **CP** that **contributes credit information**, as required by paragraph 5 above;

c A **CP**'s failure to disclose its chosen **Tier Level** to the **PRDE Administrator Entity**, as required by paragraph 9 above;

d A **CP**'s failure to notify the **PRDE Administrator Entity** of its **Designated Entities** and/or a failure to notify the **PRDE Administrator Entity** if the **Designated Entity** ceases to meet this criteria, as required by paragraphs 24 and 28 above;

e A **CP**'s failure to notify the **PRDE Administrator Entity** when it changes **Tier Level,** as required by paragraph 55 above;

f Where a **CP** has not notified the **PRDE Administrator Entity** of its compliance within the 12 month period, as required by paragraph 57 above;

g A **CP**'s failure to notify the **PRDE Administrator Entity** of the acquisition of consumer credit accounts, as required by paragraph 59 above;

h A **CRB** or **CP**'s failure to comply with the compliance framework notification requirements set out in paragraphs 69 and 70 above;

i A **CRB** or **CP**'s failure to comply with a compliance outcome, as required by paragraphs 93(b) above;

j A **CRB** or **CP**'s failure to comply with a request from the **PRDE Administrator Entity**, as required by paragraph 93(c)above;

k A **CRB** or **CP**'s failure to provide its annual attestation, or the provision of an attestation which, on reasonable grounds, the **PRDE Administrator Entity** believes to be wholly or partly false, as required by paragraph 93 (f) above.

108 A reporting or respondent **CP** or **CRB** may request the **PRDE Administrator Entity** issue a direction to join disputes (whether at a Stage 2 Dispute or Stage 3 Dispute) where:

a There are common parties and issues; and

b The **PRDE Administrator Entity** determines the joining of disputes is necessary for the effective resolution of the disputes.

Principle 6

Principle 6: A broad review of the PRDE to be completed after three years.

Independent review

109 The terms and operation of this PRDE, including the continued operation of the transitional provisions in Principle 4, must be reviewed by an independent reviewer after the PRDE has been in operation 3 years and at regular intervals after that (not more than every 5 years).

110 The **PRDE Administrator Entity** is responsible for formulating the scope and terms of reference of an independent review. These must be settled in consultation with **signatories**. The **PRDE Administrator Entity** must also ensure that the independent review is adequately resourced and supported, the reviewer consults with **signatories**, the review report is made available to all **signatories** and the review recommendations are adequately responded to.

111 In addition to the independent review, the **PRDE Administrator Entity** may review and vary the PRDE at any time during its operation, on the recommendation of the **Industry Determination Group** or the **PRDE Administrator Entity**. Such recommendation must be supported by:

a A statement of consultation, with such consultation appropriate to the nature and scope of the variation; and

b 75% resolution of the **PRDE Administrator Entity**.

Promises by **CRBs**

112 Each **CRB** will cooperate in good faith with the **PRDE Administrator Entity** and assist with the review.

Promises by **CPs**

113 Each **CP** will cooperate in good faith with the **PRDE Administrator Entity** and assist with the review.

Definitions

"**Access request**" means a request from a **CP** to a **CRB** for the **supply** of **credit reporting information**.

"**ACRDS**" means the Australian Credit Reporting Data Standards which are the technical standards and specifications used for exchanging **credit information** and **credit reporting information**.

"**Commencement Date**" means 25 December 2015.

"**Consumer credit liability information**" has the same meaning as defined by the **Privacy Act**.

A **CP** "**contributes**" **credit information** when it discloses that information to a **CRB** in circumstances permitted by the **Privacy Act.**

"**CP**" has the same meaning as defined by the **Privacy Act**. Any reference to a CP in this PRDE is a reference to a **signatory** CP unless otherwise expressly stated, and also includes reference to any **Designated Entities** of the **CP**.

"**CP derived information**" has the same meaning as defined in the **Privacy Act**.

"**Credit information**" has the same meaning as defined by the **Privacy Act**.

"**Credit eligibility information**" has the same meaning as defined by the **Privacy Act**.

"**Credit reporting information**" has the same meaning as defined by the **Privacy Act**.

A **CP** "**on-supplies**" **partial information** or **comprehensive information** (excluding that component of **partial information** and **comprehensive information** which is **negative information**) when it discloses that information to another **CP**, a **Designated Entity** or **Securitisation Entity**.

"**CRB**" has the same meaning as defined by the **Privacy Act**. Any reference to a CRB in this PRDE is a reference to a **signatory** CRB unless otherwise expressly stated.

"**CRB derived information"** has the same meaning as defined in the **Privacy Act**.

A "**Designated Entity**" is a business or collection of businesses of a **CP** as determined by the **CP** for the purposes of the PRDE. The criteria for **Designated Entities** and related operational matters is set out in further detail in paragraphs 22 to 28 of this PRDE.

"**Deed Poll**" means the pro-forma PRDE deed poll which is a schedule to a **Services Agreement** and is effective, in relation to a **CP** or **CRB**, at the **Effective Date**.

"**Effective Date**" means the date nominated by the **CP** or **CRB** as the date that the **CP** or **CRB**'s obligations (as applicable) under the PRDE become effective. The **Effective Date** may be the **Signing Date**, in which case the two dates will be the same.

"**Eminent Person**" means an independent person who fits the criteria of **Eminent Person**, in accordance with the **Eminent Person** Terms of Reference, and who has consented to inclusion on the panel of **Eminent Persons**.

"**Industry Determination Group**" means a group formed by representatives of signatories, in accordance with the **Industry Determination Group** Terms of Reference.

"**Mortgage Insurer**" has the same meaning as defined in the **Privacy Act**.

"**Mortgage Insurance Purpose**" has the same meaning as defined in the **Privacy Act**.

"**Non-compliant conduct**" means conduct which breaches this PRDE.

"**Participation Level Threshold**" has the meaning given to it by paragraph 30 of this PRDE.

"**PRDE Administrator Entity**" means the Reciprocity and Data Exchange Administrator Pty Ltd (ACN 606 611 670), a subsidiary of the Australian Retail Credit Association Ltd (ACN 136 340 791).

"**Privacy Act**" means the *Privacy Act 1988* as amended from time to time (including by the *Privacy Amendment (Enhancing Privacy Protection) Act 2012*) and includes Regulations made under that Act, and the *Privacy (Credit Reporting) Code 2014* (CR Code) registered pursuant to that Act.

"**Rectification Plan"** has the same meaning as defined by the **SRR**.

"**Repayment History Information**" has the same meaning as defined in the **Privacy Act**.

A **CRB** "**supplies**" **credit reporting information** when it discloses that information to a **CP** in circumstances permitted by the **Privacy Act** and in response to an **access request**.

"**Securitisation entity**" means an entity which is not a **Mortgage Insurer** or a **Trade Insurer**, but which is engaged to assist a **CP** for a **securitisation related purpose**.

"**Securitisation related purpose**" has the same meaning as defined in the **Privacy Act**.

A "**services agreement**" is an agreement which is intended (whether expressly stated or otherwise) to enable a **CRB** to assist a **CP** to assess and manage its consumer credit risk (as determined by the **CP**). The agreement will include, in addition to other provisions, an agreement between a **CRB** and **CP** for the contribution of **credit information** and/or supply of **credit reporting information** (as applicable). For the avoidance of doubt, a **services agreement** does not include an agreement which has been suspended or is an agreement for the contribution of personal information (which may include **credit information**) solely for identity verification purposes pursuant to the relevant provisions of the *Anti-Money Laundering and Counter-Terrorism Finance Act 2006* (as amended from time to time).

"**Signatory**" in relation to a **CP** or **CRB**, means a **CP** or **CRB** that has chosen to be a **signatory** to this PRDE by signing the **Deed Poll** and has not withdrawn from its participation in this PRDE in accordance with the **Deed Poll**.

"**Signing Date**" means the date that a **CP** or **CRB** executes the **Deed Poll**.

"**SRR**" means the Standard Reporting Requirements which are the standards used for reporting compliance with this PRDE.

Three "**Tier Levels**" have been established for the **supply** by a **CRB** to a **CP** of **credit reporting information**, the **contribution** by a **CP** to a **CRB** of **credit information**, and the **on-supply** by a **CP** of **credit eligibility information**:

a "**negative information** means:

   i. **credit information** about an individual other than **consumer credit liability information** or **repayment history information**; and

   ii. **CP derived information** and **CRB derived information** which is not derived wholly or partly from **consumer credit liability information** or **repayment history information**.

b "**partial information**" means:

   i. **credit information** about an individual other than **repayment history information**; and

   ii. **CP derived information** and **CRB derived information** which is not derived wholly or partly from **repayment history information**.

c "**comprehensive information**" means all **credit information, CP derived information** and **CRB derived information** about an individual.

"**Trade Insurer**" has the same meaning as defined in the **Privacy Act**.

"**Trade Insurance Purpose**" has the same meaning as defined in the **Privacy Act**.

Schedule 1

Account exceptions (paragraph 33 above)

1 Margin Loan accounts being a loan product where the products purchased (using the loan funds) are shares and the loan security is the shares purchased.

2 Novated Lease accounts.

3 Flexible Payment Option accounts being an account facility offered on charge card products that enables consumers, pursuant to the terms and conditions of the account, to revolve or defer payment of their outstanding balance.

4 Overdrawn deposit or transaction accounts that are not formal overdrafts.

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APPENDIX E, Attachment 6 – 2020 Amendment Process

Our consultation on proposed amendments to the PRDE was dealt with in two tranches: amendments to the PRDE outside Principle 5 and amendments to Principle 5 of the PRDE which relate to the powers of the RDEA.

Consultation sessions were held with:

- PRDE signatories on 23 March and 9 April with additional sessions focussed on Principle 5 amendments held on 29 April and 20 May
- ARCA Members that are not signatories to the PRDE on 23 March and 7 April with sessions focussed on Principle 5 amendments held on 29 April and 18 May
- Prospective PRDE signatories that are not ARCA Members and relevant Industry Associations.

All stakeholders were provided a marked-up copy of all proposed amendments in the week commencing 25 May (including minor amendments through the PRDE, intended to improve the clarity and consistency of the PRDE's drafting and operation) and were invited to make final submissions.

STATEMENT OF CONSULTATION

PRINCIPLE 1

	Proposed Amendment	Comments/ feedback and status
1.1	**Summary of Issue** This item explored the Independent Reviewer's suggestion to include an updateable schedule to capture exceptions to the prohibition on on-supply of information (paragraphs 11, 12, 46 of the PRDE). After considering the recommendation and reviewing the Privacy Act and the PRDE, the following additional circumstances of on-supply were identified and proposed as additional exceptions under the PRDE: • On-supply of information between CPs who hold the same security for a home loan per s21J(5) • On-supply of information by a CP to a mortgage insurer per s21L (which is already enabled under paragraph 46 of the PRDE) The only additional category of on-supply in the Privacy Act not provided for in the PRDE is on-supply to another CP with the individual's consent per s21J. It was considered that on-supply in these circumstances would undermine the operation of the PRDE. Rather than moving exceptions to an updateable schedule, the following amendment was proposed: **Proposed Amendment: add paragraphs 46A** *46A. Disclosure where mortgage credit is secured by the same real property* *Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on supply partial information** or **comprehensive information** to another CP (whether a PRDE signatory or not) (the **same mortgage credit CP**) where both the **CP** and the **same mortgage credit CP** have provided mortgage credit to the same individual and the disclosure of this information is a*	**Amendment included in version 19** No concerns or queries were raised by stakeholders in relation to this item and its proposed amendment. Earlier consultation included a proposal to add a new paragraph 46A explicitly enabling on-supply of information to a mortgage insurer per section 21L of the Privacy Act. Following a briefing with industry associations, a mortgage insurer raised question about this amendment. On further review, it was agreed that the proposed new paragraph 46B was not necessary, as the existing paragraph 46 already enables disclosure to a mortgage insurer. The amendment was therefore changed to: • Update the header for paragraph 46; and • Remove the proposed paragraph 46B

	*permitted disclosure which meets the requirements of section 21J(5) of the **Privacy Act**.* **Amend the heading of paragraph 46 for clarity** 46. Disclosure to third parties (*including **Mortgage Insurers***) Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on supply partial information** or **comprehensive information** to third parties who are not **CPs** or who are a CP within the meaning of s6H of the **Privacy Act**, where the disclosure of this information is a permitted disclosure in accordance with section 21G(3) of the **Privacy Act** and, the **on-supply** of **repayment history information**, occurs only in the circumstances set out in section 21G(5) of the **Privacy Act**.	
1.2	**Summary of Issue** This item explored the Independent Reviewer's suggestion that paragraph 20 of the PRDE be amended to ensure that guarantor defaults are captured by default reporting requirements. Given the Privacy Act definition of 'default information' includes guarantor default information, and the PRDE is to be read with reference to the Privacy Act, stakeholders were asked whether specific reference to guarantor defaults in paragraph 20 was necessary, given such defaults are already captured by the existing wording.	**No amendment necessary** Stakeholders agreed that the existing wording adequately captured guarantor defaults and that no amendment was necessary in relation to this item.
1.3	**Summary of Issue** This item sought to resolve inconsistency between the ACRDS and PRDE regarding disclosure of 'type of account.' Type of account is a data element which forms part of the account header. This is a type of CCLI. However, under the ACRDS it forms part of the account header and will be disclosed by all users (including negative tier). It was suggested that 'type of account' should continue to be disclosed by	**Amendments included in version 19** No concerns or queries were raised by stakeholders in relation to this item and its proposed amendment.

	negative tier as well, given without it, default information wouldn't distinguish the type of account subject to the default. **Proposed Amendment: add paragraph 21A** *21A. The type of credit account is an element of* ***consumer credit liability information****. However, for the purposes of this PRDE, all contributions of type of credit account in conjunction with the contribution of* ***negative information*** *is deemed a contribution of* ***negative information.***	It should be noted this issue has previously been briefed to the RDEA and ARCA Boards and a resolution has been made to change the PRDE. This now gives effect to this previous resolution.
1.4	**Summary of Issue** The Independent Review identified a need for clarity in how the calculation set out in paragraph 31 operates. **Proposed Amendment: amend existing paragraphs 31 & 32; add paragraph 32A** *Run-off exception* *31. A* ***CP*** *is not required to* ***contribute credit information*** *about consumer credit accounts where:* *a) the accounts relate to a product that is in run-off and accordingly no new accounts of this type are being opened ("run-off account type"); and* *b) the number of accounts of the run off account type is not more than 10,000; and* *c) the total number of accounts excepted under this paragraph does not constitute more than 3% of the total number of consumer credit accounts of the* ***CP****.* *32. In calculating the number of accounts of the run-off account type ~~total consumer credit accounts of the CP~~) in subparagraph 31(b), a* ***CP*** *and its* ***Designated Entity*** *or* ***Entities*** *(as applicable) will be treated as separate* ***CP*** *entities.*	**Amendment included in version 19** Stakeholders were initially consulted on a previous draft of the proposed amendment. The wording contained in this document was put to signatories at our second round of consultation. No concerns or queries were raised by stakeholders in relation to this item and its proposed amendment.

	32A. In calculating the total number of consumer credit accounts in subparagraph 31(c), a ***CP*** *and its* ***Designated Entities*** *(if any) will be treated as one* ***CP****.* ~~*and may apply the calculation of number of accounts based upon the total consumer credit accounts separately held by each of the* ***CP*** *and its* ***Designated Entity*** *or* ***Entities*** *(as applicable).*~~	
1.5	**Summary of Issue** The list of accounts which a CP is not required to contribute credit information about is detailed in Schedule 1 of the PRDE. One of the recommendations from the Independent Review of the PRDE suggested considering a variable Schedule, to enable the addition and removal of excepted accounts (including, e.g. de-novated leases and unregulated credit). Stakeholders were asked to consider whether the existing mechanism for amending the PRDE (including Schedule 1) set out in paragraph 111 was adequate to vary the list of account exceptions, or whether a new mechanism was preferred.	**No amendment necessary** Stakeholders agreed the existing mechanism set out in paragraph 111 of the PRDE adequately enables the list of account exceptions to be modified; and on that basis no amendment was necessary to establish an updateable Schedule. In addition to considering the mechanism for updating Schedule 1, stakeholders were asked to provide initial feedback on the types of accounts that might be included in an updated schedule. The initial feedback will help shape any future consideration of account exceptions, however we do not intend to include any amendments to Schedule 1 as part of this process.
1.6	**Summary of Issue** This item relates to feedback provided as part of ARCA's work drafting RHI Reporting Guidelines. Among feedback provided was a proposal to include a list of exceptions to RHI contribution requirements set out in a new Schedule to the PRDE. These amendments have been developed to give effect to this feedback. **Proposed Amendment: add paragraph 33A & Schedule 2; amend existing paragraphs 4, 16, 29 & 53** ***Repayment History Information Reporting exceptions***	**Amendments included in version 19** During initial consultation sessions, no concerns or queries were noted in relation to the rationale and value of these amendments to include exceptions to RHI reporting. However by written submission one CRB submitted that it did not support the inclusion of exceptions to RHI reporting, "*unless a compelling reason for a (potentially indefinite) exclusion can be demonstrated, and the scope of the exclusion is*

	*33A. A **CP** is not required to **contribute repayment history information** in the circumstances listed in Schedule 2 to this PRDE.* ***Schedule 2*** ***Repayment History Information Reporting exceptions** (paragraph 33A above)* *1. The 'month' applicable to the **repayment history information** does not meet the 'month' definition in the Privacy (Credit Reporting) Code 2014.* *2. The 'month' applicable to the **repayment history information** overlaps with a previous 'month'.* *3. The monthly payment that is due in relation to the consumer credit is the result of a Part IX or Part X debt agreement pursuant to the Bankruptcy Act 1966 (Cth).* *4. The obligation to make a monthly payment in relation to the consumer credit (the payment obligation) ~~has been disputed~~ is in dispute in its entirety by the individual and is under investigation on the basis the balance of the consumer credit relates to an unauthorised transaction or the consumer credit was fraudulently opened in the individual's name. This exception will apply only to the time period in which there is a dispute as to liability. Once the dispute is resolved and if the individual remains liable, then RHI for the period of the dispute is no longer subject to this exception~~. ~~For the avoidance of doubt, where part of a payment obligation is disputed and the CP is able to ascertain the undisputed part of the payment obligation, **repayment history information** should continue to be reported for the undisputed part of the payment obligation.~~* *5. Unless and until a legislative approach to the reporting of hardship information is made and in force, **repayment history information** for an arrangement as defined in Section 28TA of the consultation draft National Consumer Credit Protections Regulations 2010 released for consultation on 14 February 2020 or, if the final version of the Regulations differs, as defined in those final Regulations, where that arrangement is entered into between a **CP** (including any **CP** not covered by Regulation 28TA) and an individual.*	*clearly defined and limited. Unnecessary and/or unclear exceptions may result in significant gaps in reporting, thus potentially undermining the fundamental purpose of the PRDE to encourage contribution of comprehensive credit information by CPs."* The same submission, commented on Schedule 2, item 4 specifically. Overall, the following feedback was received on specific items of Schedule 2. <u>Schedule 2, item 3 (monthly payment is part of a debt agreement)</u> At our second consultation session with signatories, one CRB questioned the rationale for Schedule 2, item 3. ARCA explained that the issue arises from the wording of the Privacy Act definition of RHI, including information *in relation to* payments under a credit contract. This wording leaves it open to question whether payments under debt agreement are captured by RHI definition. The proposed exception would therefore provide for CPs who are uncertain whether RHI pertaining to payments made under a debt agreement should be reported or not, to exclude this RHI without breaching the PRDE. No further comments were raised by that stakeholder or other stakeholders in relation to this item. <u>Schedule 2, item 4 (monthly payment is disputed)</u>

	Amend existing PRDE paragraphs 4, 16, 29 & 53: *4. We will only **supply credit reporting information** to a **CP** to the extent permitted under this PRDE and if we have a reasonable basis for believing that the **CP** is complying with its obligations under this PRDE to **contribute credit information** (subject to the exceptions contained in paragraphs 29 to 33A or transitional provisions contained in paragraphs 53 to 64 that apply to that **CP**).* *16. The **CP** and its **Designated Entity** (if applicable) must **contribute credit information** to all those **CRBs** with which it has a **service agreement** consistently across all of their consumer credit accounts for all its credit portfolios subject only to:* *a) the materiality and other exceptions set out in paragraphs 29 to 33A; and* *b) the transitional provisions in Principle 4; and* *c) any recommendation by the **Industry Determination Group** or decision by the **Eminent Person*** *29. A **CP** is required to endeavour to **contribute** all eligible **credit information** for its chosen **Tier Level**. A **CP** will comply with its obligations if it meets the **Participation Level Threshold**, subject to the run-off exception in paragraphs 31 and 32 ~~and~~ , account exceptions in paragraph 33 and the RHI reporting exceptions in paragraph 33A.* *53. Subject to the materiality and other exceptions set out in paragraphs 29 to 33A and the transitional provisions set out in paragraphs 54 to 64, a **CP** will **contribute credit information** about their consumer credit accounts at their chosen **Tier Level** before obtaining their first **supply** of **credit reporting information** from a **CRB**.*	A question was raised in our initial round of consultations, about whether this RHI exception may encourage ungenuine disputes. As a result, ARCA provided further clarification and background on this item ahead of our second round of consultation: *In relation to specific feedback on the proposed Schedule 2, item 4, ARCA wishes to clarify that the ACCC's Debt Collection Guideline explicitly prevents a default listing being entered in these circumstances and item 4 seeks to apply the same rationale to the entry of RHI. Ceasing of reporting of RHI should only be whilst the liability of the debt is being disputed. Therefore if the customer is found to be liable for the debt there is no benefit in ungenuine disputes of this kind being made. Additionally, it is noted that the application of this exception is expected to be quite limited; a dispute of liability will be limited in most cases to a disputed transaction (and probably under the Epayments Code) or to a situation where the contract itself is disputed due to identity theft/fraud (in which case the RHI isn't the issue but disclosure of CCLI as well).* At our second round of consultations, two key pieces of feedback were provided: • a non-signatory CP commented that CPs may not necessarily be able to differentiate between disputed and undisputed transactions for the purpose of reporting RHI and thus would not be

		able to report RHI against the undisputed part of the payment obligation only. The CP suggested drafting changes to provide that a CP 'may' (rather than 'should') report RHI for the undisputed part of the payment obligation. *The updated drafting seeks to take this feedback on board, while ensuring the scope of the exception is appropriately narrow.* • A CRB questioned whether a dispute of this nature is sufficient reason for an exception to RHI reporting. It was suggested that existing corrections processes should lead to reported RHI being corrected as needed. ARCA referred to the RHI guideline developments and consultation with members and highlighted that item 4 seeks to clarify the situation of reporting during a dispute over liability for a debt, rather than replace existing processes where a decision is made at the end of a dispute resolution process to correct RHI. A CRB provided a written submission stating that the proposed exemption, "*is unnecessary and excessively broad. The mere fact of a dispute should not automatically exempt a CP from providing RHI. If a dispute occurs but the CP after investigation remains of the view that the RHI is accurate, the reporting obligation should stand. The introduction to the PRDE*

		makes it clear that a CP is not required to report RHI under the PRDE where to do so would cause the CP to be in breach of any law, therefore CPs should not be concerned about being required to report RHI under the PRDE should they reach the view that in the circumstances of a particular dispute, the Privacy Act or any other law prevents them from doing so. Following the above feedback, further input was sought on the drafting of Schedule 2 item 4. The following feedback was received: • A number of CPs do report RHI during the period of the dispute and do not intend to change that process • Stakeholders submitted that – once the dispute is settled – the RHI can be corrected and any refunds issued • Acknowledging the proposed amendment sets out an exception to RHI reporting requirements, there was concern that the exception would set an expectation on CPs to withhold RHI during the period of the dispute. As a result of this feedback, and considering the rationale for the amendment and the associated RHI Guidelines, the updated drafting seeks to respond to the feedback by setting boundaries around the circumstances in which the exception can be relied on, while still providing an exception for those CPs who seek to withhold

		RHI during disputes (a process which those CPs believe to be in the customer's best interest). One CRB maintained its previous objections as summarised above. ARCA acknowledged that feedback and explained that the updated drafting seeks to respond to the feedback by setting boundaries around the circumstances in which the exception can be relied on, while still providing an exception for those CPs who seek to withhold RHI during disputes. This exception is also important to ensure that no provision in the PRDE would require a breach of a CP's obligations under the law (i.e. the contribution obligations will otherwise require reporting of RHI unless an exception applies, and we do not consider that a CP is sufficiently exempt from this exception for all disputes). <u>Schedule 2, Item 5</u> At our initial round of consultations, stakeholders questioned whether this item sought to give effect to an exception on RHI reporting, which expires when Regulation 28T is finalised. ARCA explained that item 5 intends to provide an exception to RHI reporting until hardship flags are established in the credit reporting system – therefore it seeks to allow interim approaches to reporting RHI during hardship arrangements. Stakeholders queried whether - once the Regulation is passed – the wording of Schedule 2, item 5 would be amended to make it more

		straight forward. ARCA said the current wording is not likely to change, as the current wording would still give effect to the Regulation when passed. It was noted that Schedule 2 could be amended using ordinary PRDE process. ARCA noted that when relevant legislation is passed, any exceptions contained in Schedule 2 would need to be acknowledged by relevant regulators. No further queries or concerns were raised by stakeholders in relation to this item at subsequent consultation sessions.
1.7	**Summary of Issue** This item sought to address concerns about the effect of paragraph 4 of the PRDE given the proposed regulation 28TB of the National Consumer Credit Protections Amendment (Mandatory Credit Reporting) Bill. On review of the Bill ARCA considered those concerns were settled and on that basis no amendment was proposed under this item.	**No amendment necessary** One CRB submitted that it continued to be concerned about uncertainty regarding the effect of paragraph 4 of the PRDE and the proposed regulation 28TB. It submitted that: *" paragraph 4 warrants redrafting to address the following matters:* • *it needs to be clarified that the "reasonable basis" requirement does not oblige a CRB to proactively monitor or audit signatory CPs to verify their compliance. Rather, the paragraph should be expressed in the negative, as a restriction on supply of credit reporting information in circumstances where a CRB becomes aware (based on information available to it) that there are reasonable grounds to believe that a CP is not complying with its relevant obligations under the PRDE.*

		• *it needs to be clarified that any obligation on a CRB not to supply credit reporting information under paragraph 4 does not apply where a Principle 5 process has occurred in relation to the non-compliance, including where any CP or CRB has issued to the non compliant CP a report of non-compliant conduct, the non compliant CP has self reported, or the RDEA has initiated a report of non-compliant conduct.* • *an exception to paragraph 4 should be added in circumstances where relief from reporting has been granted by the RDEA (e.g. through a 'class order' power as contemplated under item 5.1), or under the National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019 or the Regulations."* ARCA responded to that submission and did not suggested an amendment on this item. The CRB maintained its view that it would be appropriate to amend paragraph 4 with a view to eliminating any possible uncertainty .

PRINCIPLE 2

	Proposed Amendment	Comments/Feedback
2.1	**<u>Summary of Issue</u>** This item deals with the operation of the PRDE in relation to commercial-only credit providers. See also item 4.1 dealing with the operation of the PRDE in relation to	**Amendment included in version 19** In our first round of consultation, stakeholders

	start-up credit providers. The following amendment was proposed to affirm how the PRDE – particularly the principle of reciprocity – would apply to a CP that does not hold any consumer credit accounts. **Proposed Amendment: add to the introduction of the PRDE** *For the avoidance of doubt, a requirement on a* ***CP*** *to* ***contribute credit information*** *only applies to the available information held by that* ***CP****. If the* ***CP*** *does not hold the* ***credit information****, this does not prevent it from participating in this PRDE.*	sought confirmation that this amendment intended to clarify the current interpretation of the PRDE, rather than materially change the operative wording of the PRDE. On the basis that the amendment did not change the current operative wording of the PRDE, no concerns were raised with this amendment.
2.2	**Summary of Issue** The following amendment to clarify that PRDE obligations only apply to signatory entities was put forward for consultation. **Proposed Amendment: amend existing paragraph 42** *42. The* ***CP*** *referred to in paragraph 41 must:* *a) include in its agreements with the* ***Securitisation Entity*** *a requirement that the* ***Securitisation Entity*** *~~will be required to~~* ***contribute credit information*** *held by the* ***Securitisation Entity****; and* *b) take reasonable steps to enforce the requirement referred to in paragraph (a).* *~~, but~~ However if such* ***contribution*** *is at a lower* ***Tier Level*** *this will not prevent the* ***supply*** *of* ***credit reporting information*** *at a higher* ***Tier Level,*** *subject to the requirements of paragraphs 40 and 41.* **Clarify paragraph 41:** Where a **Securitisation Entity** nominated under paragraph 40 obtains the **supply** of **credit reporting information** from a **CRB** for the **securitisation related purposes** of the **CP**, the **Securitisation Entity** will only be able to	**Amendment included in version 19** One CP sought clarification on how these provisions apply where the credit information held by the Securitisation Entity was provided by the CP to the SE in accordance with paragraph 44. A follow-up discussion with that credit provider resulted in proposed amendment to clarify that paragraph 41 applies to circumstances set out in paragraph 40 (i.e. where the Securitisation Entity is nominated by the CP to obtain information from the CRB) to address the concerns.

	obtain **credit reporting information** that would have been accessible to the **CP**.	

PRINCIPLE 3

	Proposed Amendment	Comments/Feedback
3.1	**<u>Summary of Issue</u>** This item concerns implementation of ACRDS version and adherence to publication timeframe. The following amendments were put forward, seeking to define the ACRDS as the published/current version of the ACRDS; and require CP and CRB compliance with the relevant version of the ACRDS. **<u>Proposed Amendment: amend existing paragraphs 47, 48, 50, 52 & ACRDS definition; add paragraph 50A and definition of 'Publication Timeframe'</u>** ***Principle 3: Services agreements between PRDE signatories will require reciprocity and the use of the ACRDS*** *47. Services agreements:* *a) will require **CPs** to **contribute credit information** at their nominated **Tier Level** and **CRBs** to **supply credit reporting information** at the nominated **Tier Level**;* *b) will require **CPs** to use the **ACRDS** when **contributing credit information** to **CRBs**; ~~and~~* *c) <u>will require **CPs** and **CRBs** to adhere to the **Publication Timeframe** for use of the **ACRDS**; and</u>* *d) may, in respect of those **services agreements** with non-signatory CPs, provide that the non-signatory CPs can continue to **contribute** outside the **ACRDS**, provided that this provision of information meets the requirements under the **Privacy Act** and also encourage the use of the **ACRDS**.* *Promises by **CRBs*** *48. We will not accept **contributed credit information** from a **CP** unless the information is compliant with **ACRDS** or the **CP** has engaged us to convert the*	**Amendment included in version 19** In our initial round of consultation, a signatory CP sought clarification on the rationale behind strengthening the requirement to adhere to the correct version of the ACRDS and its publication timeline. Concerns were raised that version update processes had not yet been tested. ARCA noted that the proposal to strengthen the requirement on compliance with the relevant ACRDS version and timeframe had been supported by the Data Standards Work Group and has been approved by both the ARCA and RDEA Boards. It was put to stakeholders that clarifying the requirements on CPs to comply with ACRDS upgrades would in itself support compliance. Stakeholders acknowledged that clearly mandating compliance with the relevant ACRDS version would help ensure upgrades are relevantly resourced. Another signatory CP queried what would be done to deal with CPs that have openly said they will not update to the newest version of the ACRDS.

	contributed credit information *into an* ***ACRDS*** *compliant format. When we accept information compliant with the* ***ACRDS****, we will apply the validation requirements for the* ***ACRDS*** *version nominated by the* ***CP****, provided that the version accords with the* ***Publication Timeframe*** *issued by the* ***PRDE Administrator Entity****.* *48A. We will implement new versions of the* ***ACRDS*** *in accordance with the* ***Publication Timeframe*** *issued by the* ***PRDE Administrator Entity****.* *49. We may provide a service for* ***CPs*** *that will convert* ***contributed credit information*** *into an* ***ACRDS*** *compliant format.* *Promises by* ***CPs*** *50. Our* ***contributed credit information*** *will comply with the* ***ACRDS*** *or alternatively we will utilise the* ***CRB's*** *service to convert our contributed* ***credit information*** *into an* ***ACRDS*** *compliant format.* *50A. We will implement new versions of the* ***ACRDS*** *in accordance with the* ***Publication Timeframe*** *issued by the* ***PRDE Administrator Entity****.* ***Contribution*** *barriers* *51.* ***CRBs*** *must not impose constraints to restrict a* ***CP*** *from* ***contributing credit information*** *to another* ***CRB****.* *Management of the* ***ACRDS*** *and* ***Publication Timeframe*** *52. The* ***PRDE Administrator Entity*** *is required to maintain and manage the* ***ACRDS*** *and the* ***Publication Timeframe****.* **Amendments to existing Definitions:** *"****ACRDS****" means the Australian Credit Reporting Data Standards which are the technical standards and specifications used for exchanging* ***credit information*** *and* ***credit reporting information****. The reference to the* ***ACRDS*** *extends only to those*	ARCA noted that compliance with the ACRDS – including relevant versions – was an item specifically identified for consideration when looking at increasing the RDEA's monitoring and compliance powers. A signatory CP highlighted that version updates required significant changes, and suggested the PRDE requirement could support three versions (e.g. current, past and future versions). In relation to version development, the same stakeholder suggested that some changes may not necessitate schema changes but could be addressed through business process (the example put forward was reopening accounts – with the suggestion that it did not require a new version). The CP also noted general concerns on mandating timeframes for compliance, and suggested that small organisations may be able to move quicker than large organisations when it comes to implementing version changes. A stakeholder noted that this amendment would impact existing services agreements and therefore considerations should be given to allowing sufficient lead time for this amendment to take effect. Another stakeholder noted that the requirement to be compliant with the current

	*versions of the **ACRDS** which are current and supported by **CRBs**, and does not include historic or retired versions of the **ACRDS**.* *"**Publication Timeframe**" means the timeframe for the **ACRDS** which identifies when each version, sub-version and release of the **ACRDS** will be published, implemented and retired.*	version (or 1 previous) was consistent with arrangements with other suppliers – PRDE signatories would be familiar with this approach. It was also noted that PRDE compliance could already be implicitly assumed to require compliance with the ACRDS version timetable, but without this change a signatory might claim compliance while remaining on an outdated version. Following our initial round of consultations, ARCA provided the following clarification to stakeholders: **Rationale** The rationale for proposing this amendment has been discussed extensively within the DSWG and at the ARCA/RDEA boards and include: • support data quality and consistency • assuring compliance – where changes to a version have been made to achieve legal compliance • in the absence of a publication timeframe, there is no clear framework with which to resolve compliance issues (or to enforce resolution of these issues by ACRDS users), nor do ACRDS users have assurance that, when consuming data, there is

		consistency in how that data was supplied. **<u>Practical implementation</u>** • The framework is flexible – so while there is a 2 year version date, it is recognised that there is an ability to move that date forward or extend it. • The timeframe for adoption of a version change is 12 months and the development of the new version via the DSWG occurs over a 12 month period. This should provide sufficient lead time of possible/confirmed/published changes. • Regarding whether a CRB could support three versions: CRBs have enabled support for two versions and have highlighted that support for any more than two versions is likely to significantly impair data quality. • In response to the suggestion that some changes may not necessitate schema changes but could be addressed through business processes: When changes to the ACRDS are considered by the DSWG, the DSWG will identify changes which require a schema change, versus those that do not. A new version is only required if schema changes are also required – and indeed, the approach is to allow sub-version or release style

		changes more frequently than version changes. In written submission received one CP commented that it supported the feedback already raised by other parties and that structure and clarity around the timing for the development and implementation of newer versions is required. No other queries or comments were received from stakeholders in our second round of consultation or invitation for written submissions.

PRINCIPLE 4

	Proposed Amendment	Comments/Feedback
4.1	This item deals with the operation of the PRDE to start-up credit providers. See also item 2.1 dealing with the operation of the PRDE in relation to commercial-only credit providers. The following amendment was proposed to affirm how the PRDE – particularly the principle of reciprocity – would apply to a CP that does not hold any consumer credit accounts. **Add to the introduction of the PRDE:** *For the avoidance of doubt, a requirement on a **CP** to **contribute credit information** only applies to the available information held by that **CP**. If the **CP** does not hold the **credit information**, this does not prevent it from participating in this PRDE.*	**Amendment included in version 19** Noting this amendment is the same as that put forward for item 2.1 - no additional comments or concerns were raised with this amendment.

4.2	This item relates to the notice required for a CP to change tier level of supply under paragraph 55 of the PRDE. The Independent Review of the PRDE recommended removing the notice period. Stakeholders were asked whether they supported removing the notice period, or whether a reduced notice period would be appropriate (and if so, to provide input on what a more appropriate notice period would be). **Proposed Amendment: amend existing paragraph 55** 55. *For **CPs** that are existing signatories to this PRDE and nominate to obtain **supply** of **credit reporting information** (and to **contribute credit information**) at a different **Tier Level**:* *a) they must notify their nomination of the different **Tier Level** to the **PRDE Administrator Entity** and to a **CRB** with which they have **services agreements** not less than 30 calendar ~~90~~ days before commencing **contribution** of **credit information** at the different **Tier Level…**.*	**Amendment included in version 19** CRB stakeholders suggested that – with critical mass of CCR now achieved, this requirement is no longer relevant. On that basis, two CRBs voiced support for removal of the requirement. CP stakeholders agreed that the 90 day requirement was no longer required, however for continued transparency of changes they supported a shorter notice period rather than removal of the notice requirement. On further discussion, there was broad support among CPs and CRBs for a reduced notice period of 30 days.

PRINCIPLE 5

	Proposed Amendment	Comments/Feedback
5.1	See marked-up copy of the PRDE. In our first round of consultations, stakeholders were provided a discussion paper on the powers of the RDEA. The paper set out proposals to: • improve the RDEA's compliance, investigation and monitoring capabilities • formalise an interpretation and guidance role for the RDEA. In high-level feedback relating to the RDEA's compliance, investigation and monitoring capabilities, no major concerns were raised. However one CP signatory noted that as a practicality, it would be good if any new requirements around attestation or audits aligned with requirements set out under pending legislation to mandate credit reporting, as well as current mandatory reporting requirements to other regulatory bodies such as ASIC. A CP signatory sought clarification as to whether the RDEA could initiate an investigation of its own volition if it deemed it necessary and not wait for a request from signatories. In relation to the RDEA's interpretation and guidance role, stakeholders sought clarification on the circumstances in which the RDEA would provide an interpretation on the PRDE. ARCA emphasised that a formalised role for the RDEA in providing guidance or interpretation around the PRDE would not replace the current compliance framework which would remain the	**Proposed amendments included in proposed PRDE Version 20** In late April we provided stakeholders a first draft of proposed amendments to Principle 5 as well as a draft updated Annual Attestation SRR (the draft SRR was provided for context, because some of the proposed amendments would require signatories to have their annual attestations audited, and while feedback was sought it was noted that the SRR was not in scope of the current amendment process). Following that feedback we revised the proposed amendments and put forward a new consultaiton document. The feedback received on each draft is summarised below. **Audit/ review by suitably qualified person** Our original consultation draft stated the RDEA may require an audit of signatories' annual attestation or informaiton provided to the RDEA on request under the RDEA's new monitoring power. Overall, stakeholders were concerned about the cost and availability of a suitably qualified person to audit attestations or information provided to the RDEA. Other feedback included: • Questioned the circumstances under which the RDEA would require an audit • Suggested as an alternative, that a suitably senior person inside the signatory organisation could sign off on attestations or information as relevant Our updated proposed amendments took this feedback on board and sought to:

	appropriate mechanism to pursue resolution, should two parties disagree on requirements or compliance under the PRDE. One stakeholder questioned whether it was necessary for the RDEA's ability to interpret the PRDE to be set out in the PRDE or could it be outside of the PRDE itself – or whether that ability was a given. ARCA suggested that a proposed amendment would promote transparency and certainty around the RDEA's role. This high-level feedback from stakeholders informed our drafting of the proposed amendments to Principle 5.	• Address concerns about cost or availability of audit by enabling the RDEA to require the relevant information "be audited or reviewed by a suitably qualified person as determined by the PRDE Administrator Entity"; and • Clarify that the RDEA may require audit of the attestation or information provided to the RDEA under paragraph 98A – however it is not anticipated to be an automatic part of those processes Feedback on the updated drafting was more receptive. Signatories requested a guidance paper setting out the circumstances under which the RDEA would require an audit or review of information and timeframe for the audit/ review to occur. By written submission one CP reiterated its question about when the RDEA would require the attestation information and review/audit, and whether sufficient time would be provided to the signatory to provide the information. In response to this feedback ARCA suggested changes to the wording in paragraph 93(f) to make clear that the information required would be required as part of the annual attestation process (rather than by subsequent request). With regard to drafting changes to require relevant information "be audited or reviewed by a suitably qualified person as determined by the PRDE Administrator Entity," a CP requested a further amendment to require the information to be "audited or reviewed by a suitably qualified person, **as agreed** by the PRDE Administrator Entity **and the CP or CRB.**" It was submitted that this change would ensure the CP/CRB is part of the decision on who should audit, rather than being given potentially only one option by the PRDE Administrator. The CP also submitted the RDEA and signatory should be in agreement on a reasonable timeframe to complete the audit and asked whether an internal audit function would be acceptable. On a similar note, in June 2020 a CRB maintained its objection to this proposed amendment, acknowledging that the updated drafting is intended to clarify that the audit or review does not necessarily have to be an external audit, but highlighting its concern that the relevant person is to be

		determined by the RDEA, and hence the decision is not within the control of the CP or CRB. On that basis Equifax submitted the updated drafting does not address the concerns previously raised. In response to this feedback, ARCA suggested the drafting be changed to require to: "**audited or reviewed by a suitably qualified person as determined by the** PRDE Administrator Entity **in consultation with the CP or CRB**." Additionally, the same CRB provided feedback on the proposed amendments to paragraph 93(f) to enable the RDEA to require a CP or CRB to include any information with its annual attestation that the RDEA considers is reasonable to support and evidence the attestation. The CRB previously reserved its position regarding this proposed amendment, pending review of an updated Standard Reporting Requirements for CRBs' annual attestations. Because the Standard Reporting Requirements were not included in this process, the CRB objected to the proposed amendment to paragraph 93(f), "as the additional reporting requirements are presently unknown, and under the proposed amendment there is uncertainty as to their scope." ARCA reiterated that a draft SRR for CPs annual attestations is being considered by the Data Standards Work Group and the CRB attestation will also be considered by relevant work groups, however the SRR process is separate to the PRDE amendment process. **Ability to identify non-compliance** Stakeholders raised concerns about the potential requirement to have information provided to the RDEA under this power audited. Stakeholders also sought more lenient timeframes. In general stakeholders did not object to this new function of the RDEA except for one CRB which submitted that:

		• compliance issues should primarily be raised by signatories and resolved by agreement between the signatories, with the IDG and Eminent Person points of escalation if necessary. • The role of the RDEA in such disputes is currently administrative only, except for circumstances set out in paragraph 107 of the PRDE. • broad-based, proactive monitoring and enforcement powers of the RDEA have not been demonstrated to be necessary and will result in significantly increased regulatory burdens and costs for signatories. • any additional RDEA monitoring and reporting powers should be limited to identified instances of material PRDE compliance failures, such as the particular instances identified by the independent reviewer (i.e. compliance with ACRDS and default reporting requirements), or the overall contribution obligations of credit provider (**CP**) signatories under the PRDE. • If information gathering powers are considered necessary, these should be more targeted than the proposed paragraph 98A In June a CRB maintained its objection to these new powers and resubmitted its alternative proposal to amend existing paragraph 107 of the PRDE to allow more targeted and specific additional RDEA investigation and non-compliance reporting powers. ARCA highlighted that the latest drafting of the proposed amendments seeks to target the information gathering powers under proposed paragraphs 98A-98I by: • Requiring the RDEA to form an opinion on 'reasonable grounds' before requesting information • Setting a clear right for signatories to object to the information request on grounds that the timeframe for production of relevant information is unreasonable.

		ARCA also highlighted the recommendation of the Independent Review, that consideration be given to expanding the compliance, investigation and monitoring powers of the RDEA. The CRB also submitted that it "continues to support the introduction of paragraph 98J, but maintains its objection to the rectification plans developed under this paragraph automatically applying to affected signatories, if specified by the RDEA (paragraph 98J(d))." In response, ARCA suggested paragraph 98J(d) be changed to make clear that the rectification plan is opt-in rather than mandatory. Finally with regard to this new set of powers of the RDEA, the CRB submitted paragraph 98H gave rise to an inconsistency in proposed administrative changes to paragraph 66 – which would essentially require the RDEA to issue a notice of non-compliance (where paragraph 98H allows the RDEA to issue a notice of non-compliance at its discretion). On that basis ARCA suggests amendments to the existing paragraph 66 and a new paragraph 66A which would read: *66A. Where the **PRDE Administrator Entity** (the reporting party) forms an opinion pursuant to paragraph 98H or paragraph 107 that a CP or CRB (the respondent party) has engaged in non-compliant conduct, it may issue to the respondent party a report of non-compliant conduct. Such a report must comply with the **SRR**.* **Guidance powers** Stakeholders objected to any proposal to enable the RDEA to make binding guidance. Feedback on that point included: • concerns on the adequacy of consultation required to develop binding guidance • that, by issuing guidance, the RDEA could in effect change the PRDE by interpretation

		• Questioned how the guidance would be made available such that the PRDE was able to be understood by signatory staff not familiar with the PRDE On guidance more generally, initial feedback included: • it should be explicit that it is not binding • even if it isn't binding, guidance tends to become best practice and essentially binding eg ASIC guidance. • Questioned whether the guidance power would apply to the PRDE only or CR Code or ACRDS (ARCA confirmed the guidance power would apply to the PRDE only). As a result of this feedback, our subsequent draft for consultation (and proposed final amendments) removed the ability for the RDEA to provide binding guidance. Stakeholders were more receptive to these draft amendments, with the following feedback received: • Non-signatory ARCA Members agreed this version was more acceptable • Signatories sough clarity on the sentence "Signatories who seek a position that will considered by the Industry Determination Group and Eminent Person should seek formal guidance under subparagraphs 108B(a) and (b)" – ARCA explained that in practice, signatories and prospective signatories need to be able to ask ARCA/the RDEA about the PRDE without it being formal guidance; this drafting puts formality around the process to seek formal guidance • Concern that paragraph 108D (stating the IDG and Eminent Person will consider any formal guidance) essentially makes the guidance binding. ARCA suggested the Terms of Reference for those bodies could be reviewed to articulate the expectation, that the guidance would be relevant and may create a presumption but would not be binding; signatories echoed the need for that clarity. • Questioned what would happen if a party did not object to the guidance before it was finalised. The IDG and Eminent Person will consider the guidance and statement of consultation, but what if the objection isn't

		received in time to be included in those documents? Noted challenges in having a subject matter expert attend relevant meetings and stay on top of relevant processes that may not be a priority at the time • ARCA noted the dispute process under the PRDE still allows signatories to challenge behaviour. The IDG and Eminent Person are forums of escalation • Concern that the PRDE is principles based, and guidance may stray from that approach towards details • ARCA reiterated that the purpose of the guidance function is to avoid challenges non-signatories face, and for existing signatories who have a problem approaching RDEA and asking what PRDE means. Additionally, application of the guidance still rests with signatories in that IDG or EP consider RDEA guidance but not bound to apply it. • One signatory suggested a sentence be added to paragraph 108D to state that formal guidance only applies to signatories that request the guidance, and does not cause another signatory to be in breach of the PRDE • Signatories discussed challenges in compliance which may be increased with the addition of guidance • Signatories raised a concern that their projects were complete and a change to interpretation that applies to all signatories under guidance could impact existing projects • ARCA noted that the PRDE is intended to be mentioned in any legislation mandating credit reporting; the ability to provide guidance on the PRDE would give better assurance of what compliance is. In June 2020 a CRB submitted that it supports in-principle the ability of the RDEA to issue non-binding, formal guidance, however it objects to paragraph 108D, “which now states that the guidance does not change the obligations of signatories under the PRDE, but that the guidance will be taken into account by the IDG and Eminent Person.” Equifax submits there should be no reference to the IDG and Eminent Person, “as this creates uncertainty and potentially detracts from the principle that signatories should only be bound by the obligations that they signed up to in the PRDE itself. If the reference to

		the IDG and Eminent Person taking into account the guidance is removed, this would align the status of any such guidance with the approach taken to statutory interpretation in circumstances where formal guidelines are issued by a regulator (such as the Privacy Commissioner), which guidelines would not be taken into account by a court in interpreting provisions of the relevant legislation (such as the Privacy Act).” ARCA acknowledged the CRB’s submission and did not propose any changes on the basis that the current draft seeks to balance stakeholders’ feedback against the purpose and intent of the proposed amendments. The purpose of the guidance function is to avoid challenges non-signatories face, and for existing signatories who approach the RDEA and seek certainty as to its operation. ARCA’s latest drafting makes clear that application of the guidance still rests with signatories in that IDG or EP is not bound to apply the guidance. Notably, the drafting seeks to address feedback through: • robust process for consulting and publishing any guidance developed under these proposed new powers, and including the ‘statement of consultation’ alongside any guidance that is to be considered by the IDG and Eminent Person • reiterating the role of the IDG and Eminent Person as forums of escalation: a signatory that does not behave in accordance with relevant guidance is not in breach of their obligations under the PRDE and the compliance framework set out in Principle 5 still stands with guidance used as reference rather than precedent **Timeframes (new and existing timeframes)** On our original draft, stakeholders generally requested longer timeframes for obligations placed on signatories. Stakeholders also sought consistency in timeframes where the action required was similar in nature (for example, consistent timeframes under which a signatory must respond to a notice). Stakeholders also questioned the use of calendar days and supported a revision to timeframes to business days as appropriate.

		Our second consultation draft addressed this concern by standardising timeframes (using business days for all periods under 30 days) and increasing some of the timeframes contained in the new paragraphs. Stakeholders did not object to the new timeframes. One non-signatory requested the timeframe under paragraph 72 (time for a signatory to object to another signatory's rectification plan). This timeframe was "translated" from 7 calendar days to 5 business days. Changes to the effective timeframe were not under review.
5.2	This item concerns removing the requirement for CP consent in order for the RDEA to advise CRBs of the CP's signatory status. Upon considering the relevant provisions of the PRDE and the intent of the recommendation, it was also suggested that amendment be made to paragraph 104 of the PRDE to enable notification of CP Effective Dates to other CPs. The following amendments were put forward for consultation. **Amend existing paragraphs 104 and 105:** 104. The **PRDE Administrator Entity** will report to **CPs**: a) **Tier Levels** of **signatories** in accordance with paragraph 9; b) **Designated Entities** of **CPs** in accordance with paragraph 24; c) **Securitisation Entities** in accordance with paragraph 40;	**Amendment included in version 19** No concerns or queries were raised by stakeholders in relation to this item and its proposed amendment.

	d) Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with subparagraph 55(a); e) Attainment of full compliance by a **CP** in accordance with paragraph 57; and f) The **Effective Date** of the **CP** in accordance with paragraph 54. 105. The **PRDE Administrator Entity** may report to a **CRB**, the following information about ~~that~~ a **CP**: a) **Tier Level** of the **CP** in accordance with paragraph 9; b) The **Designated Entities** of the **CP** in accordance with paragraph 24; c) The **Securitisation Entities** of the **CP** in accordance with paragraph 40; d) Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with subparagraph 55(a); and e) Attainment of full compliance by a **CP** in accordance with paragraph 57~~.~~; and f) The **Effective Date** of the **CP** in accordance with paragraph 54.	

PRINCIPLE 6
No amendments

PRINCIPLES OF RECIPROCITY AND DATA EXCHANGE (PRDE)

Version 18 (As at 31 March 2017)

Approved amendments passed by PRDE Version 19	Approved amendments proposed under proposed PRDE Version 20

INTRODUCTION

The PRDE is a set of agreed principles that credit reporting bodies (**CRBs**) and credit providers (**CPs**) agree to abide by to ensure those **CRBs** and **CPs** have trust and confidence in their credit reporting exchange. The PRDE is not intended to be relied upon by non-signatories, or other stakeholders, in any way or in any forum.

The intention of the PRDE is to create a clear standard for the management, treatment and acceptance of credit related information amongst **signatories**. The PRDE only applies to consumer **credit information** and **credit reporting information**.

Adherence to the **ACRDS** is a fundamental part of the PRDE for **signatories**, as is adherence to the principles of reciprocity as set out in this PRDE.

For the avoidance of doubt, a requirement on a **CP** to **contribute credit information** only applies to the available information held by that **CP**. If the **CP** does not hold the **credit information**, this does not prevent it from participating in this PRDE.

The PRDE also facilitates the creation of three **Tier Levels** in the PRDE credit reporting exchange, and allows **CPs** to voluntarily select their own **Tier Level** of participation.

The PRDE applies to **CRBs** and **CPs** that choose to become **signatories** to this PRDE.

It comes into effect on the **Commencement Date**.

A **CRB** or **CP** is bound to comply with the PRDE upon becoming a **Signatory**.

Nothing in the PRDE obliges a **CRB** or **CP** to do or refrain from doing anything, where that would breach Australian law.

PRINCIPLE 1

Principle 1: The obligations under this PRDE shall be binding and enforceable upon PRDE signatories. PRDE signatories agree to execute the Deed Poll to make this PRDE and the authority of the PRDE Administrator Entity (and through it, the Industry Determination Group and Eminent Person) effective and binding.

Effect of the PRDE

1. The PRDE are a set of agreed principles that are governed by the **PRDE Administrator Entity**. The principles within the PRDE are given effect by each **signatory** executing the **Deed Poll** on the **Signing Date** and covenanting to comply with the requirements of the PRDE and therefore to be bound by the obligations contained within this PRDE. Upon a **CP** or **CRB** executing the **Deed Poll** and nominating an **Effective Date**, the CP or CRB are deemed to be **Signatories** from that **Signing Date** and are bound from the **Effective Date** to comply with any request made by the **PRDE Administrator Entity** pursuant to this PRDE, any recommendation issued by the **Industry Determination Group** (which is accepted by the parties) pursuant to this PRDE and any decision issued by the **Eminent Person** pursuant to this PRDE.

Promises by **CRBs**

2. Our **services agreement** with a **CP** will oblige both us and the **CP** to execute and give effect to the **Deed Poll**.
3. We will allow a **CP** to choose its supply **Tier Level** consistent with the requirements of this PRDE.
4. We will only **supply credit reporting information** to a **CP** to the extent permitted under this PRDE and if we have a reasonable basis for believing that the **CP** is complying with its obligations under this PRDE to **contribute credit information** (subject to the exceptions contained in paragraphs 29 to 33A or transitional provisions contained in paragraphs 53 to 64 that apply to that **CP**).
5. On request, we will inform a **CP**, with which we have a **services agreement**, and the **PRDE Administrator Entity**, of the **Tier Level** of a **CP** that **contributes credit information** to us.
6. Our **services agreement** with a **CP** will not prevent the **CP** from **contributing credit information** to another **CRB**.
7. We will pay such costs identified by the **PRDE Administrator Entity** as required to administer this **PRDE**, in the manner required by the **PRDE Administrator Entity**.

Promises by **CPs**

8. We will only obtain the **supply** of **credit reporting information** from a **CRB** that is a **signatory** to this PRDE. Our **services agreement** will oblige both us and the **CRB** to execute and give effect to the **Deed Poll**.
9. We will nominate a single **Tier Level** at which we will obtain **supply** of **credit information** (whether from one or more **CRBs**). We will disclose our chosen **Tier**

Level to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**.

10. We will **contribute credit information** to the extent required by this PRDE to a **CRB** from which we obtain the **supply** of **credit reporting information**. Our **contribution** of **credit information** will comply with **ACRDS** including its timeframe requirements and will be at the chosen **Tier Level** for **supply**.

11. If we are supplied by a **CRB** with **partial information** or **comprehensive information**, we will not **on-supply** to another CP (whether a **signatory** or non-signatory) any **partial information** or **comprehensive information** that the other CP (whether a **signatory** or non-signatory) is not able to obtain directly from the **CRB**, because the other CP either:

    a) is not a **signatory**; or

    b) does not **contribute** any **credit information** to the **CRB**; or

    c) has chosen to be **supplied** with **credit reporting information** at a lower **Tier Level** than that we have chosen.

12. The provisions in paragraph 11 above do not, however, apply:

    a) where the **on-supply** is for the purposes of another CP (whether a **signatory** or non-signatory) assessing whether to acquire our consumer credit accounts; or

    b) where the **on-supply** is to a **Securitisation Entity** in accordance with paragraphs 41, 42 and 44 below; or

    c) where the **on-supply** is to a third party in accordance with paragraphs 46 and 46A below.

13. We will pay such costs identified by the **PRDE Administrator Entity** as required to administer this **PRDE**, in the manner required by the **PRDE Administrator Entity**.

Tier Levels

14. A **CP** and its **Designated Entity** (if applicable) is able to choose its **Tier Level** for obtaining **supply** of **credit reporting information** from **CRBs** (although the **CP's** and its **Designated Entity's** choice may be restricted by the **Privacy Act** requirement that **repayment history information** may only be supplied to a **CP** that is an Australian credit licensee).

15. The **CP's** and its **Designated Entity's** (if applicable) choice of **Tier Level** means that it must **contribute credit information** at that chosen **Tier Level** to all **CRBs** that it has a **services agreement** with (see paragraph 30 for the **contribution requirements** for each **Tier Level**) to the extent the **CRB** is able to receive **supply** of **credit information**. This does not, however, mean that the **CP** and **its Designated Entity**, when making an **access request** to one **CRB**, must also make the same **access request** to all other **CRBs** with which it has a **services agreement**.

16. The **CP** and its **Designated Entity** (if applicable) must **contribute credit information** to all those **CRBs** with which it has a **services agreement** consistently across all of their consumer credit accounts for all its credit portfolios subject only to:

    a) the materiality and other exceptions set out in paragraphs 29 to 33A; and

    b) the transitional provisions in Principle 4; and

c) any recommendation by the **Industry Determination Group** or decision by the **Eminent Person**.

Contribution of **Negative information**

17. A **CRB** may **supply negative information** to any person or organisation as **permitted** by the **Privacy Act**. It is not necessary for that person or organisation to be a **signatory** to this PRDE to **receive** supply of **negative information**.

18. All **negative information** contributed by a **CP** can be supplied to a person or organisation as permitted by the **Privacy Act**.

19. Where a **CP** has chosen to **contribute negative information** under this **PRDE** (for any of the three **Tier Levels**), the **CP** must **contribute** the following types of **credit information**:

    a) identification information (paragraph (a) of the definition of **credit information** in the **Privacy Act**);

    b) default information (paragraph (f) of the definition of **credit information** in the **Privacy Act**);

    c) payment information (paragraph (g) of the definition of **credit information** in the **Privacy Act**); and

    d) new arrangement information (paragraph (h) of the definition of **credit information** in the **Privacy Act**).

20. When **contributing** default information in accordance with subparagraph 19(b) above, where an individual has defaulted on their obligations, a **CP** must ensure default information is contributed within a reasonable timeframe of the account becoming overdue.

21. Where a **CP** chooses to **contribute** to a **CRB credit information** including its name and the day on which consumer credit is entered into, in relation to consumer credit provided to an individual, this **contribution** of **credit information**, for the purposes of this PRDE, will be deemed a **contribution** of **negative information** provided:

    a) the **CRB**'s subsequent **supply** of **credit reporting information** at the **CP's** nominated **Tier Level** is a permitted CRB disclosure (in accordance with item 5 of subsection 20F(1) of the **Privacy Act**); and

    b) the **CP's** use of the **credit eligibility information** is a permitted CP use (in accordance with item 5 of section 21H of the **Privacy Act**).

21A. The type of credit account is an element of **consumer credit liability information**. However, for the purposes of this PRDE, all contributions of type of credit account in conjunction with the contribution of **negative information** is deemed a contribution of **negative information.**

Designated entities

22. A **CP** may nominate one or more **Designated Entities** where permitted to by paragraphs 23 to 28.

23. Each **Designated Entity** must choose a **supply Tier Level** and **contribute credit information** consistent with that choice. A **CP's Designated Entities** are not all required to choose the same **Tier Level**.

24. If a **CP** nominates **Designated Entities**, the **CP** must notify the **PRDE Administrator Entity** of its **Designated Entities** so that the **PRDE Administrator Entity** can make

this information available to **signatories**. The **CP** must also provide a copy of the notification to each **CRB** with which it has a **services agreement**.

Designated entity requirements

25. A **CP** may ~~elect to specify~~ nominate as a **Designated Entity**:

    a) another **CP** that is a related body corporate of the designating **CP**; or

    b) a division or group of divisions of the **CP** that operate one or more distinct lines of business;

    provided that (and for so long as) the specified entity meets the requirements of paragraph 26.

26. A **Designated Entity** must ~~then~~ satisfy the following criteria:

    a) it operates under its own brand or brands; and

    b) it has ~~must have~~ in place documented controls to prevent **on-supply** of **partial information** or **comprehensive information** to other CPs (whether **signatory CPs** or non-signatory CPs) or **Designated Entities**, where **on-supply** is not permitted by this PRDE.

27. If a **CP** choses to nominate a **Designated Entity**, whether as a result of acquisition, or the result of internal creation of the **Designated Entity**, the **CP** must notify the **PRDE Administrator Entity** of its proposed **Designated Entity** and identify how it satisfies the **Designated Entity** criteria.

28. If a **Designated Entity** ceases to meet ~~this~~ the criteria in paragraph 26, the **CP** must:

    a) Notify the **PRDE Administrator Entity** and advise any change in the **supply Tier Level** for the **CP**;

    b) Where this means that the former **Designated Entity** will now be **supplying** at a different **Tier Level**, advise each **CRB** with which it has a **Services Agreement** of its new **supply Tier Level**.

Materiality exception

29. A **CP** is required to endeavour to **contribute** all eligible **credit information** for its chosen **Tier Level**. A **CP** will comply with its obligations if it meets the **Participation Level Threshold**, subject to the run-off exception in paragraphs 31 to to 32A~~and 32~~, ~~and~~ the account exceptions in paragraph 33 and the Repayment History Information reporting exceptions in paragraph 33A.

30. The **Participation Level Threshold** is met if:

    a) the consumer credit accounts for which **credit information** is not **contributed** (“excluded accounts”) do not represent a subset of consumer credit accounts that are unique in terms of their credit performance or behaviour (for example, excluded accounts cannot be all of the delinquent accounts); and

    b) the **CP** has acted in good faith to provide all available **credit information**.

Run-off exception

31. A **CP** is not required to **contribute credit information** about consumer credit accounts where:

    a) the accounts relate to a product that is in run-off and accordingly no new accounts of this type are being opened (“run-off account type”); and

b) the number of accounts of the run-off account type is not more than 10,000; and

c) the total number of accounts excepted under this paragraph does not constitute more than 3% of the total number of consumer credit accounts of the CP.

32. In calculating the number of accounts of the run-off account type ~~total consumer credit accounts of the **CP**~~) in subparagraph 31(b), a **CP** and its **Designated Entity** or **Entities** (as applicable) will be treated as separate **CP** entities.

32A. In calculating the total number of consumer credit accounts in subparagraph 31(c), a **CP** and its **Designated Entities** (if any) will be treated as one **CP**. ~~and may apply the calculation of number of accounts based upon the total consumer credit accounts separately held by each of the **CP** and its **Designated Entity** or **Entities** (as applicable).~~

Account exceptions

33. A **CP** is not required to **contribute credit information** about those accounts listed in Schedule 1 to this PRDE.

Repayment History Information reporting exceptions

33A. A CP is not required to contribute repayment history information in the circumstances listed in Schedule 2 to this PRDE.

PRINCIPLE 2

Principle 2: It is necessary to be a PRDE signatory in order to exchange PRDE signatory Consumer Credit Liability Information (CCLI) and Repayment History Information (RHI) with other PRDE signatories.

Exchange of **Partial Information** and **Comprehensive Information**

34. For a **CP** to **contribute partial information** or **comprehensive information** and, if it then elects, to obtain **supply** of **partial information** or **comprehensive information** which has been **contributed** by a **signatory** it must also be a **signatory** to this PRDE and its nominated **Tier Level** must be either **partial information** or **comprehensive information** (as applicable).

35. For a **CRB** to receive **contribution** of **partial information** or **comprehensive information** from a **signatory** it must also be a **signatory** to this PRDE. For a **CRB** to then **supply** that **contributed partial information** or **comprehensive information** to a **CP** it must ensure that **CP** is a **signatory** to this PRDE and each recipient of such information must have nominated a **Tier Level** of either **partial information** or **comprehensive information** (as applicable).

36. A **CRB** may receive **contribution** of **partial information** or **comprehensive information** from a non-signatory CP, and a **CRB** may also **supply partial information** or **comprehensive information** to a non-signatory CP. However, a **CRB** must not **supply signatory CP partial information** or **comprehensive information** to a non-signatory CP.

37. **Contribution** and **supply** of **partial information** and **comprehensive information** by **signatories** must comply with the **ACRDS**.

Promises by **CRBs**

38. We will only **supply partial information** and **comprehensive information contributed** by a **signatory** to a **CP** if it is a **signatory** to this PRDE or a **CP** which is engaged by a **CP** as an agent or as a **Securitisation Entity** (either in its own capacity or for or on behalf of the CP), or the recipient is otherwise a **Mortgage Insurer** or a **Trade Insurer** and receives the information for a **Mortgage Insurance Purpose** or **Trade Insurance Purpose**.

Promises by **CPs**

39. We will only **contribute** and obtain **supply** of **partial information** and **comprehensive information** from a **CRB** which is a **signatory** to this PRDE.

40. We will notify the **PRDE Administrator Entity** of the **Securitisation Entities** we engage and enable to obtain **supply** of **partial information** or **comprehensive information** from a **CRB** for a **securitisation related purpose**. We will disclose these **Securitisation Entities** to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**.

Securitisation Entities

41. Where a **Securitisation Entity** nominated under paragraph 40 obtains the **supply** of **credit reporting information** from a **CRB** for the **securitisation related purposes** of the **CP**, the **Securitisation Entity** will only be able to obtain **credit reporting information** that would have been accessible to the **CP**.

~~**The** Securitisation Entity **will be required to** contribute credit information **held by the** Securitisation Entity**, but if such** contribution **is at a lower** Tier Level **this will not prevent the** supply **of** credit reporting information **at a higher** Tier Level, **subject to the requirements of paragraphs 40 and 41.**~~

42. The **CP** referred to in paragraph 41 must:

a) include in its agreement with the **Securitisation Entity** a requirement that the **Securitisation Entity contribute credit information** held by the **Securitisation Entity**; and

b) take reasonable steps to enforce the requirement referred to in subparagraph (a).

However if such **contribution** is at a lower **Tier Level** this will not prevent the **supply** of **credit reporting information** at a higher **Tier Level**, subject to the requirements of paragraphs 40 and 41.

On supply of information

43. Disclosure to other CPs (whether a **signatory** or non-signatory) and to **Designated Entities**

A **CP** is not permitted to **on-supply partial information** or **comprehensive information** to another CP (whether a **signatory** or a non-signatory) or **Designated Entity** if the terms of this PRDE prevent that other CP (whether a **signatory** or a non-signatory) or **Designated Entity** from obtaining the **supply** of that **partial information** or **comprehensive information** directly from that **CRB**.

For example, where a **CP** has chosen to obtain the **supply** from **CRBs** of **comprehensive information,** the **CP** is prohibited from **on-supplying** any **repayment history information** or information derived from that information to a **CP** or to a **Designated Entity** that has chosen to obtain the **supply** from **CRBs** of **partial information** only.

44. Despite paragraph 43, a **CP** is permitted to **on-supply partial information** or **comprehensive information** to a **Securitisation Entity** provided that the purpose of the **on-supply** of that **partial information** or **comprehensive information** is for **securitisation related purposes** of a **CP**.

45. Despite the prohibition preventing **on-supply** above, a **CP** may make **credit eligibility information** available to another **CP** (whether a **signatory** or non-signatory) for review purposes only to enable them to assess whether or not to acquire consumer credit accounts.

For example, if a **CP** (the acquirer **CP**) who has chosen to contribute **negative information** only, acquires consumer credit accounts from a **CP** (the acquired **CP**) who has chosen (in respect of the acquired consumer credit accounts) to contribute **comprehensive information**, the acquirer **CP** will be able to review the **comprehensive information** of the acquired **CP** (in respect of the acquired consumer credit accounts) to assess whether or not to acquire the consumer credit accounts. The acquirer **CP's** review of the **credit eligibility information** may be restricted by the **Privacy Act** requirement that **repayment history information** may only be supplied to a **CP** that is an Australian credit licensee.

46. Disclosure to third parties (including **Mortgage Insurers**)

Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on-supply partial information** or **comprehensive information** to third parties who are not **CPs** or who are a CP within the meaning of s6H of the **Privacy Act**, where the disclosure of this information is a permitted disclosure in accordance with section 21G(3) of the **Privacy Act** and, the **on-supply** of **repayment history information**, occurs only in the circumstances set out in section 21G(5) of the **Privacy Act**.

46A. Disclosure where mortgage credit is secured by the same real property

Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on supply partial information** or **comprehensive information** to another CP (whether a PRDE **signatory** or not) (the **same mortgage credit CP**) where both the **CP** and the same mortgage credit **CP** have provided mortgage credit to the same individual and the disclosure of this information is a permitted disclosure which meets the requirements of section 21J(5) of the **Privacy Act**.

PRINCIPLE 3

Principle 3: Services agreements between PRDE signatories will require reciprocity and the use of the ACRDS

Services agreements

47. **Services agreements**:

    a) will require **CPs** to **contribute credit information** at their nominated **Tier Level** and **CRBs** to **supply credit reporting information** at the nominated **Tier Level**;

    b) will require **CPs** to use the **ACRDS** when **contributing credit information** to **CRBs**; ~~and~~

    c) will require **CPs** and **CRBs** to adhere to the **Publication Timeframe** for use of the **ACRDS**; and

    d) may, in respect of those **services agreements** with non-signatory CPs, provide that the non-signatory CPs can continue to **contribute** outside the **ACRDS**, provided that this provision of information meets the requirements under the **Privacy Act** and also encourage the use of the **ACRDS**.

Promises by **CRBs**

48. We will not accept **contributed credit information** from a **CP** unless the information is compliant with **ACRDS** or the **CP** has engaged us to convert the **contributed credit information** into an **ACRDS** compliant format. When we accept information compliant with the **ACRDS**, we will apply the validation requirements for the **ACRDS** version nominated by the **CP**, provided that the version accords with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

48A. We will implement new versions of the **ACRDS** in accordance with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

49. We may provide a service for **CPs** that will convert **contributed credit information** into an **ACRDS** compliant format.

Promises by **CPs**

50. Our **contributed credit information** will comply with the **ACRDS** or alternatively we will utilise the **CRB's** service to convert our **contributed credit information** into an **ACRDS** compliant format.

50A. We will implement new versions of the **ACRDS** in accordance with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

Contribution barriers

51. **CRBs** must not impose constraints to restrict a **CP** from **contributing credit information** to another **CRB**.

Management of the **ACRDS** and **Publication Timeframe**

52. The **PRDE Administrator Entity** is required to maintain and manage the **ACRDS** and the **Publication Timeframe**.

PRINCIPLE 4

Principle 4: PRDE signatories agree to adopt transition rules which will support early adoption of partial and comprehensive information exchange.

Transitional arrangements

53. Subject to the materiality and other exceptions set out in paragraphs 29 to 33A and the transitional provisions set out in paragraphs 54 to 64, a **CP** will **contribute credit information** about their consumer credit accounts at their chosen **Tier Level** before obtaining their first **supply** of **credit reporting information** from a **CRB**.

54. For **CPs** that become a **signatory** to the PRDE:

    a) at the time of the **Effective Date**, they must **contribute** the **credit information** for at least 50% of the accounts for the nominated **Tier Level** that they are required by this PRDE to **contribute** prior to obtaining **supply** of **credit reporting information** at this nominated **Tier Level** from a **CRB**;

    b) within 12 months of the **Effective Date**, they are required to **contribute** all of the **credit information** for the accounts at the nominated **Tier Level** to fully comply with their obligations under this PRDE.

55. For **CPs** that are existing signatories to this PRDE and nominate to obtain **supply** of **credit reporting information** (and to **contribute credit information**) at a different **Tier Level**:

    a) they must notify their nomination of the different **Tier Level** to the **PRDE Administrator Entity** and to a **CRB** with which they have **services agreements** not less than ~~90~~30 calendar days before commencing **contribution** of **credit information** at the different **Tier Level**. The notification of the change in **Tier Level** will be provided to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**;

    b) at the time of notifying their nomination, and if nominating to a higher **Tier Level**:

        i) they must **contribute** the **credit information** for at least 50% of the accounts for the **Tier Level** they are required by this PRDE to **contribute** prior to obtaining **supply** of **credit reporting information** at the higher **Tier Level** from a **CRB**;

        ii) within 12 months of nomination of the **Tier Level**, they must **contribute** all of the **credit information** for the accounts they are required to **contribute** to fully comply with their obligations under this PRDE.

56. **CPs** can nominate to **contribute** at a different **Tier Level** in accordance with paragraph 55, although the full **contribution** of **credit information** in accordance with paragraph 54 has not occurred.

    For example, on signing the PRDE at the start of January 2015, a **CP** may nominate to obtain **supply** at **negative information Tier Level** with full **contribution** required by the end of December 2015 (to be compliant for January 2016). The **CP** subsequently

nominates to obtain **supply** at **comprehensive information Tier Level** at the start of June 2015. **Contribution** at each **Tier Level** will run from the date of each nomination so that the **CP** will provide full **contribution** of **negative information Tier Level** in December 2015, six months before it is required to provide full **contribution** of **comprehensive information Tier Level** by the end of May 2016 (to be compliant for June 2016).

57. **CPs** must notify the **PRDE Administrator Entity** upon attainment of full compliance, in accordance with subparagraphs 54(b) and 55(b)(ii) above. Such notification may be provided at any time before the expiry of the 12 month period and will be published to other signatories.

Data supply

58. Subject to the above transitional requirements, **CPs** must comply with the following requirements when **contributing credit information**:

    a) For **negative information**, **contribution** of **negative information** for all consumer credit accounts which are eligible in accordance with the **Privacy Act** and **ACRDS** at the date of first **contribution** by the **CP** and, thereafter, all consumer credit accounts on an ongoing basis.

    b) For **partial information**, in addition to complying with the requirements for **negative information**, **contribution** of **consumer credit liability information** for all consumer credit accounts which are open at the date of first **contribution** by the **CP** and, thereafter, all consumer credit accounts on an ongoing basis.

    c) For **comprehensive information**, in addition to complying with the requirements for **negative** and **partial information**, **contribution** of **repayment history information** for all consumer credit accounts which are open at the date of first **contribution** by the **CP** for a period of three calendar months prior to the first **contribution** by the **CP** or alternatively, supply over three consecutive months to then amount to first **contribution** by the **CP**, and, thereafter, all consumer credit accounts on an ongoing basis.

    For example, where a **CP** has chosen to **contribute comprehensive information**, the **CP** will be required to provide at least 50% of the **repayment history information** for the period dating three calendar months immediately prior to first **contribution** by the **CP** and, ongoing, at least 50% of all **repayment history information** for those first 12 months. This means that, 12 months from the date of the first **contribution** the **CP** will be required to have **contributed**:

        i) at least 50% **repayment history information** on the first **contribution** (for the previous 15 months) then;

        ii) all **repayment history information** on an ongoing basis.

Acquisition of consumer credit accounts

59. Where a **CP** acquires consumer credit accounts from another CP, the **CP** may, for a period of 90 calendar days (the review period), from the date of acquisition, review these accounts for compliance with the PRDE. The **CP** must notify the **PRDE Administrator Entity** of the acquisition of these consumer credit accounts, including the date of acquisition, within ~~7~~10 business days of this acquisition.

60. At the expiry of the review period, and subject to the run-off exception in paragraphs 31 and 32A above and the **Designated Entity** provisions in paragraph 22 to 28 above, the **CP**:

    a) must **contribute** the **credit information** for at least 50% of the acquired consumer credit accounts for the **Tier Level** they are required by this PRDE to **contribute**;

    b) within 12 months, they must **contribute** all of the **credit information** for the acquired consumer credit accounts.

61. The provisions relating to acquisition of consumer credit accounts only apply to acquired consumer credit accounts, and do not affect all other **CP contribution** obligations contained in this PRDE.

Testing and data verification

62. Despite the provisions above in Principle 4, the PRDE does not prohibit a **CP** or **CRB** (as applicable) from the **supply** and/or **contribution** of **credit information** and the obtaining **supply** and/or **contribution** of **credit reporting information** where such **contribution**, **supply** and obtaining of **supply** is for testing and data verification purposes.

Non-PRDE Services Agreements

63. Where a **CRB** and a **CP** (whether **signatories** or non-signatories)

    a) enter into a services agreement which enables the **contribution**, **supply** or obtaining of **supply** of **partial information** or **comprehensive information** outside of the PRDE; and

    b) the **CRB** or **CP** choose to subsequently become PRDE **signatories**;

    c) the **contribution**, **supply** or obtaining of **supply** of **partial information** or **comprehensive information** pursuant to that services agreement (non-PRDE services agreement) will be deemed compliant with this PRDE provided that the criteria set out in paragraph 64 below is satisfied.

64. The **contribution**, **supply** or obtaining of **supply** of **credit information** and/or **credit reporting information** by either the CP or CRB under the non-PRDE services agreement will be compliant with this PRDE where, within a period of no longer than 90 calendar days from the **Signing Date**:

    a) the **supply**, **contribution** and obtaining of **supply** of **partial information** or **comprehensive information** is in accordance with this PRDE;

    b) the **contribution** of **credit information** by the **CP** to the non-PRDE services agreement is in accordance with the **ACRDS**;

    c) the **credit information** previously contributed for the **CP's** consumer credit accounts is included in the calculation of initial **contribution**, in accordance with paragraph 54 above;

    d) the transition period which applies to the **contribution** of **credit information** by the **CP** is 12 months from the **Signing Date** or in the event that a **CP** has supplied its **partial information** or **comprehensive information** pursuant to a non-PRDE services agreement for a period of more than 12 months prior to the **Signing Date**, then 90 calendar days from the **Signing Date**;

e) the **contribution**, **supply** and obtaining **supply** of the **partial** and/or **comprehensive information** is subject to the monitoring, reporting and compliance requirements contained within Principle 5 below. However, it is noted that the obligations contained in Principle 5 will only become effective at the **Signing Date**.

PRINCIPLE 5

Principle 5: PRDE signatories will be subject to monitoring, reporting and compliance requirements, for the purpose of encouraging participation in the exchange of credit information and data integrity. The PRDE Administrator Entity will have the ability to provide guidance on the interpretation and application of the PRDE.

65. Upon becoming a **signatory** to the PRDE, a **signatory** does not make any representation (whether direct or implied) arising by reason of its signing the PRDE to any other **signatory** to this PRDE. Principle 5 sets out the agreed process for addressing non-compliance with the PRDE. A **CP** or a **CRB** who forms an opinion of **non-compliant conduct** by another **CP** or **CRB** is required to adhere to the process set out in this Principle to resolve a dispute about **non-compliant conduct** and may not take any other action or steps against the **CP** or **CRB**. Any information exchanged by the parties as part of this process cannot be relied upon in any other forum.

Initial report of **non-compliant conduct** – Stage 1 Dispute

66. Where a **CP** or **CRB** (the **reporting party** ~~CP or CRB~~) forms an opinion that a~~ny~~ **CP** or **CRB** (the **respondent party** ~~CP or CRB~~) ~~to this PRDE~~ has engaged in **non-compliant conduct**, it will issue to the **respondent party** ~~that CP or CRB~~ a report of **non-compliant conduct**. Such a report must comply with the **SRR**.

66A. Where the **PRDE Administrator Entity** (the reporting party) forms an opinion pursuant to paragraph 98H or paragraph 107 that a CP or CRB (the respondent party) has engaged in non-compliant conduct, it may issue to the respondent party a report of non-compliant conduct. Such a report must comply with the **SRR**.

67. From the date of ~~the~~ receipt of the report by the **respondent party** ~~CP or CRB~~, the parties have 30 calendar days ~~(the Initial Period)~~ in which to:

a) Confer;

b) (For the respondent party) Respond to the report of **non-compliant conduct**, providing such supporting information as the **respondent party** ~~CP or CRB~~ deems necessary; and~~/or~~

Either:

c) Enter into a **Rectification Plan**. The **Rectification Plan** must comply with the **SRR**; or

d) Agree that the conduct of the **respondent party** ~~CP or CRB~~ is compliant with the PRDE ~~(in which case the dispute is closed and no information about the dispute will be provided to the **PRDE Administrator Entity**)~~.

68. If the **Rectification Plan** entered under subparagraph 67(c) results in the **non-compliant conduct** being rectified within the ~~**Initial Period**~~ 30 calendar day period of

a Stage 1 Dispute, or if the parties agree under subparagraph 67(d) that the conduct of the **respondent party** is compliant with the PRDE; the dispute is closed and no information about the dispute will be provided to the **PRDE Administrator Entity** (unless the **PRDE Administrator** is a party to the dispute).

69. If the **Rectification Plan** ~~is~~ entered into ~~within the Initial Period but~~ under subparagraph 67(c) will not result in the **non-compliant conduct** being rectified within the 30 calendar day period of the Stage 1 Dispute ~~will not be resolved within that timeframe (Stage 2 Dispute), both~~ the parties to the **Rectification Plan** ~~are obliged to~~ must provide the **Rectification Plan** to the **PRDE Administrator Entity** within 3 business days of the expiry of the 30 calendar day period of the Stage 1 Dispute. The dispute will then become a Stage 2 Dispute.

70. If no **Rectification Plan** is entered into within the 30 calendar day period of the Stage 1 Dispute and there is no agreement that the conduct is compliant with the PRDE, the parties to the Stage 1 dispute must notify the **PRDE Administrator Entity** within 3 business days of the expiry of the ~~Initial Period~~30 calendar day Stage 1 Dispute period. The dispute will then become a Stage 3 Dispute.

Referral to **PRDE Administrator Entity** – Stage 2 Dispute

71. When a Stage 2 Dispute is referred to the **PRDE Administrator Entity** under paragraph 69, the **PRDE Administrator Entity** ~~is required to~~ must make the **Rectification Plan** available to **signatories** within 3 business days of receipt of the **Rectification Plan**. Where a dispute arises from a self-report of **non-compliant conduct** under paragraph 96, the **PRDE Administrator Entity** will take reasonable steps to de-identify the **Rectification Plan** before making it available under this paragraph.

72. Any **signatory** may object to the **Rectification Plan** by issuing a notice of objection to the ~~**two**~~ **reporting** and **respondent parties** or~~, where dispute that arises from a self-report of **non-compliant conduct,**~~ to the **PRDE Administrator Entity**, within 5 business ~~7 calendar~~ days of the **Rectification Plan** being made available to **signatories** under paragraph 71. Such notice of objection must comply with the SRR.

73. In the event that a **signatory** issues a notice of objection, for the purposes of this PRDE that **signatory** will become the **reporting party** ~~CP or CRB~~, and the ~~two initial~~ **reporting** and **respondent parties** from the Stage 1 Dispute will become ~~deemed to be~~ the **respondent parties**. The dispute resolution process set out in paragraphs 66 to 70 ~~above~~ will then apply to the dispute.

Referral to ~~**PRDE Administrator Entity**~~ **Industry Determination Group** – Stage 3 Dispute

74. When a Stage 3 Dispute is referred to the **PRDE Administrator Entity** under paragraph 70, the **PRDE Administrator Entity** must ~~is required to~~, within 3 business days of referral of the dispute:

    a) make a de-identified report of the dispute ~~issues~~ available to **signatories**;

    b) make an identified report of the dispute available to the **Industry Determination Group**.

    Both reports of the dispute must comply with the **SRR**.

~~Referral to the **Industry Determination Group**~~

75. The **Industry Determination Group** will convene within 3 business days of receipt of an identified report of dispute ~~from the **PRDE Administrator Entity**~~ under subparagraph 74(b).

76. The Industry Determination Group will:

    a) Review the dispute; and

    b) Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

77. The **Industry Determination Group** may, where it considers necessary, request representatives of the parties attend the **Industry Determination Group** meeting.

78. Where the **Industry Determination Group** determines that it has sufficient information and/or no further information is required, the **Industry Determination Group** will, within 10 business days:

    a) Direct ~~Determine whether it is necessary for~~ the parties to participate in a conciliation ~~to resolve the dispute and~~ in accordance with paragraph 80 and set a reasonable timeframe for this conciliation to occur; or

    b) Issue a recommendation ~~within 14 calendar days~~ under paragraph 89 as to the resolution of the dispute. The recommendation must comply with the **SRR**.

79. The **PRDE Administrator Entity** will issue to the parties the **Industry Determination Group's** directions or recommendation within 3 business days of ~~each~~ the **Industry Determination Group** making its direction or recommendation.

80. Where the **Industry Determination Group** has directed the parties to conciliation, the following process applies:

    a) The conciliation will be confidential;

    b) The conciliation will be conducted by a nominated representative of the **Industry Determination Group** and will occur in the presence of a representative of the **PRDE Administrator Entity**;

    c) At the conclusion of the conciliation, the **Industry Determination Group** representative ('the conciliator') will provide the **PRDE Administrator Entity** a certificate of outcome. This certificate will:

        i) Confirm settlement of the dispute and attach a statement of agreement between the parties that the conduct is compliant with the PRDE or an agreed **Rectification Plan**; and refer the dispute back to the **Industry Determination Group** for further review under paragraph 81; or

        ii) State that the dispute has not been settled and refer the dispute back to the **Industry Determination Group** to make a recommendation within 10 business days in accordance with subparagraph 78(b). ~~Refer the dispute back to the **Industry Determination Group** for further review, in accordance with paragraph 76 above.~~

81. Where a dispute has been referred to the **Industry Determination Group** in accordance subparagraph 80(c)(i) ~~with paragraphs 76 and 80 above~~, the **Industry Determination Group** will within a period of 3 business days review the **Rectification Plan** and:

    a) Confirm endorsement of the **Rectification Plan** and notify the **PRDE Administrator Entity** to ~~publish~~ make **the Rectification Plan** available to all **signatories**; or

b) Decline endorsement of the **Rectification Plan** and provide its reasons to the parties to the dispute. The parties will then have 3 business days in which to provide the **PRDE Administrator Entity** an amended **Rectification Plan** which the **PRDE Administrator Entity** will provide to the **Industry Determination Group**. Where the **Rectification Plan** is then not endorsed by the **Industry Determination Group**, the **Industry Determination Group** will be required to issue a recommendation in accordance with subparagraph 76(b) ~~above~~; or

c) Direct the parties to present further information (whether oral or documentary) in a reasonable period to assist with its review of the **Rectification Plan**. On receipt of this information, the **Industry Determination Group** will confirm or decline endorsement of the **Rectification Plan** in accordance with subparagraphs (a) and (b).

Referral to **Eminent Person** – Stage 4 Dispute

82. Where the **Industry Determination Group** has issued a recommendation in accordance with subparagraph 78(b) ~~above~~, the parties have ~~14 calendar~~ 10 business days from issue of the recommendation by the **PRDE Administrator Entity** to accept or reject this recommendation. If ~~the parties do~~ a party does not respond within this timeframe, they are deemed to have accepted the recommendation.

83. In the event ~~either or both of the parties~~ a party rejects the recommendation, the dispute will be referred to the **Eminent Person** for review and decision.

84. The **PRDE Administrator Entity** will brief the **Eminent** Person within ~~14 calendar days~~ 10 business days of ~~notice of the rejection~~ receipt of a party's rejection under paragraph 82. The brief to the **Eminent Person** will include:

a) The **Industry Determination Group** recommendation;

b) The report of **non-compliant conduct** or notice of objection (as applicable);

c) Any further information provided to the **Industry Determination Group** by the parties.

85. The **Eminent Person** will:

a) Review the dispute; and

b) Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

86. The **Eminent Person** may, where it considers ~~it~~ necessary, request ~~the~~ representatives of the parties meet with the **Eminent Person** to discuss the dispute. Such meeting may be on a confidential basis and will ~~be attended by a~~ occur in the presence of a representative of the **PRDE Administrator Entity**.

87. Where the **Eminent Person** determines that it has sufficient information and/or no further information is required, the **Eminent Person** will issue a decision within ~~14 calendar~~ 10 business days. The decision will comply with the **SRR**.

88. The decision of the **Eminent Person** is binding and final.

Compliance outcomes

89. The possible outcomes available to the **Industry Determination Group** (by way of recommendation) and to the **Eminent Person** (by way of decision) are:

a) The respondent **CP** or **CRB** is compliant with the PRDE and no outcome is required; and/or

aa) The respondent **CP** or **CRB** is technically non-compliant however **the non-compliant conduct** is not material to the proper operation of the PRDE and no further outcome is required; and/or

b) Issue a formal warning to the respondent **CP** or **CRB** ~~on~~ regarding their compliance with the PRDE; and/or

c) Issue a direction to the respondent **CP** or **CRB** with which they must comply, including, but not limited to, the completion of staff training, and/or provision of satisfactory evidence of compliance; and/or

d) Require the respondent **CP** or **CRB** to **contribute** and obtain **supply** of **credit information** and **credit reporting information** (as applicable) at a lower **Tier Level** for a nominated period.

90. Any **CP** (whether a party to a dispute or not) will be exempt from the requirements in paragraph 15 ~~above~~, for the **CRB** which has had a compliance outcome applied to it in paragraph 89 (b to d) ~~above~~.

91. ~~These outcomes~~ The compliance outcomes under paragraph 89 may be identified as an escalated process within the recommendation or decision.

92. ~~Such~~ The respondent **CP** or CRB's compliance with any compliance outcomes will be ~~overseen~~ monitored by the **PRDE Administrator Entity**.

Obligations

93. **CPs** and **CRBs** will:

a) Comply with the direction or request for information from ~~s of~~ the **Industry Determination Group** and the **Eminent Person** within the time specified in the direction or request;

aa) Comply with all requirements in a **Rectification Plan**;

b) Be bound by a compliance outcome, where contained in ~~a Rectification Plan (under paragraphs 68, 69 and 81(a)), or an accepted~~ recommendation from the **Industry Determination Group** that has been accepted ~~(~~under paragraph 82~~)~~, or a decision made by the **Eminent Person** ~~(~~under paragraph 87;

c) Comply with a request from the **PRDE Administrator Entity** in respect to matters arising from paragraph 89, including where the **CP** and/or **CRB** is not a party to the compliance outcome but may be required to take steps to give effect to the compliance outcome;

d) Act in good faith at all times;

e) When provided with confidential information during the compliance process, keep this information confidential. Confidential information means information provided by either party to a dispute and which, in the circumstances surrounding disclosure, a reasonable person would regard as confidential; and

f) Attest to their compliance with the PRDE. Such attestation will be provided by a representative of a **signatory** who has the authority to bind the **CP** or **CRB** and who has the primary responsibility for the records of the **signatory** relating to its compliance with the PRDE. The attestation will be wholly true and accurate, will comply with the **SRR** and be provided on an annual basis to the **PRDE Administrator Entity** within ~~7~~10 business days of the **Effective Date**

anniversary. Without limiting what may be required as part of the attestation, the **PRDE Administrator Entity** may require the **CP** or **CRB** to include any information with the attestation that it considers is reasonable to support and evidence the attestation.

g) On request from the **PRDE Administration Entity**, arrange for its attestation under subparagraph 93(f) and/or its response to a request for information made by the PRDE Administrator Entity under paragraph 98A to be audited or reviewed by a suitably qualified person as determined by the **PRDE Administrator Entity** in consultation with the **CP** or **CRB**. The reasonable fees and expenses of an auditor or other suitably qualified person for preparing a report under this subparagraph are payable by the **CP** or **CRB**.

94. The **Industry Determination Group** and **Eminent Person** are obliged to act in accordance with their respective Terms of Reference.

95. The **PRDE Administrator Entity** is obliged to:

a) Issue such reports as are identified in paragraphs 103 to 105;

b) Provide assistance, as requested, to the **Industry Determination Group** and **Eminent Person**; and

c) Act in accordance with its constitution.

Self-reporting for **non-compliant conduct** – Pre-Dispute period

96. Where a **CP** or **CRB** forms an opinion that it has engaged in, or ~~may~~ is likely to engage in, **non-compliant conduct**, it may issue a report to the **PRDE Administrator Entity**. Such a self-report ~~is required to~~ must comply with the **SRR**.

97. Where a **CP** or **CRB** files a self-report, it will have 30 calendar days in which to file a **Rectification Plan** with the **PRDE Administrator Entity**. This **Rectification Plan** ~~will~~ must comply with the SRR.

98. Upon the expiry of the 30 calendar day Pre-Dispute period, or earlier upon mutual agreement between the self-reporting signatory and the **PRDE Administrator Entity**, the dispute resolution process set out in paragraphs 66 to 70 ~~above~~ will apply to the issue, with the **PRDE Administrator Entity** acting as **reporting party** and the self-reporting party becoming the **respondent party**.

PRDE Administrator Entity power to identify **non-compliant conduct**

98A. Where the **PRDE Administrator Entity** forms an opinion on reasonable grounds that any **CP** or **CRB** ('the answering **CP** or **CRB'**) to this PRDE may have engaged, or be engaging, in **non-compliant conduct** ('potential non-compliance'), it may request that a **CP** or **CRB**, or any other **CP** or **CRB** that may have information that is relevant to the potential non-compliance, to provide information to the **PRDE Administrator Entity**. The information requested by the **PRDE Administrator Entity** may include any information that the **PRDE Administrator Entity** reasonably considers is relevant to determining whether the answering **CP** or **CRB** is engaging in **non-compliant conduct** and may require the **CP** or **CRB** to provide a written statement relating to the **CP's** or **CRB's** compliance with the PRDE. Such a request must comply with the **SRR**.

98B. In making a request under paragraph 98A, the **PRDE Administrator Entity** will:

a) describe the conduct that may involve potential non-compliance; and

b) provide a reasonable timeframe for production of the information requested.

98C. A **CP** or **CRB** may within 10 business days of receiving a request under paragraph 98A provide a written objection to providing the information on the basis that:

a) there is no reasonable basis upon which the **PRDE Administrator Entity** has formed an opinion on potential non-compliance; or

b) the request is onerous and excessive

c) the timeframe for production of the information is unreasonable.

The objection must comply with the **SRR**.

98D. If a **CP** or **CRB** objects to a request under paragraph 98C, the **PRDE Administrator Entity** must either withdraw the request or refer the request and the objection to the **Industry Determination Group.**

98E. From the date of referral of the objection the Industry Determination Group has 5 business days in which to:

a) review the request and the objection;

b) require the **PRDE Administrator Entity** or **CP or CRB** to provide additional information in relation to the request or objection.

98F. From the date of referral under paragraph 98D, or from the date of receipt of additional information under subparagraph 98E(b), the **Industry Determination Group** must, within 10 business days, issue its decision to:

a) affirm the request;

b) amend the request and require the **CP** or **CRB** to provide the information within a reasonable timeframe; or

c) cancel the request.

The decision of the **Industry Determination Group** is final. Any requirement under paragraph 98A to supply the requested information is suspended until the **Industry Determination Group** makes a decision.

98G. Upon receipt of the information requested under paragraph 98A, the **PRDE Administrator Entity** may:

a) advise the answering **CP** or **CRB** in writing that it considers that the **CP** or **CRB** is engaging in **non-compliant conduct**;

b) suggest to the answering **CP** or **CRB** that it make a self-report of **non-compliant conduct** under paragraph 96.

98H. If the **PRDE Administrator Entity** has not received a self-report of **non-compliant conduct** from the answering **CP** or **CRB** after the expiry of 10 business days from the **written** notice referred to in paragraph 98G, the **PRDE Administrator Entity** may issue a notice of **non-compliant conduct** in accordance with paragraph 66A. For the purposes of this paragraph, the **PRDE Administrator Entity** will be deemed as the reporting party.

98I. A **CP** or **CRB** that is requested to provide information under paragraph 98A, and which isn't the answering **CP** or **CRB**, must treat the request as confidential.

Systemic Non-Compliance

98J. Where the **PRDE Administrator Entity** forms an opinion that 2 or more **signatories** are engaging, or are likely to engage, in **non-compliant conduct** that is due to the same or similar issues and it considers that it would be efficient for the **non-**

compliant conduct to be addressed in a consistent manner across **signatories**, the **PRDE Administrator Entity** may develop a **Rectification Plan** that addresses the **non-compliant conduct**. The **Rectification Plan**:

a) will be developed by the **PRDE Administrator Entity** in consultation with **signatories** and must provide a reasonable period of time to allow affected **signatories** to become compliant;

b) must identify the conduct that, if it were being engaged in by a **signatory**, would constitute **non-compliant conduct**;

c) may require affected **signatories** to provide periodic updates to the **PRDE Administrator Entity** as to compliance with the **Rectification Plan**;

d) will require an affected **signatory** to notify the **PRDE Administrator Entity** of its adoption of the **Rectification Plan**;

e) must comply with the **SRR**, including any requirements that apply specifically to **Rectification Plans** made under this paragraph; and

f) must be made available to **signatories** within 3 business days of being finalised by the **PRDE Administrator Entity**;

g) is subject to the objection process in paragraph 72. If an objection is made to a **Rectification Plan** developed by the **PRDE Administrator Entity**, the **PRDE Administrator Entity** will be the nominal respondent party for the purposes of the dispute process in paragraphs 66 to 70, save that it may withdraw the **Rectification Plan** at any stage so that the dispute will not proceed.

Extension of time

99. At any stage, other than the ~~Initial Period~~30 calendar day period for a Stage 1 Dispute, the parties may apply to the **PRDE Administrator Entity** to seek an extension of time ~~for a response~~. The request for an extension of time must comply with the **SRR**.

100. Where a dispute is being dealt with by the **Industry Determination Group** or **Eminent Person**, the request for an extension of time will be determined by the **Industry Determination Group** or **Eminent Person** (as applicable).

101. In all other circumstances, the request for an extension of time will be determined by the **PRDE Administrator Entity**.

PRDE Administrator Entity reporting

102. The **PRDE Administrator Entity** will keep a register of:

a) **Signatories**, their **Signing Date** and **Effective Date** for the **Deed Poll**, and key contacts at each **signatory**;

b) The nominated **Tier Levels** for each **CP**;

c) The **Designated Entities** of each **CP**;

d) The **Securitisation Entities** of each **CP**;

e) Attestation of compliance for each **CP** in accordance with paragraph 57.

103. The **PRDE Administrator Entity** will report to signatories:

a) De-identified reports of Stage 2 disputes;

b) Identified reports of the **Industry Determination Group's** recommendations (where such a recommendation is accepted by the parties) or identified reports of the **Eminent Person's** decision.

104. The **PRDE Administrator Entity** will report to **CPs**:

a) **Tier Levels** of **signatories** in accordance with paragraph 9;

b) **Designated Entities** of **CPs** in accordance with paragraph 24;

c) **Securitisation Entities** in accordance with paragraph 40;

d) Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with subparagraph 55(a);

e) Attainment of full compliance by a **CP** in accordance with paragraph 57; and

f) The **Effective Date** of the **CP** in accordance with paragraph 54.

105. The **PRDE Administrator Entity** ~~will~~ may report to a **CRB**, ~~upon request by a **CRB** and where consent is provided by a **CP,**~~ the following information about a **CP**:

a) **Tier Level** of the **CP** in accordance with paragraph 9;

b) The **Designated Entities** of the **CP** in accordance with paragraph 24;

c) The **Securitisation Entities** of the **CP** in accordance with paragraph 40;

d) Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with subparagraph 55(a);

e) Attainment of full compliance by a **CP** in accordance with paragraph 57; and

f) The **Effective Date** of the **CP** in accordance with paragraph 54.

106. **CPs** and **CRBs** will supply the **PRDE Administrator Entity** such information as required to enable it to fulfil its obligations as specified in 102 to 105.

PRDE Administrator Entity powers

107. The **PRDE Administrator Entity** may initiate a report of **non-compliant conduct**, in which case it will be the reporting party, and the dispute resolution provisions set out in paragraphs 66 to 70 will apply. Such a report can only be issued where the non-compliance relates to:

a) A **CRB** or **CP's** failure to pay the costs identified by the **PRDE Administrator Entity**, as required by paragraphs 7 and 13 ~~above~~;

b) A **CRB's** failure to inform the **PRDE Administrator Entity** of the **Tier Level** of a **CP** that contributes credit information, as required by paragraph 5 ~~above~~;

c) A **CP's** failure to disclose its chosen **Tier Level** to the **PRDE Administrator Entity**, as required by paragraph 9 ~~above~~;

d) A **CP's** failure to notify the **PRDE Administrator Entity** of its **Designated Entities** and/or a failure to notify the **PRDE Administrator Entity** if the **Designated Entity** ceases to meet this criteria, as required by paragraphs 24 and 28 ~~above~~;

e) A **CP's** failure to notify the **PRDE Administrator Entity** when it changes **Tier Level**, as required by paragraph 55 ~~above~~;

f) Where a **CP** has not notified the **PRDE Administrator Entity** of its compliance within the 12 month period, as required by paragraph 57 ~~above~~;

g) A **CP's** failure to notify the **PRDE Administrator Entity** of the acquisition of consumer credit accounts, as required by paragraph 59 ~~above~~;

h) A **CRB** or **CP's** failure to comply with the compliance framework notification requirements set out in paragraphs 69 and 70 ~~above~~;

i) A **CRB** or **CP's** failure to comply with a compliance outcome, as required by subparagraphs 93(b) ~~above~~;

j) A **CRB** or **CP's** failure to comply with a request from the **PRDE Administrator Entity**, as required by subparagraph 93(c) ~~above~~;

k) A **CRB** or **CP's** failure to provide its annual attestation as required by subparagraph 93(f), or the provision of an attestation which, on reasonable grounds, the **PRDE Administrator Entity** believes to be wholly or partly false or does not meet the requirements for the attestation (including a request under subparagraph 93(g));

l) A **CRB** or **CP's** failure to comply with a request under paragraph 98A;

m) An allegation of **non-compliant conduct** notified by the **PRDE Administrator Entity** to the **CP** or **CRB** under paragraph 98F.

107A. Nothing in this PRDE prevents the **PRDE Administrator Entity** from acting as the reporting party and the **PRDE Administrator Entity** in respect of the same dispute.

108. A reporting or respondent **CP** or **CRB** may request the **PRDE Administrator Entity** issue a direction to join disputes (whether at a Stage 2 Dispute or Stage 3 Dispute) where:

a) There are common parties and issues; and

b) The **PRDE Administrator Entity** determines the joining of disputes is necessary for the effective resolution of the disputes.

Guidance on the interpretation and application of the PRDE

108A. The **PRDE Administrator Entity** may issue formal guidance on the application of the PRDE. Such guidance must comply with the **SRR** and be supported by a statement of consultation, with such consultation appropriate to the nature and scope of the guidance.

108B. The **PRDE Administrator Entity** may develop and issue formal guidance:

a) at the request of a **signatory**; or

b) at the request of another entity, provided the **PRDE Administrator Entity** believes that the entity has sufficient interest in the outcome. For example, an entity that is actively preparing to become a signatory; or

c) if it considers that it is necessary or would improve the operation of the PRDE.

A request under subparagraphs (a) or (b) must comply with the **SRR**.

108C. In developing formal guidance under paragraph 108A, the **PRDE Administrator Entity** must:

a) consult as appropriate to the nature and scope of the guidance. This may include consultation with **signatories** and other entities that have a sufficient interest in the outcome (as set out in paragraph 108B);

b) make the formal guidance available to **signatories** and other entities with a sufficient interest in the outcome;

c) if it considers is appropriate, allow for a reasonable period of time before the guidance becomes applicable.

108D. A formal guidance does not change the obligations of a **signatory** under the PRDE. However, the **Industry Determination Group** when making a recommendation under subparagraph 78(b) and the **Eminent Person** when making a decision under paragraph 87, will take in to account any formal guidance issued under paragraph 108A and its associated statement of consultation when considering whether a **signatory** is engaging in **non-compliant conduct**.

108E. For the avoidance of doubt, the **PRDE Administrator Entity** may also provide informal guidance on the application of the PRDE, however such guidance will not be considered formal guidance under paragraph 108A. **Signatories** who seek a position that will considered by the **Industry Determination Group** and **Eminent Person** should seek formal guidance under subparagraphs 108B(a) and (b).

PRINCIPLE 6

Principle 6: A broad review of the PRDE to be completed after three years.

Independent review

109. The terms and operation of this PRDE, including the continued operation of the transitional provisions in Principle 4, must be reviewed by an independent reviewer after the PRDE has been in operation 3 years and at regular intervals after that (not more than every 5 years).

110. The **PRDE Administrator Entity** is responsible for formulating the scope and terms of reference of an independent review. These must be settled in consultation with **signatories**. The **PRDE Administrator Entity** must also ensure that the independent review is adequately resourced and supported, the reviewer consults with **signatories**, the review report is made available to all **signatories** and the review recommendations are adequately responded to.

111. In addition to the independent review, the **PRDE Administrator Entity** may review and vary the PRDE at any time during its operation, on the recommendation of the **Industry Determination Group** or the **PRDE Administrator Entity**. Such recommendation must be supported by:

a) A statement of consultation, with such consultation appropriate to the nature and scope of the variation; and

b) 75% resolution of the **PRDE Administrator Entity**.

Promises by **CRBs**

112. Each **CRB** will cooperate in good faith with the **PRDE Administrator Entity** and assist with the review.

Promises by CPs

113. Each **CP** will cooperate in good faith with the **PRDE Administrator Entity** and assist with the review.

DEFINITIONS

"Access request" means a request from a **CP** to a **CRB** for the supply of **credit reporting information**.

"**ACRDS**" means the Australian Credit Reporting Data Standards which are the technical standards and specifications used for exchanging **credit information** and **credit reporting information**. The reference to the **ACRDS** extends only to those versions of the **ACRDS** which are current and supported by **CRBs**, and does not include historic or retired versions of the **ACRDS**.

"**Commencement Date**" means 25 December 2015.

"Consumer credit liability information" has the same meaning as defined by the **Privacy Act**.

A **CP** "**contributes**" **credit information** when it discloses that information to a **CRB** in circumstances permitted by the **Privacy Act.**

"**CP**" has the same meaning as defined by the **Privacy Act**. Any reference to a CP in this PRDE is a reference to a **signatory** CP unless otherwise expressly stated, and also includes reference to any **Designated Entities** of the **CP**.

"**CP derived information**" has the same meaning as defined in the **Privacy Act**.

"**Credit information**" has the same meaning as defined by the **Privacy Act**.

"**Credit eligibility information**" has the same meaning as defined by the **Privacy Act**.

"**Credit reporting information**" has the same meaning as defined by the **Privacy Act**.

A **CP** "**on-supplies**" **partial information** or **comprehensive information** (excluding that component of **partial information** and **comprehensive information** which is **negative information**) when it discloses that information to another **CP**, a **Designated Entity** or **Securitisation Entity**.

"**CRB**" has the same meaning as defined by the **Privacy Act**. Any reference to a CRB in this PRDE is a reference to a **signatory** CRB unless otherwise expressly stated.

"**CRB derived information"** has the same meaning as defined in the **Privacy Act**.

A "**Designated Entity**" is a business or collection of businesses of a **CP** as determined by the **CP** for the purposes of the PRDE. The criteria for **Designated Entities** and related operational matters is set out in further detail in paragraphs 22 to 28 of this PRDE.

"**Deed Poll**" means the pro-forma PRDE deed poll which is a schedule to a **Services Agreement** and is effective, in relation to a **CP** or **CRB**, at the **Effective Date**.

"**Effective Date**" means the date nominated by the **CP** or **CRB** as the date that the **CP** or **CRB**'s obligations (as applicable) under the PRDE become effective. The **Effective Date** may be the **Signing Date**, in which case the two dates will be the same.

"**Eminent Person**" means an independent person who fits the criteria of **Eminent Person**, in accordance with the **Eminent Person** Terms of Reference, and who has consented to inclusion on the panel of **Eminent Persons**.

"**Industry Determination Group**" means a group formed by representatives of signatories, in accordance with the **Industry Determination Group** Terms of Reference.

"**Mortgage Insurer**" has the same meaning as defined in the **Privacy Act**.

"**Mortgage Insurance Purpose**" has the same meaning as defined in the **Privacy Act**.

"**Non-compliant conduct**" means conduct which breaches this PRDE.

"**Participation Level Threshold**" has the meaning given to it by paragraph 30 of this PRDE.

"**PRDE Administrator Entity**" means the Reciprocity and Data Exchange Administrator Pty Ltd (ACN 606 611 670), a subsidiary of the Australian Retail Credit Association Ltd (ACN 136 340 791).

"**Privacy Act**" means the *Privacy Act 1988* as amended from time to time (including by the *Privacy Amendment (Enhancing Privacy Protection) Act 2012*) and includes Regulations made under that Act, and the *Privacy (Credit Reporting) Code 2014* (CR Code) registered pursuant to that Act.

"**Publication Timeframe**" means the timeframe for the **ACRDS** which identifies when each version, sub-version and release of the **ACRDS** will be published, implemented and retired.

"**Rectification Plan"** has the same meaning as defined by the **SRR**.

"**Repayment History Information**" has the same meaning as defined in the **Privacy Act**.

A **CRB** "**supplies**" **credit reporting information** when it discloses that information to a **CP** in circumstances permitted by the **Privacy Act** and in response to an **access request**.

"**Securitisation entity**" means an entity which is not a **Mortgage Insurer** or a **Trade Insurer**, but which is engaged to assist a **CP** for a **securitisation related purpose**.

"**Securitisation related purpose**" has the same meaning as defined in the **Privacy Act**.

A "**services agreement**" is an agreement which is intended (whether expressly stated or otherwise) to enable a **CRB** to assist a **CP** to assess and manage its consumer credit risk (as determined by the **CP**). The agreement will include, in addition to other provisions, an agreement between a **CRB** and **CP** for the contribution of **credit information** and/or supply of **credit reporting information** (as applicable). For the avoidance of doubt, a **services agreement** does not include an agreement which has been suspended or is an agreement for the contribution of personal information (which may include **credit information**) solely for identity verification purposes pursuant to the relevant provisions of the *Anti-Money Laundering and Counter-Terrorism Finance Act 2006* (as amended from time to time).

"**Signatory**" in relation to a **CP** or **CRB**, means a **CP** or **CRB** that has chosen to be a **signatory** to this PRDE by signing the **Deed Poll** and has not withdrawn from its participation in this PRDE in accordance with the **Deed Poll**.

"**Signing Date**" means the date that a **CP** or **CRB** executes the **Deed Poll**.

"**SRR**" means the Standard Reporting Requirements which are the standards used for reporting compliance with this PRDE.

Three "**Tier Levels**" have been established for the **supply** by a **CRB** to a **CP** of **credit reporting information**, the **contribution** by a **CP** to a **CRB** of **credit information**, and the **on-supply** by a **CP** of **credit eligibility information**:

a) "**negative information**" means:

   i) **credit information** about an individual other than **consumer credit liability information** or **repayment history information**; and

   ii) **CP derived information** and **CRB derived information** which is not derived wholly or partly from **consumer credit liability information** or **repayment history information**.

b) "**partial information**" means:

   i) **credit information** about an individual other than **repayment history information**; and

   ii) **CP derived information** and **CRB derived information** which is not derived wholly or partly from **repayment history information**.

c) "**comprehensive information**" means all **credit information**, **CP derived information** and **CRB derived information** about an individual.

"**Trade Insurer**" has the same meaning as defined in the **Privacy Act**.

"**Trade Insurance Purpose**" has the same meaning as defined in the **Privacy Act**.

SCHEDULE 1

Account exceptions (paragraph 33 above)

1. Margin Loan accounts being a loan product where the products purchased (using the loan funds) are shares and the loan security is the shares purchased.

2. Novated Lease accounts.

3. Flexible Payment Option accounts being an account facility offered on charge card products that enables consumers, pursuant to the terms and conditions of the account, to revolve or defer payment of their outstanding balance.

4. Overdrawn deposit or transaction accounts that are not formal overdrafts.

SCHEDULE 2

Repayment History Information reporting exceptions (paragraph 33A above)

1. The 'month' applicable to the **repayment history information** does not meet the 'month' definition in the Privacy (Credit Reporting) Code 2014.

2. The 'month' applicable to the **repayment history information** overlaps with a previous 'month'.

3. The monthly payment that is due in relation to the consumer credit is the result of a Part IX or Part X debt agreement pursuant to the Bankruptcy Act 1966 (Cth).

4. The obligation to make a monthly payment in relation to the consumer credit (the payment obligation) is in dispute in its entirety by the individual and is under investigation on the basis the balance of the consumer credit relates to an unauthorised transaction or the consumer credit was fraudulently opened in the individual's name. This exception will apply only to the time period in which there is a dispute as to liability. Once the dispute is resolved and if the individual remains liable, then RHI for the period of the dispute is no longer subject to this exception.

5. Unless and until a legislative approach to the reporting of hardship information is made and in force, **repayment history information** for an arrangement as defined in Section 28TA of the consultation draft National Consumer Credit Protections Regulations 2010 released for consultation on 14 February 2020 or, if the final version of the Regulations differs, as defined in those final Regulations, where that arrangement is entered into between a **CP** (including any **CP** not covered by Regulation 28TA) and an individual.

PRINCIPLES of RECIPROCITY & DATA EXCHANGE

PRINCIPLES OF RECIPROCITY AND DATA EXCHANGE (PRDE)

Version 29 (As at 25 June 2020)

INTRODUCTION

The PRDE is a set of agreed principles that credit reporting bodies (**CRBs**) and credit providers (**CPs**) agree to abide by to ensure those **CRBs** and **CPs** have trust and confidence in their credit reporting exchange. The PRDE is not intended to be relied upon by non-signatories, or other stakeholders, in any way or in any forum.

The intention of the PRDE is to create a clear standard for the management, treatment and acceptance of credit related information amongst **signatories**. The PRDE only applies to consumer **credit information** and **credit reporting information**.

Adherence to the **ACRDS** is a fundamental part of the PRDE for **signatories**, as is adherence to the principles of reciprocity as set out in this PRDE.

For the avoidance of doubt, a requirement on a **CP** to **contribute credit information** only applies to the available information held by that **CP**. If the **CP** does not hold the **credit information**, this does not prevent it from participating in this PRDE.

The PRDE also facilitates the creation of three **Tier Levels** in the PRDE credit reporting exchange, and allows **CPs** to voluntarily select their own **Tier Level** of participation.

The PRDE applies to **CRBs** and **CPs** that choose to become **signatories** to this PRDE.

It comes into effect on the **Commencement Date**.

A **CRB** or **CP** is bound to comply with the PRDE upon becoming a **Signatory**.

Nothing in the PRDE obliges a **CRB** or **CP** to do or refrain from doing anything, where that would breach Australian law.

PRINCIPLE 1

Principle 1: The obligations under this PRDE shall be binding and enforceable upon PRDE signatories. PRDE signatories agree to execute the Deed Poll to make this PRDE and the authority of the PRDE Administrator Entity (and through it, the Industry Determination Group and Eminent Person) effective and binding.

Effect of the PRDE

1. The PRDE are a set of agreed principles that are governed by the **PRDE Administrator Entity**. The principles within the PRDE are given effect by each **signatory** executing the **Deed Poll** on the **Signing Date** and covenanting to comply with the requirements of the PRDE and therefore to be bound by the obligations contained within this PRDE. Upon a **CP** or **CRB** executing the **Deed Poll** and nominating an **Effective Date**, the CP or CRB are deemed to be **Signatories** from that **Signing Date** and are bound from the **Effective Date** to comply with any request made by the **PRDE Administrator Entity** pursuant to this PRDE, any recommendation issued by the **Industry Determination Group** (which is accepted by the parties) pursuant to this PRDE and any decision issued by the **Eminent Person** pursuant to this PRDE.

Promises by **CRBs**

2. Our **services agreement** with a **CP** will oblige both us and the **CP** to execute and give effect to the **Deed Poll**.
3. We will allow a **CP** to choose its supply **Tier Level** consistent with the requirements of this PRDE.
4. We will only **supply credit reporting information** to a **CP** to the extent permitted under this PRDE and if we have a reasonable basis for believing that the **CP** is complying with its obligations under this PRDE to **contribute credit information** (subject to the exceptions contained in paragraphs 29 to 33A or transitional provisions contained in paragraphs 53 to 64 that apply to that **CP**).
5. On request, we will inform a **CP**, with which we have a **services agreement**, and the **PRDE Administrator Entity**, of the **Tier Level** of a **CP** that **contributes credit information** to us.
6. Our **services agreement** with a **CP** will not prevent the **CP** from **contributing credit information** to another **CRB**.
7. We will pay such costs identified by the **PRDE Administrator Entity** as required to administer this **PRDE**, in the manner required by the **PRDE Administrator Entity**.

Promises by **CPs**

8. We will only obtain the **supply** of **credit reporting information** from a **CRB** that is a **signatory** to this PRDE. Our **services agreement** will oblige both us and the **CRB** to execute and give effect to the **Deed Poll**.
9. We will nominate a single **Tier Level** at which we will obtain **supply** of **credit information** (whether from one or more **CRBs**). We will disclose our chosen **Tier Level** to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**.

10. We will **contribute credit information** to the extent required by this PRDE to a **CRB** from which we obtain the **supply** of **credit reporting information**. Our **contribution** of **credit information** will comply with **ACRDS** including its timeframe requirements and will be at the chosen **Tier Level** for **supply**.

11. If we are supplied by a **CRB** with **partial information** or **comprehensive information**, we will not **on-supply** to another CP (whether a **signatory** or non-signatory) any **partial information** or **comprehensive information** that the other CP (whether a **signatory** or non-signatory) is not able to obtain directly from the **CRB**, because the other CP either:

    a) is not a **signatory**; or

    b) does not **contribute** any **credit information** to the **CRB**; or

    c) has chosen to be **supplied** with **credit reporting information** at a lower **Tier Level** than that we have chosen.

12. The provisions in paragraph 11 above do not, however, apply:

    a) where the **on-supply** is for the purposes of another CP (whether a **signatory** or non-signatory) assessing whether to acquire our consumer credit accounts; or

    b) where the **on-supply** is to a **Securitisation Entity** in accordance with paragraphs 41, 42 and 44 below; or

    c) where the **on-supply** is to a third party in accordance with paragraphs 46 and 46A below.

13. We will pay such costs identified by the **PRDE Administrator Entity** as required to administer this **PRDE**, in the manner required by the **PRDE Administrator Entity**.

Tier Levels

14. A **CP** and its **Designated Entity** (if applicable) is able to choose its **Tier Level** for obtaining **supply** of **credit reporting information** from **CRBs** (although the **CP's** and its **Designated Entity's** choice may be restricted by the **Privacy Act** requirement that **repayment history information** may only be supplied to a **CP** that is an Australian credit licensee).

15. The **CP's** and its **Designated Entity's** (if applicable) choice of **Tier Level** means that it must **contribute credit information** at that chosen **Tier Level** to all **CRBs** that it has a **services agreement** with (see paragraph 30 for the **contribution requirements** for each **Tier Level**) to the extent the **CRB** is able to receive **supply** of **credit information**. This does not, however, mean that the **CP** and **its Designated Entity**, when making an **access request** to one **CRB**, must also make the same **access request** to all other **CRBs** with which it has a **services agreement**.

16. The **CP** and its **Designated Entity** (if applicable) must **contribute credit information** to all those **CRBs** with which it has a **services agreement** consistently across all of their consumer credit accounts for all its credit portfolios subject only to:

    a) the materiality and other exceptions set out in paragraphs 29 to 33A; and

    b) the transitional provisions in Principle 4; and

    c) any recommendation by the **Industry Determination Group** or decision by the **Eminent Person**.

Contribution of **Negative information**

17. A **CRB** may **supply negative information** to any person or organisation as **permitted** by the **Privacy Act**. It is not necessary for that person or organisation to be a **signatory** to this PRDE to **receive** supply of **negative information**.

18. All **negative information** contributed by a **CP** can be supplied to a person or organisation as permitted by the **Privacy Act**.

19. Where a **CP** has chosen to **contribute negative information** under this **PRDE** (for any of the three **Tier Levels**), the **CP** must **contribute** the following types of **credit information**:

    a) identification information (paragraph (a) of the definition of **credit information** in the **Privacy Act**);

    b) default information (paragraph (f) of the definition of **credit information** in the **Privacy Act**);

    c) payment information (paragraph (g) of the definition of **credit information** in the **Privacy Act**); and

    d) new arrangement information (paragraph (h) of the definition of **credit information** in the **Privacy Act**).

20. When **contributing** default information in accordance with subparagraph 19(b) above, where an individual has defaulted on their obligations, a **CP** must ensure default information is contributed within a reasonable timeframe of the account becoming overdue.

21. Where a **CP** chooses to **contribute** to a **CRB credit information** including its name and the day on which consumer credit is entered into, in relation to consumer credit provided to an individual, this **contribution** of **credit information**, for the purposes of this PRDE, will be deemed a **contribution** of **negative information** provided:

    a) the **CRB**'s subsequent **supply** of **credit reporting information** at the **CP's** nominated **Tier Level** is a permitted CRB disclosure (in accordance with item 5 of subsection 20F(1) of the **Privacy Act**); and

    b) the **CP's** use of the **credit eligibility information** is a permitted CP use (in accordance with item 5 of section 21H of the **Privacy Act**).

21A. The type of credit account is an element of **consumer credit liability information**. However, for the purposes of this PRDE, all contributions of type of credit account in conjunction with the contribution of **negative information** is deemed a contribution of **negative information.**

Designated entities

22. A **CP** may nominate one or more **Designated Entities** where permitted to by paragraphs 23 to 28.

23. Each **Designated Entity** must choose a **supply Tier Level** and **contribute credit information** consistent with that choice. A **CP's Designated Entities** are not all required to choose the same **Tier Level**.

24. If a **CP** nominates **Designated Entities**, the **CP** must notify the **PRDE Administrator Entity** of its **Designated Entities** so that the **PRDE Administrator Entity** can make this information available to **signatories**. The **CP** must also provide a copy of the notification to each **CRB** with which it has a **services agreement**.

Designated entity requirements

25. A **CP** may nominate as a **Designated Entity**:

    a) another **CP** that is a related body corporate of the designating **CP**; or

    b) a division or group of divisions of the **CP** that operate one or more distinct lines of business;

    provided that (and for so long as) the specified entity meets the requirements of paragraph 26.

26. A **Designated Entity** must satisfy the following criteria:

    a) it operates under its own brand or brands; and

    b) it has in place documented controls to prevent **on-supply** of **partial information** or **comprehensive information** to other CPs (whether **signatory CPs** or non-signatory CPs) or **Designated Entities**, where **on-supply** is not permitted by this PRDE.

27. If a **CP** choses to nominate a **Designated Entity**, whether as a result of acquisition, or the result of internal creation of the **Designated Entity**, the **CP** must notify the **PRDE Administrator Entity** of its proposed **Designated Entity** and identify how it satisfies the **Designated Entity** criteria.

28. If a **Designated Entity** ceases to meet the criteria in paragraph 26, the **CP** must:

    a) Notify the **PRDE Administrator Entity** and advise any change in the **supply Tier Level** for the **CP**;

    b) Where this means that the former **Designated Entity** will now be **supplying** at a different **Tier Level**, advise each **CRB** with which it has a **Services Agreement** of its new **supply Tier Level**.

Materiality exception

29. A **CP** is required to endeavour to **contribute** all eligible **credit information** for its chosen **Tier Level**. A **CP** will comply with its obligations if it meets the **Participation Level Threshold**, subject to the run-off exception in paragraphs 31 to 32A, the account exceptions in paragraph 33 and the Repayment History Information reporting exceptions in paragraph 33A.

30. The **Participation Level Threshold** is met if:

    a) the consumer credit accounts for which **credit information** is not **contributed** (“excluded accounts”) do not represent a subset of consumer credit accounts that are unique in terms of their credit performance or behaviour (for example, excluded accounts cannot be all of the delinquent accounts); and

    b) the **CP** has acted in good faith to provide all available **credit information**.

Run-off exception

31. A **CP** is not required to **contribute credit information** about consumer credit accounts where:

    a) the accounts relate to a product that is in run-off and accordingly no new accounts of this type are being opened (“run-off account type”); and

    b) the number of accounts of the run-off account type is not more than 10,000; and

c) the total number of accounts excepted under this paragraph does not constitute more than 3% of the total number of consumer credit accounts of the CP.

32. In calculating the number of accounts of the run-off account type in subparagraph 31(b), a **CP** and its **Designated Entity** or **Entities** (as applicable) will be treated as separate **CP** entities.

32A. In calculating the total number of consumer credit accounts in subparagraph 31(c), a **CP** and its **Designated Entities** (if any) will be treated as one **CP**.

Account exceptions

33. A **CP** is not required to **contribute credit information** about those accounts listed in Schedule 1 to this PRDE.

Repayment History Information reporting exceptions

33A. A CP is not required to contribute repayment history information in the circumstances listed in Schedule 2 to this PRDE.

PRINCIPLE 2

Principle 2: It is necessary to be a PRDE signatory in order to exchange PRDE signatory Consumer Credit Liability Information (CCLI) and Repayment History Information (RHI) with other PRDE signatories.

Exchange of **Partial Information** and **Comprehensive Information**

34. For a **CP** to **contribute partial information** or **comprehensive information** and, if it then elects, to obtain **supply** of **partial information** or c**omprehensive information** which has been **contributed** by a **signatory** it must also be a **signatory** to this PRDE and its nominated **Tier Level** must be either **partial information** or **comprehensive information** (as applicable).

35. For a **CRB** to receive **contribution** of **partial information** or **comprehensive information** from a **signatory** it must also be a **signatory** to this PRDE. For a **CRB** to then **supply** that **contributed partial information** or **comprehensive information** to a **CP** it must ensure that **CP** is a **signatory** to this PRDE and each recipient of such information must have nominated a **Tier Level** of either **partial information** or **comprehensive information** (as applicable).

36. A **CRB** may receive **contribution** of **partial information** or **comprehensive information** from a non-signatory CP, and a **CRB** may also **supply partial information** or **comprehensive information** to a non-signatory CP. However, a **CRB** must not **supply signatory CP partial information** or **comprehensive information** to a non-signatory CP.

37. **Contribution** and **supply** of **partial information** and **comprehensive information** by **signatories** must comply with the **ACRDS**.

Promises by **CRBs**

38. We will only **supply partial information** and **comprehensive information contributed** by a **signatory** to a **CP** if it is a **signatory** to this PRDE or a **CP** which is engaged by a **CP** as an agent or as a **Securitisation Entity** (either in its own capacity or for or on behalf of the CP), or the recipient is otherwise a **Mortgage Insurer** or a **Trade Insurer** and receives the information for a **Mortgage Insurance Purpose** or **Trade Insurance Purpose**.

Promises by **CPs**

39. We will only **contribute** and obtain **supply** of **partial information** and **comprehensive information** from a **CRB** which is a **signatory** to this PRDE.

40. We will notify the **PRDE Administrator Entity** of the **Securitisation Entities** we engage and enable to obtain **supply** of **partial information** or **comprehensive information** from a **CRB** for a **securitisation related purpose**. We will disclose these **Securitisation Entities** to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**.

Securitisation Entities

41. Where a **Securitisation Entity** nominated under paragraph 40 obtains the **supply** of **credit reporting information** from a **CRB** for the **securitisation related purposes** of the **CP**, the **Securitisation Entity** will only be able to obtain **credit reporting information** that would have been accessible to the **CP**.

42. The **CP** referred to in paragraph 41 must:

    a) include in its agreement with the **Securitisation Entity** a requirement that the **Securitisation Entity contribute credit information** held by the **Securitisation Entity**; and

    b) take reasonable steps to enforce the requirement referred to in subparagraph (a).

    However if such **contribution** is at a lower **Tier Level** this will not prevent the **supply** of **credit reporting information** at a higher **Tier Level**, subject to the requirements of paragraphs 40 and 41.

On supply of information

43. Disclosure to other CPs (whether a **signatory** or non-signatory) and to **Designated Entities**

    A **CP** is not permitted to **on-supply partial information** or **comprehensive information** to another CP (whether a **signatory** or a non-signatory) or **Designated Entity** if the terms of this PRDE prevent that other CP (whether a **signatory** or a non-signatory) or **Designated Entity** from obtaining the **supply** of that **partial information** or **comprehensive information** directly from that **CRB**.

    For example, where a **CP** has chosen to obtain the **supply** from **CRBs** of **comprehensive information,** the **CP** is prohibited from **on-supplying** any **repayment history information** or information derived from that information to a **CP** or to a **Designated Entity** that has chosen to obtain the **supply** from **CRBs** of **partial information** only.

44. Despite paragraph 43, a **CP** is permitted to **on-supply partial information** or **comprehensive information** to a **Securitisation Entity** provided that the purpose of

the **on-supply** of that **partial information** or **comprehensive information** is for **securitisation related purposes** of a **CP**.

45. Despite the prohibition preventing **on-supply** above, a **CP** may make **credit eligibility information** available to another **CP** (whether a **signatory** or non-signatory) for review purposes only to enable them to assess whether or not to acquire consumer credit accounts.

For example, if a **CP** (the acquirer **CP**) who has chosen to contribute **negative information** only, acquires consumer credit accounts from a **CP** (the acquired **CP**) who has chosen (in respect of the acquired consumer credit accounts) to contribute **comprehensive information**, the acquirer **CP** will be able to review the **comprehensive information** of the acquired **CP** (in respect of the acquired consumer credit accounts) to assess whether or not to acquire the consumer credit accounts. The acquirer **CP's** review of the **credit eligibility information** may be restricted by the **Privacy Act** requirement that **repayment history information** may only be supplied to a **CP** that is an Australian credit licensee.

46. Disclosure to third parties (including Mortgage Insurers)

Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on-supply partial information** or **comprehensive information** to third parties who are not **CPs** or who are a CP within the meaning of s6H of the **Privacy Act**, where the disclosure of this information is a permitted disclosure in accordance with section 21G(3) of the **Privacy Act** and, the **on-supply** of **repayment history information**, occurs only in the circumstances set out in section 21G(5) of the **Privacy Act**.

46A. Disclosure where mortgage credit is secured by the same real property

Despite the prohibition preventing **on-supply** above, a **CP** is permitted to **on supply partial information** or **comprehensive information** to another CP (whether a PRDE **signatory** or not) (the **same mortgage credit CP**) where both the **CP** and the same mortgage credit **CP** have provided mortgage credit to the same individual and the disclosure of this information is a permitted disclosure which meets the requirements of section 21J(5) of the **Privacy Act**.

PRINCIPLE 3

Principle 3: Services agreements between PRDE signatories will require reciprocity and the use of the ACRDS

Services agreements

47. **Services agreements**:

a) will require **CPs** to **contribute credit information** at their nominated **Tier Level** and **CRBs** to **supply credit reporting information** at the nominated **Tier Level**;

b) will require **CPs** to use the **ACRDS** when **contributing credit information** to **CRBs**;

c) will require **CPs** and **CRBs** to adhere to the **Publication Timeframe** for use of the **ACRDS**; and

d) may, in respect of those **services agreements** with non-signatory CPs, provide that the non-signatory CPs can continue to **contribute** outside the **ACRDS**, provided that this provision of information meets the requirements under the **Privacy Act** and also encourage the use of the **ACRDS**.

Promises by **CRBs**

48. We will not accept **contributed credit information** from a **CP** unless the information is compliant with **ACRDS** or the **CP** has engaged us to convert the **contributed credit information** into an **ACRDS** compliant format. When we accept information compliant with the **ACRDS**, we will apply the validation requirements for the **ACRDS** version nominated by the **CP**, provided that the version accords with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

48A. We will implement new versions of the **ACRDS** in accordance with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

49. We may provide a service for **CPs** that will convert **contributed credit information** into an **ACRDS** compliant format.

Promises by **CPs**

50. Our **contributed credit information** will comply with the **ACRDS** or alternatively we will utilise the **CRB's** service to convert our **contributed credit information** into an **ACRDS** compliant format.

50A. We will implement new versions of the **ACRDS** in accordance with the **Publication Timeframe** issued by the **PRDE Administrator Entity**.

Contribution barriers

51. **CRBs** must not impose constraints to restrict a **CP** from **contributing credit information** to another **CRB**.

Management of the **ACRDS** and **Publication Timeframe**

52. The **PRDE Administrator Entity** is required to maintain and manage the **ACRDS** and the **Publication Timeframe**.

PRINCIPLE 4

Principle 4: PRDE signatories agree to adopt transition rules which will support early adoption of partial and comprehensive information exchange.

Transitional arrangements

53. Subject to the materiality and other exceptions set out in paragraphs 29 to 33A and the transitional provisions set out in paragraphs 54 to 64, a **CP** will **contribute credit information** about their consumer credit accounts at their chosen **Tier Level** before obtaining their first **supply** of **credit reporting information** from a **CRB**.

54. For **CPs** that become a **signatory** to the PRDE:

    a) at the time of the **Effective Date**, they must **contribute** the **credit information** for at least 50% of the accounts for the nominated **Tier Level** that they are required by this PRDE to **contribute** prior to obtaining **supply** of **credit reporting information** at this nominated **Tier Level** from a **CRB**;

    b) within 12 months of the **Effective Date**, they are required to **contribute** all of the **credit information** for the accounts at the nominated **Tier Level** to fully comply with their obligations under this PRDE.

55. For **CPs** that are existing signatories to this PRDE and nominate to obtain **supply** of **credit reporting information** (and to **contribute credit information**) at a different **Tier Level**:

    a) they must notify their nomination of the different **Tier Level** to the **PRDE Administrator Entity** and to a **CRB** with which they have **services agreements** not less than 30 calendar days before commencing **contribution** of **credit information** at the different **Tier Level**. The notification of the change in **Tier Level** will be provided to the **PRDE Administrator Entity** so that it can make this information available to **CRBs** and **CPs**;

    b) at the time of notifying their nomination, and if nominating to a higher **Tier Level**:

        i) they must **contribute** the **credit information** for at least 50% of the accounts for the **Tier Level** they are required by this PRDE to **contribute** prior to obtaining **supply** of **credit reporting information** at the higher **Tier Level** from a **CRB**;

        ii) within 12 months of nomination of the **Tier Level**, they must **contribute** all of the **credit information** for the accounts they are required to **contribute** to fully comply with their obligations under this PRDE.

56. **CPs** can nominate to **contribute** at a different **Tier Level** in accordance with paragraph 55, although the full **contribution** of **credit information** in accordance with paragraph 54 has not occurred.

    For example, on signing the PRDE at the start of January 2015, a **CP** may nominate to obtain **supply** at **negative information Tier Level** with full **contribution** required by the end of December 2015 (to be compliant for January 2016). The **CP** subsequently nominates to obtain **supply** at **comprehensive information Tier Level** at the start of June 2015. **Contribution** at each **Tier Level** will run from the date of each nomination so that the **CP** will provide full **contribution** of **negative information Tier Level** in December 2015, six months before it is required to provide full **contribution** of **comprehensive information Tier Level** by the end of May 2016 (to be compliant for June 2016).

57. **CPs** must notify the **PRDE Administrator Entity** upon attainment of full compliance, in accordance with subparagraphs 54(b) and 55(b)(ii) above. Such notification may be provided at any time before the expiry of the 12 month period and will be published to other signatories.

Data supply

58. Subject to the above transitional requirements, **CPs** must comply with the following requirements when **contributing credit information**:

    a) For **negative information**, **contribution** of **negative information** for all consumer credit accounts which are eligible in accordance with the **Privacy Act** and **ACRDS** at the date of first **contribution** by the **CP** and, thereafter, all consumer credit accounts on an ongoing basis.

    b) For **partial information**, in addition to complying with the requirements for **negative information**, **contribution** of **consumer credit liability information** for all consumer credit accounts which are open at the date of first **contribution** by the **CP** and, thereafter, all consumer credit accounts on an ongoing basis.

    c) For **comprehensive information**, in addition to complying with the requirements for **negative** and **partial information**, **contribution** of **repayment history information** for all consumer credit accounts which are open at the date of first **contribution** by the **CP** for a period of three calendar months prior to the first **contribution** by the **CP** or alternatively, supply over three consecutive months to then amount to first **contribution** by the **CP**, and, thereafter, all consumer credit accounts on an ongoing basis.

    For example, where a **CP** has chosen to **contribute comprehensive information**, the **CP** will be required to provide at least 50% of the **repayment history information** for the period dating three calendar months immediately prior to first **contribution** by the **CP** and, ongoing, at least 50% of all **repayment history information** for those first 12 months. This means that, 12 months from the date of the first **contribution** the **CP** will be required to have **contributed**:

        i) at least 50% **repayment history information** on the first **contribution** (for the previous 15 months) then;

        ii) all **repayment history information** on an ongoing basis.

Acquisition of consumer credit accounts

59. Where a **CP** acquires consumer credit accounts from another CP, the **CP** may, for a period of 90 calendar days (the review period), from the date of acquisition, review these accounts for compliance with the PRDE. The **CP** must notify the **PRDE Administrator Entity** of the acquisition of these consumer credit accounts, including the date of acquisition, within 10 business days of this acquisition.

60. At the expiry of the review period, and subject to the run-off exception in paragraphs 31 and 32A above and the **Designated Entity** provisions in paragraph 22 to 28 above, the **CP**:

    a) must **contribute** the **credit information** for at least 50% of the acquired consumer credit accounts for the **Tier Level** they are required by this PRDE to **contribute**;

    b) within 12 months, they must **contribute** all of the **credit information** for the acquired consumer credit accounts.

61. The provisions relating to acquisition of consumer credit accounts only apply to acquired consumer credit accounts, and do not affect all other **CP contribution** obligations contained in this PRDE.

Testing and data verification

62. Despite the provisions above in Principle 4, the PRDE does not prohibit a **CP** or **CRB** (as applicable) from the **supply** and/or **contribution** of **credit information** and the obtaining **supply** and/or **contribution** of **credit reporting information** where such **contribution**, **supply** and obtaining of **supply** is for testing and data verification purposes.

Non-PRDE Services Agreements

63. Where a **CRB** and a **CP** (whether **signatories** or non-signatories)

    a) enter into a services agreement which enables the **contribution**, **supply** or obtaining of **supply** of **partial information** or **comprehensive information** outside of the PRDE; and

    b) the **CRB** or **CP** choose to subsequently become PRDE **signatories**;

    c) the **contribution**, **supply** or obtaining of **supply** of **partial information** or **comprehensive information** pursuant to that services agreement (non-PRDE services agreement) will be deemed compliant with this PRDE provided that the criteria set out in paragraph 64 below is satisfied.

64. The **contribution**, **supply** or obtaining of **supply** of **credit information** and/or **credit reporting information** by either the CP or CRB under the non-PRDE services agreement will be compliant with this PRDE where, within a period of no longer than 90 calendar days from the **Signing Date**:

    a) the **supply**, **contribution** and obtaining of **supply** of **partial information** or **comprehensive information** is in accordance with this PRDE;

    b) the **contribution** of **credit information** by the **CP** to the non-PRDE services agreement is in accordance with the **ACRDS**;

    c) the **credit information** previously contributed for the **CP's** consumer credit accounts is included in the calculation of initial **contribution**, in accordance with paragraph 54 above;

    d) the transition period which applies to the **contribution** of **credit information** by the **CP** is 12 months from the **Signing Date** or in the event that a **CP** has supplied its **partial information** or **comprehensive information** pursuant to a non-PRDE services agreement for a period of more than 12 months prior to the **Signing Date**, then 90 calendar days from the **Signing Date**;

    e) the **contribution**, **supply** and obtaining **supply** of the **partial** and/or **comprehensive information** is subject to the monitoring, reporting and compliance requirements contained within Principle 5 below. However, it is noted that the obligations contained in Principle 5 will only become effective at the **Signing Date**.

PRINCIPLE 5

Principle 5: PRDE signatories will be subject to monitoring, reporting and compliance requirements, for the purpose of encouraging participation in the exchange of credit information and data integrity.

65. Upon becoming a **signatory** to the PRDE, a **signatory** does not make any representation (whether direct or implied) arising by reason of its signing the PRDE to any other **signatory** to this PRDE. Principle 5 sets out the agreed process for addressing non-compliance with the PRDE. A **CP** or a **CRB** who forms an opinion of **non-compliant conduct** by another **CP** or **CRB** is required to adhere to the process set out in this Principle to resolve a dispute about **non-compliant conduct** and may not take any other action or steps against the **CP** or **CRB**. Any information exchanged by the parties as part of this process cannot be relied upon in any other forum.

Initial report of **non-compliant conduct** – Stage 1 Dispute

66. Where a **CP** or **CRB** (the **reporting party**) forms an opinion that a **CP** or **CRB** (the **respondent party** has engaged in **non-compliant conduct**, it will issue to the **respondent party** a report of **non-compliant conduct**. Such a report must comply with the **SRR**.

67. From the date of receipt of the report by the **respondent party**, the parties have 30 calendar days in which to:

    a) Confer;

    b) (For the respondent party) Respond to the report of **non-compliant conduct**, providing such supporting information as the **respondent party** deems necessary; and

    Either:

    c) Enter into a **Rectification Plan**. The **Rectification Plan** must comply with the **SRR**; or

    d) Agree that the conduct of the **respondent party** is compliant with the PRDE.

68. If the **Rectification Plan** entered under subparagraph 67(c) results in the **non-compliant conduct** being rectified within the 30 calendar day period of a Stage 1 Dispute, or if the parties agree under subparagraph 67(d) that the conduct of the **respondent party** is compliant with the PRDE; the dispute is closed and no information about the dispute will be provided to the **PRDE Administrator Entity** (unless the **PRDE Administrator** is a party to the dispute).

69. If the **Rectification Plan** entered under subparagraph 67(c) will not result in the **non-compliant conduct** being rectified within the 30 calendar day period of the Stage 1 Dispute the parties to the **Rectification Plan** must provide the **Rectification Plan** to the **PRDE Administrator Entity** within 3 business days of the expiry of the 30 calendar day period of the Stage 1 Dispute. The dispute will then become a Stage 2 Dispute.

70. If no **Rectification Plan** is entered into within the 30 calendar day period of the Stage 1 Dispute and there is no agreement that the conduct is compliant with the PRDE, the parties to the Stage 1 dispute must notify the **PRDE Administrator Entity** within 3

business days of the expiry of the 30 calendar day Stage 1 Dispute period. The dispute will then become a Stage 3 Dispute.

Referral to **PRDE Administrator Entity** – Stage 2 Dispute

71. When a Stage 2 Dispute is referred to the **PRDE Administrator Entity** under paragraph 69, the **PRDE Administrator Entity** must make the **Rectification Plan** available to **signatories** within 3 business days of receipt of the **Rectification Plan**. Where a dispute arises from a self-report of **non-compliant conduct** under paragraph 96, the **PRDE Administrator Entity** will take reasonable steps to de-identify the **Rectification Plan** before making it available under this paragraph.

72. Any **signatory** may object to the **Rectification Plan** by issuing a notice of objection to the **reporting** and **respondent parties** or to the **PRDE Administrator Entity**, within 5 business days of the **Rectification Plan** being made available to **signatories** under paragraph 71. Such notice of objection must comply with the SRR.

73. In the event that a **signatory** issues a notice of objection, for the purposes of this PRDE that **signatory** will become the **reporting party**, and the **reporting** and **respondent parties** from the Stage 1 Dispute will become the **respondent parties**. The dispute resolution process set out in paragraphs 66 to 70 will then apply to the dispute.

Referral to **Industry Determination Group** – Stage 3 Dispute

74. When a Stage 3 Dispute is referred to the **PRDE Administrator Entity** under paragraph 70, the **PRDE Administrator Entity** must, within 3 business days of referral of the dispute:

    a) make a de-identified report of the dispute available to **signatories**;

    b) make an identified report of the dispute available to the **Industry Determination Group**.

    Both reports of the dispute must comply with the **SRR**.

75. The **Industry Determination Group** will convene within 3 business days of receipt of an identified report of dispute under subparagraph 74(b).

76. The Industry Determination Group will:

    a) Review the dispute; and

    b) Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

77. The **Industry Determination Group** may, where it considers necessary, request representatives of the parties attend the **Industry Determination Group** meeting.

78. Where the **Industry Determination Group** determines that it has sufficient information and/or no further information is required, the **Industry Determination Group** will, within 10 business days:

    a) Direct the parties to participate in a conciliation in accordance with paragraph 80 and set a reasonable timeframe for this conciliation to occur; or

    b) Issue a recommendation under paragraph 89 as to the resolution of the dispute. The recommendation must comply with the **SRR**.

79. The **PRDE Administrator Entity** will issue to the parties the **Industry Determination Group's** directions or recommendation within 3 business days of the **Industry Determination Group** making its direction or recommendation.

80. Where the **Industry Determination Group** has directed the parties to conciliation, the following process applies:

    a) The conciliation will be confidential;

    b) The conciliation will be conducted by a nominated representative of the **Industry Determination Group** and will occur in the presence of a representative of the **PRDE Administrator Entity**;

    c) At the conclusion of the conciliation, the **Industry Determination Group** representative ('the conciliator') will provide the **PRDE Administrator Entity** a certificate of outcome. This certificate will:

        i) Confirm settlement of the dispute and attach a statement of agreement between the parties that the conduct is compliant with the PRDE or an agreed **Rectification Plan**; and refer the dispute back to the **Industry Determination Group** for further review under paragraph 81; or

        ii) State that the dispute has not been settled and refer the dispute back to the **Industry Determination Group** to make a recommendation within 10 business days in accordance with subparagraph 78(b).

81. Where a dispute has been referred to the **Industry Determination Group** in accordance subparagraph 80(c)(i), the **Industry Determination Group** will within a period of 3 business days review the **Rectification Plan** and:

    a) Confirm endorsement of the **Rectification Plan** and notify the **PRDE Administrator Entity** to make **the Rectification Plan** available to all **signatories**; or

    b) Decline endorsement of the **Rectification Plan** and provide its reasons to the parties to the dispute. The parties will then have 3 business days in which to provide the **PRDE Administrator Entity** an amended **Rectification Plan** which the **PRDE Administrator Entity** will provide to the **Industry Determination Group**. Where the **Rectification Plan** is then not endorsed by the **Industry Determination Group**, the **Industry Determination Group** will be required to issue a recommendation in accordance with subparagraph 76(b); or

    c) Direct the parties to present further information (whether oral or documentary) in a reasonable period to assist with its review of the **Rectification Plan**. On receipt of this information, the **Industry Determination Group** will confirm or decline endorsement of the **Rectification Plan** in accordance with subparagraphs (a) and (b).

Referral to **Eminent Person** – Stage 4 Dispute

82. Where the **Industry Determination Group** has issued a recommendation in accordance with subparagraph 78(b), the parties have 10 business days from issue of the recommendation by the **PRDE Administrator Entity** to accept or reject this recommendation. If a party does not respond within this timeframe, they are deemed to have accepted the recommendation.

83. In the event a party rejects the recommendation, the dispute will be referred to the **Eminent Person** for review and decision.

84. The **PRDE Administrator Entity** will brief the **Eminent Person** within 10 business days of receipt of a party's rejection under paragraph 82. The brief to the **Eminent Person** will include:

    a) The **Industry Determination Group** recommendation;

    b) The report of **non-compliant conduct** or notice of objection (as applicable);

    c) Any further information provided to the **Industry Determination Group** by the parties.

85. The **Eminent Person** will:

    a) Review the dispute; and

    b) Identify further information required to determine the issues in dispute, the manner in which that information will be presented (whether oral or documentary) and a reasonable timeframe for production of this information.

86. The **Eminent Person** may, where it considers necessary, request representatives of the parties meet with the **Eminent Person** to discuss the dispute. Such meeting may be on a confidential basis and will occur in the presence of a representative of the **PRDE Administrator Entity**.

87. Where the **Eminent Person** determines that it has sufficient information and/or no further information is required, the **Eminent Person** will issue a decision within 10 business days. The decision will comply with the **SRR**.

88. The decision of the **Eminent Person** is binding and final.

Compliance outcomes

89. The possible outcomes available to the **Industry Determination Group** (by way of recommendation) and to the **Eminent Person** (by way of decision) are:

    a) The respondent **CP** or **CRB** is compliant with the PRDE and no outcome is required; and/or

    b) Issue a formal warning to the respondent **CP** or **CRB** regarding their compliance with the PRDE; and/or

    c) Issue a direction to the respondent **CP** or **CRB** with which they must comply, including, but not limited to, the completion of staff training, and/or provision of satisfactory evidence of compliance; and/or

    d) Require the respondent **CP** or **CRB** to **contribute** and obtain **supply** of **credit information** and **credit reporting information** (as applicable) at a lower **Tier Level** for a nominated period.

90. Any **CP** (whether a party to a dispute or not) will be exempt from the requirements in paragraph 15, for the **CRB** which has had a compliance outcome applied to it in paragraph 89 (b to d).

91. The compliance outcomes under paragraph 89 may be identified as an escalated process within the recommendation or decision.

92. The respondent **CP** or **CRB's** compliance with any compliance outcomes will be monitored by the **PRDE Administrator Entity**.

Obligations

93. **CPs** and **CRBs** will:

    a) Comply with the directions of the **Industry Determination Group** and the **Eminent Person** within the time specified in the direction;

    aa) Comply with all requirements in a **Rectification Plan**;

    b) Be bound by a compliance outcome, where contained in recommendation from the **Industry Determination Group** that has been accepted under paragraph 82, or a decision made by the **Eminent Person** (under paragraph 87;

    c) Comply with a request from the **PRDE Administrator Entity** in respect to matters arising from paragraph 89, including where the **CP** and/or **CRB** is not a party to the compliance outcome but may be required to take steps to give effect to the compliance outcome;

    d) Act in good faith at all times;

    e) When provided with confidential information during the compliance process, keep this information confidential. Confidential information means information provided by either party to a dispute and which, in the circumstances surrounding disclosure, a reasonable person would regard as confidential; and

    f) Attest to their compliance with the PRDE. Such attestation will be provided by a representative of a **signatory** who has the authority to bind the **CP** or **CRB** and who has the primary responsibility for the records of the **signatory** relating to its compliance with the PRDE. The attestation will be wholly true and accurate, will comply with the **SRR** and be provided on an annual basis to the **PRDE Administrator Entity** within 10 business days of the **Effective Date** anniversary.

94. The **Industry Determination Group** and **Eminent Person** are obliged to act in accordance with their respective Terms of Reference.

95. The **PRDE Administrator Entity** is obliged to:

    a) Issue such reports as are identified in paragraphs 103 to 105;

    b) Provide assistance, as requested, to the **Industry Determination Group** and **Eminent Person**; and

    c) Act in accordance with its constitution.

Self-reporting for **non-compliant conduct** – Pre-Dispute period

96. Where a **CP** or **CRB** forms an opinion that it has engaged in, or is likely to engage in, **non-compliant conduct**, it may issue a report to the **PRDE Administrator Entity**. Such a self-report must comply with the **SRR**.

97. Where a **CP** or **CRB** files a self-report, it will have 30 calendar days in which to file a **Rectification Plan** with the **PRDE Administrator Entity**. This **Rectification Plan** must comply with the SRR.

98. Upon the expiry of the 30 calendar day Pre-Dispute period, or earlier upon mutual agreement between the self-reporting signatory and the **PRDE Administrator Entity**, the dispute resolution process set out in paragraphs 66 to 70 will apply to the issue, with the **PRDE Administrator Entity** acting as **reporting party** and the self-reporting party becoming the **respondent party**.

Extension of time

99. At any stage, other than the 30 calendar day period for a Stage 1 Dispute, the parties may apply to the **PRDE Administrator Entity** to seek an extension of time. The request for an extension of time must comply with the **SRR**.

100. Where a dispute is being dealt with by the **Industry Determination Group** or **Eminent Person**, the request for an extension of time will be determined by the **Industry Determination Group** or **Eminent Person** (as applicable).

101. In all other circumstances, the request for an extension of time will be determined by the **PRDE Administrator Entity**.

PRDE Administrator Entity reporting

102. The **PRDE Administrator Entity** will keep a register of:

a) **Signatories**, their **Signing Date** and **Effective Date** for the **Deed Poll**, and key contacts at each **signatory**;

b) The nominated **Tier Levels** for each **CP**;

c) The **Designated Entities** of each **CP**;

d) The **Securitisation Entities** of each **CP**;

e) Attestation of compliance for each **CP** in accordance with paragraph 57.

103. The **PRDE Administrator Entity** will report to signatories:

a) De-identified reports of Stage 2 disputes;

b) Identified reports of the **Industry Determination Group's** recommendations (where such a recommendation is accepted by the parties) or identified reports of the **Eminent Person's** decision.

104. The **PRDE Administrator Entity** will report to **CPs**:

a) **Tier Levels** of **signatories** in accordance with paragraph 9;

b) **Designated Entities** of **CPs** in accordance with paragraph 24;

c) **Securitisation Entities** in accordance with paragraph 40;

d) Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with subparagraph 55(a);

e) Attainment of full compliance by a **CP** in accordance with paragraph 57; and

f) The **Effective Date** of the **CP** in accordance with paragraph 54.

105. The **PRDE Administrator Entity** may report to a **CRB**, the following information about a **CP**:

a) **Tier Level** of the **CP** in accordance with paragraph 9;

b) The **Designated Entities** of the **CP** in accordance with paragraph 24;

c) The **Securitisation Entities** of the **CP** in accordance with paragraph 40;

d) Where a **CP** notifies of its nomination of a different **Tier Level** in accordance with subparagraph 55(a);

e) Attainment of full compliance by a **CP** in accordance with paragraph 57; and

f) The **Effective Date** of the **CP** in accordance with paragraph 54.

106. **CPs** and **CRBs** will supply the **PRDE Administrator Entity** such information as required to enable it to fulfil its obligations as specified in 102 to 105.

PRDE Administrator Entity powers

107. The **PRDE Administrator Entity** may initiate a report of **non-compliant conduct**, in which case it will be the reporting party, and the dispute resolution provisions set out in paragraphs 66 to 70 will apply. Such a report can only be issued where the non-compliance relates to:

a) A **CRB** or **CP's** failure to pay the costs identified by the **PRDE Administrator Entity**, as required by paragraphs 7 and 13;

b) A **CRB's** failure to inform the **PRDE Administrator Entity** of the **Tier Level** of a **CP** that contributes credit information, as required by paragraph 5;

c) A **CP's** failure to disclose its chosen **Tier Level** to the **PRDE Administrator Entity**, as required by paragraph 9;

d) A **CP's** failure to notify the **PRDE Administrator Entity** of its **Designated Entities** and/or a failure to notify the **PRDE Administrator Entity** if the **Designated Entity** ceases to meet this criteria, as required by paragraphs 24 and 28;

e) A **CP's** failure to notify the **PRDE Administrator Entity** when it changes **Tier Level**, as required by paragraph 55;

f) Where a **CP** has not notified the **PRDE Administrator Entity** of its compliance within the 12 month period, as required by paragraph 57;

g) A **CP's** failure to notify the **PRDE Administrator Entity** of the acquisition of consumer credit accounts, as required by paragraph 59;

h) A **CRB** or **CP's** failure to comply with the compliance framework notification requirements set out in paragraphs 69 and 70;

i) A **CRB** or **CP's** failure to comply with a compliance outcome, as required by subparagraphs 93(b);

j) A **CRB** or **CP's** failure to comply with a request from the **PRDE Administrator Entity**, as required by subparagraph 93(c);

k) A **CRB** or **CP's** failure to provide its annual attestation as required by subparagraph 93(f), or the provision of an attestation which, on reasonable grounds, the **PRDE Administrator Entity** believes to be wholly or partly false.

107A. Nothing in this PRDE prevents the **PRDE Administrator Entity** from acting as the reporting party and the **PRDE Administrator Entity** in respect of the same dispute.

108. A reporting or respondent **CP** or **CRB** may request the **PRDE Administrator Entity** issue a direction to join disputes (whether at a Stage 2 Dispute or Stage 3 Dispute) where:

    a) There are common parties and issues; and

    b) The **PRDE Administrator Entity** determines the joining of disputes is necessary for the effective resolution of the disputes.

PRINCIPLE 6

Principle 6: A broad review of the PRDE to be completed after three years.

Independent review

109. The terms and operation of this PRDE, including the continued operation of the transitional provisions in Principle 4, must be reviewed by an independent reviewer after the PRDE has been in operation 3 years and at regular intervals after that (not more than every 5 years).

110. The **PRDE Administrator Entity** is responsible for formulating the scope and terms of reference of an independent review. These must be settled in consultation with **signatories**. The **PRDE Administrator Entity** must also ensure that the independent review is adequately resourced and supported, the reviewer consults with **signatories**, the review report is made available to all **signatories** and the review recommendations are adequately responded to.

111. In addition to the independent review, the **PRDE Administrator Entity** may review and vary the PRDE at any time during its operation, on the recommendation of the **Industry Determination Group** or the **PRDE Administrator Entity**. Such recommendation must be supported by:

    a) A statement of consultation, with such consultation appropriate to the nature and scope of the variation; and

    b) 75% resolution of the **PRDE Administrator Entity**.

Promises by **CRBs**

112. Each **CRB** will cooperate in good faith with the **PRDE Administrator Entity** and assist with the review.

Promises by CPs

113. Each **CP** will cooperate in good faith with the **PRDE Administrator Entity** and assist with the review.

DEFINITIONS

"Access request" means a request from a **CP** to a **CRB** for the supply of **credit reporting information**.

"**ACRDS**" means the Australian Credit Reporting Data Standards which are the technical standards and specifications used for exchanging **credit information** and **credit reporting information**. The reference to the **ACRDS** extends only to those versions of the **ACRDS** which are current and supported by **CRBs**, and does not include historic or retired versions of the **ACRDS**.

"**Commencement Date**" means 25 December 2015.

"Consumer credit liability information" has the same meaning as defined by the **Privacy Act**.

A **CP** "**contributes**" **credit information** when it discloses that information to a **CRB** in circumstances permitted by the **Privacy Act.**

"**CP**" has the same meaning as defined by the **Privacy Act**. Any reference to a CP in this PRDE is a reference to a **signatory** CP unless otherwise expressly stated, and also includes reference to any **Designated Entities** of the **CP**.

"**CP derived information**" has the same meaning as defined in the **Privacy Act**.

"**Credit information**" has the same meaning as defined by the **Privacy Act**.

"**Credit eligibility information**" has the same meaning as defined by the **Privacy Act**.

"**Credit reporting information**" has the same meaning as defined by the **Privacy Act**.

A **CP** "**on-supplies**" **partial information** or **comprehensive information** (excluding that component of **partial information** and **comprehensive information** which is **negative information**) when it discloses that information to another **CP**, a **Designated Entity** or **Securitisation Entity**.

"**CRB**" has the same meaning as defined by the **Privacy Act**. Any reference to a CRB in this PRDE is a reference to a **signatory** CRB unless otherwise expressly stated.

"**CRB derived information"** has the same meaning as defined in the **Privacy Act**.

A "**Designated Entity**" is a business or collection of businesses of a **CP** as determined by the **CP** for the purposes of the PRDE. The criteria for **Designated Entities** and related operational matters is set out in further detail in paragraphs 22 to 28 of this PRDE.

"**Deed Poll**" means the pro-forma PRDE deed poll which is a schedule to a **Services Agreement** and is effective, in relation to a **CP** or **CRB**, at the **Effective Date**.

"**Effective Date**" means the date nominated by the **CP** or **CRB** as the date that the **CP** or **CRB**'s obligations (as applicable) under the PRDE become effective. The **Effective Date** may be the **Signing Date**, in which case the two dates will be the same.

"**Eminent Person**" means an independent person who fits the criteria of **Eminent Person**, in accordance with the **Eminent Person** Terms of Reference, and who has consented to inclusion on the panel of **Eminent Persons**.

"**Industry Determination Group**" means a group formed by representatives of signatories, in accordance with the **Industry Determination Group** Terms of Reference.

"**Mortgage Insurer**" has the same meaning as defined in the **Privacy Act**.

"**Mortgage Insurance Purpose**" has the same meaning as defined in the **Privacy Act**.

"**Non-compliant conduct**" means conduct which breaches this PRDE.

"**Participation Level Threshold**" has the meaning given to it by paragraph 30 of this PRDE.

"**PRDE Administrator Entity**" means the Reciprocity and Data Exchange Administrator Pty Ltd (ACN 606 611 670), a subsidiary of the Australian Retail Credit Association Ltd (ACN 136 340 791).

"**Privacy Act**" means the *Privacy Act 1988* as amended from time to time (including by the *Privacy Amendment (Enhancing Privacy Protection) Act 2012*) and includes Regulations made under that Act, and the *Privacy (Credit Reporting) Code 2014* (CR Code) registered pursuant to that Act.

"**Publication Timeframe**" means the timeframe for the **ACRDS** which identifies when each version, sub-version and release of the **ACRDS** will be published, implemented and retired.

"**Rectification Plan"** has the same meaning as defined by the **SRR**.

"**Repayment History Information**" has the same meaning as defined in the **Privacy Act**.

A **CRB** "**supplies**" **credit reporting information** when it discloses that information to a **CP** in circumstances permitted by the **Privacy Act** and in response to an **access request**.

"**Securitisation entity**" means an entity which is not a **Mortgage Insurer** or a **Trade Insurer**, but which is engaged to assist a **CP** for a **securitisation related purpose**.

"**Securitisation related purpose**" has the same meaning as defined in the **Privacy Act**.

A "**services agreement**" is an agreement which is intended (whether expressly stated or otherwise) to enable a **CRB** to assist a **CP** to assess and manage its consumer credit risk (as determined by the **CP**). The agreement will include, in addition to other provisions, an agreement between a **CRB** and **CP** for the contribution of **credit information** and/or supply of **credit reporting information** (as applicable). For the avoidance of doubt, a **services agreement** does not include an agreement which has been suspended or is an agreement for the contribution of personal information (which may include **credit information**) solely for identity verification purposes pursuant to the relevant provisions of the *Anti-Money Laundering and Counter-Terrorism Finance Act 2006* (as amended from time to time).

"**Signatory**" in relation to a **CP** or **CRB**, means a **CP** or **CRB** that has chosen to be a **signatory** to this PRDE by signing the **Deed Poll** and has not withdrawn from its participation in this PRDE in accordance with the **Deed Poll**.

"**Signing Date**" means the date that a **CP** or **CRB** executes the **Deed Poll**.

"**SRR**" means the Standard Reporting Requirements which are the standards used for reporting compliance with this PRDE.

Three "**Tier Levels**" have been established for the **supply** by a **CRB** to a **CP** of **credit reporting information**, the **contribution** by a **CP** to a **CRB** of **credit information**, and the **on-supply** by a **CP** of **credit eligibility information**:

a) "**negative information**" means:

   i) **credit information** about an individual other than **consumer credit liability information** or **repayment history information**; and

   ii) **CP derived information** and **CRB derived information** which is not derived wholly or partly from **consumer credit liability information** or **repayment history information**.

b) "**partial information**" means:

   i) **credit information** about an individual other than **repayment history information**; and

   ii) **CP derived information** and **CRB derived information** which is not derived wholly or partly from **repayment history information**.

c) "**comprehensive information**" means all **credit information**, **CP derived information** and **CRB derived information** about an individual.

"**Trade Insurer**" has the same meaning as defined in the **Privacy Act**.

"**Trade Insurance Purpose**" has the same meaning as defined in the **Privacy Act**.

SCHEDULE 1

Account exceptions (paragraph 33 above)

1. Margin Loan accounts being a loan product where the products purchased (using the loan funds) are shares and the loan security is the shares purchased.

2. Novated Lease accounts.

3. Flexible Payment Option accounts being an account facility offered on charge card products that enables consumers, pursuant to the terms and conditions of the account, to revolve or defer payment of their outstanding balance.

4. Overdrawn deposit or transaction accounts that are not formal overdrafts.

SCHEDULE 2

Repayment History Information reporting exceptions (paragraph 33A above)

1. The 'month' applicable to the **repayment history information** does not meet the 'month' definition in the Privacy (Credit Reporting) Code 2014.

2. The 'month' applicable to the **repayment history information** overlaps with a previous 'month'.

3. The monthly payment that is due in relation to the consumer credit is the result of a Part IX or Part X debt agreement pursuant to the Bankruptcy Act 1966 (Cth).

4. The obligation to make a monthly payment in relation to the consumer credit (the payment obligation) is in dispute in its entirety by the individual and is under investigation on the basis the balance of the consumer credit relates to an unauthorised transaction or the consumer credit was fraudulently opened in the individual's name. This exception will apply only to the time period in which there is a dispute as to liability. Once the dispute is resolved and if the individual remains liable, then RHI for the period of the dispute is no longer subject to this exception.

5. Unless and until a legislative approach to the reporting of hardship information is made and in force, **repayment history information** for an arrangement as defined in Section 28TA of the consultation draft National Consumer Credit Protections Regulations 2010 released for consultation on 14 February 2020 or, if the final version of the Regulations differs, as defined in those final Regulations, where that arrangement is entered into between a **CP** (including any **CP** not covered by Regulation 28TA) and an individual.

Statement of CLN Murthy, Country Credit Risk Director of Citigroup Pty Ltd (Citi)

Citi's views on operation of the PRDE and its impact

Overall comment

1. CCR has enabled credit providers to lend more responsibly. Confidentiality claimed Confidentiality claimed

Impact of CCR on lending decisions

2. Prior to CCR, credit reporting impacted credit decisioning in a relatively simple way – if you had a default recorded, then the scorecard may give you a really bad score; if you had inquiries recorded, your score may be less bad; but for everyone else the credit report didn't really differentiate between individual consumers.

3. CCR data proves to be much more predictive. If you had a marginal application under the old scorecard, you might be able to approve it now. Take for example, an application from someone with a lot of unsecured debt might have been declined in the past, now Citi could see that they might have a home loan with another bank with a good repayment history and therefore may positively support the credit application.

4. CCR also enables Citi to make improved lending decisions – the improved insights enable a 'swap in' factor – that is, approving loans that might once have been declined, or 'swap out' factor – declining loans that might once have been approved. Thus, leading to more responsible and fair outcomes.

Multi-bureau strategy for data contribution

5. Citi have adopted a multi-bureau strategy for data contribution, and we supply to all three bureaus. This has been a considered strategy Confidentiality claimed Confidentiality claimed

6. The process and cost in supply to all 3 CRBs is not that difficult. The investment was made as a longer-term decision, being beneficial to the overall market as well as to the customer through more responsible lending.

7. Inconsistencies in response files, particularly address validation, has been problematic. Some CRBs are more robust than others – and Citi have been keen to understand CRB internal strategies and how they process data. The greatest concern is where data has been accepted through the validation process at one bureau when the other bureaus have rightly rejected it. Citi has also observed differences in interpretation of what CRBs are permitted to share Confidentiality claimed Confidentiality claimed These issues are something that industry will work through as it progresses its adoption of CCR.

8. Citi have focused a lot on remediating rejected data and bringing the reject rate down as part of obligation to supply accurate and up-to-date customer information. Citi's current rejection rate is around 0.2% and we strive to get data quality issues close to 0%.

9. Citi consider data quality as being important for both credit providers and consumers. Consumers' behaviour and awareness of credit reporting has changed. There is

more awareness that a CP will obtain information about undisclosed debts from a credit report, and this may impact a credit application. Consumers are also concerned if the information on their credit report is different between bureaus, or if a closed account is still being reported by a credit provider (which impacts an approval of an application), or if personal information such as address is absent or inaccurate. Certainly, if an application is declined because of an account at another provider that is actually closed, then the consumer is highly motivated to get their credit report cleaned up.

Confidentiality claimed

Multi-bureau strategy for data consumption

11. Citi have also adopted a multi-bureau strategy for both data contribution and consumption. Confidentiality claimed

Confidentiality claimed

Confidentiality claimed

Competition between CRBs

13. There is a lot of consistency in CCR information available from each bureau, and Citi has been able to compare the degree of consistency of information supplied by each bureau for the same consumer credit application.

14. All three bureaus are now more nimble than the past. Competition is based on many factors:
    - Pricing is more competitive Confidentiality claimed

Confidentiality claimed

- While CCR data is consistent, all three bureaus also have unique data assets, such as defaults from telcos and utilities, and payday lenders. Bureaus also have different amounts of historical inquiry data Confidentiality claimed

Confidentiality claimed

- The quality of the data provided by the bureau is very important Confidentiality

Confidentiality claimed

- Confidentiality claimed

15. Overall, bureaus are more dynamic in terms of service offering.

Impact on Citi's competitive position

16. CCR has been very important for a credit provider such as Citi, and it has been very important to assist levelling the competitive playing field. Confidentiality claimed
Confidentiality claimed

PRDE and Compliance

17. The implementation of CCR is now settling down. Confidentiality claimed
Confidentiality claimed

Confidentiality claimed and self-regulation appears to be working.

18. Confidentiality claimed

19. Confidentiality claimed

20. Citi believes that they and the rest of industry wouldn't be where we are today without the PRDE and data standards, and the ongoing work that's done to manage them.

Regulator views on CCR

21. Citi see both APRA and ASIC as big advocates for CCR – it is almost an "if not, why not" approach.

COVID-19

22. Confidentiality claimed

23.

Signed:

[redacted]

CLN Murthy
Country Credit Risk Director – Consumer
Citigroup Pty Ltd (Citi)

Date: 24-June-2020

Restriction of Part Publication claimed

Statement of Megan Readdy, Chief Risk Officer of CUA (Credit Union Australia)

CUA's views on operation of the PRDE and its impact

Data contribution strategy

1. CUA provides CCR data to all three bureaus. Confidentiality claimed

2. CUA has plans to realise greater value from CCR data and our bureau relationships. Confidentiality claimed

Data contribution issues and data quality

3. CUA used an external vendor to set up our multi-bureau supply. We deliver data into the vendor's software product which converts CUA's data into the data standard and passes it onto all three bureaus.

4. CUA has observed differences in response files returned by the bureaus. Confidentiality claimed

Competition between CRBs and multi-bureau strategy

6. CUA has observed the availability of CCR data expanding significantly as CCR participation has increased.

7. Bureaus differ in the extent of non-CCR data they have available e.g. SACCs/MACCs, telco, utility data. This means the coverage of data they have available (CCR and other suppliers) is important for competition between them.

8. Competition between bureaus is much stronger than the competitive landscape before CCR. Apart from data coverage, bureaus are now offering a range of services such as:
   - Validation of what data the CRB has (at portfolio level) at no cost, as a 'try before you buy'
   - Better portfolio monitoring services to help inform us about customers who might be experiencing hardship
   - A range of software and consultancy services to support credit providers throughout the credit life cycle

9. Confidentiality claimed

Confidentiality claimed

10. Over time, we would expect bureau offerings to CUA would become more competitive.

CUA's use of CCR data

11. The catalyst for CUA starting to contribute and consume CCR data was the ease of access to data not readily available to CUA. As a small lender, CCR provides us access to verify an applicant's liability position making it easier for us to lend responsibly and reducing the need for members to supply statements. It was CUA's expectation that the mandatory CCR legislation would require the major banks to contribute, and linked to that was the value we would gain from being able to identify under- and un-disclosed liabilities.

12. ASIC and APRA have played a role in encouraging the uptake of CCR in the industry.

13. Overall, using with the support of CCR data, CUA has found under- or un-disclosed liabilities on around 30% of applications. Using CCR means our loan assessments consider the applicant's full liability position supporting good credit risk management and responsible lending.

14. CCR also enabled CUA to use a broader range of credit decisioning rules which have facilitated efficiencies e.g. utilising repayment history information, or the type of credit account listed on the bureau file.

15. CUA has also observed that the value and predictiveness of bureau scores has increased significantly since CCR. This has supported our ability to simplify our loan origination process, reducing cost and improving member experience. Confidentiality claimed

16. Confidentiality claimed

17. Overall, for CUA the major benefits of CCR have been around supporting responsible lending and improving the customer experience. Furthermore, we have reduced operating costs including being able to run a much simpler decisioning environment. Whether CCR has made any difference to defaults and arrears has proven complex to isolate from other contributing factors such as the overall credit cycle, which has deteriorated over the past couple of years.

CUA's competitive position

18. The steps CUA has taken so far with CCR have helped to reduce the cost of acquiring new members and improved the proposition offered to our members in terms of better service. As a mutual, lower costs can either be passed directly back

to members via the competitive products and services we offer, or by re-investing into the business on new services or technologies to improve member experience.

COVID-19

19. CUA is evaluating the ability of CCR data to support our work with members impacted by COVID-19. Our hope is that using CCR data will enable us to better support our members with the right form of assistance.

20. COVID-19 has also impacted CUA's ability to undertake other projects Confidentiality claimed

PRDE compliance

21. CUA is confident there is good PRDE compliance in the industry. There is more consistency needed in the treatment of data, but issues are not widespread and are not impacting a large part of a credit provider's portfolio. Other issues are also being raised and resolved through ARCA working groups e.g. defaults listing. The workgroups are helpful to raise awareness of where potential issues may exist and to prompt credit providers to investigate their reporting. The workgroups help CUA understand the limitations, as well as opportunities, of using CCR data in our own business.

Signed: 

Megan Readdy
Chief Risk Officer
Credit Union Australia

Date: 25 June 2020

Statement of Lisa Davis, Chief Operating Officer, Equifax

Equifax's views on operation of the PRDE and its impact

Overall views on the need for PRDE and its impact

1. The PRDE has supported the engagement credit reporting bodies have had with credit providers around participation in CCR. Credit providers see the PRDE structure with reciprocity rules, a transparent/clear process as setting a standard for everyone, there's no favouritism between big and small credit providers. They understand principles like reciprocity – "I get it if I give it".

2. Equifax also see that the consumers of credit reporting services have benefited from having the PRDE – it has led to more industry level ubiquity of data – better coverage of the broader population. From the users of credit reporting services perspectives that's been a better outcome.

3. Equifax notes however that participation under the PRDE may be attributable to other factors, in particular regulatory pressure, rather than or in addition to the PRDE itself. Certainly the transparency of rules around the PRDE helped motivation for participation. But so did regulators. And today, the motivation for participation has switched – those not participating are seeing the risk of adverse selection.

Reasons for non-participation of other sectors outside financial services

4. Not everyone understands the value of CCR data, versus the value of just using their own data. The value proposition is still not crystal clear.

Challenges for participation in CCR

5. Equifax has no direct comment about the cost of small credit providers supplying data, this is a matter for the credit providers directly.

6. However, for the smaller credit providers there's an ongoing challenge for them to invest to continue to be part of the credit ecosystem. It's not an issue around the PRDE per se, its due to their size and general challenge they face to fund new investments, to upgrade their infrastructure over time, undertake maintenance and adapt to regulatory change.

7. Equifax see similar and even bigger challenges facing the "top end of town" because their change agendas are so large (and far broader than just CCR). So there is risk at both ends.

Value of the data standards and data quality

8. Having the data standards has been valuable, but it comes with a price, and organisations have to deal with it in the midst of different priorities – it's part of a broader picture.

9. Data standards go a long way to set the expectations, but there's still a data quality issue to be resolved. The problems stems from the fact that the industry is creating CCR data sets from multiple different platforms and Equifax needs to consume it. Equifax's view is that most in industry haven't thought about the total cost of data supply including managing data quality, and focus instead at component pieces. This means there's no priority given to looking at the overall process and its cost. There's

a broader transformational challenge for industry. If this doesn't happen then industry will keep creating its own work and data quality issues won't be resolved as much as they should be.

10. Initially the challenge was been dealing with the quantity of data. For Equifax, CCR hasn't meant they are dealing with a significant number of new credit providers, but CCR generates 10 times more data than before being provided on a monthly basis, and that means more checking and validation, and learning to deal with new interfaces and response files. There were challenges early on to onboard clients and there were missteps along the way, but that's not unexpected given the new processes people were getting used to.

11. And while the broader transformational challenge is still a long way to being resolved, progress has been made. The manner by which credit providers supply data is changing as they upgrade their systems over time. In the past 12 months there have been much stronger controls and checks – better data sequencing. There seems to be more of rhythm to data supply, a stronger adherence to the schedule.

12. The transformation itself has also presented a challenge for Equifax, because as credit providers upgrade there's a corresponding piece of work for Equifax for each individual credit provider. Equifax have had a dedicated team for onboarding CCR data over the past two years – it has been a significant investment, but Equifax understand the value of data long term and so they believe it has been a worthwhile investment.

13. But overall, data supply has improved. At the credit provider end there's a more integrated approach to data provision, it is becoming more "business as usual". There are much stronger controls in place for data supply. Equifax has noticed adherence to schedules for data supply is now pretty strong, and that's very important for Equifax given the amount of data they receive.

14. By the end of 2019, given critical mass in data had been achieved together with sufficient experience with that data meant that credit reporting bodies such as Equifax could develop new insights for customers.

Supply of default information

15. Equifax have seen an improvement in default information supplied under the PRDE, and would emphasise that the issue of reciprocity started with default information, not the much more fulsome set of CCR data.

16. While more default information is being supplied, and progress been made, there are still needs for us to focus on defaults being supplied today.

Competition between credit reporting bodies

17. For the provision of base data the introduction of CCR has improved competition between CRBs, but CCR is only a proportion of data that is built into their products and services.

18. As CCR has become more relevant and fulsome, more bureaus have the same data – so whereas before the question was "what data do you have", now the question is "what can you do with it". Equifax's subscription services are focused on selling insights rather than data. Credit providers adopting multi-bureau strategies for supply

and consumption was an expected outcome of CCR, so being able to incorporate other data into your analysis and provide insights is important for Equifax – and we believe they do it better than others.

19. Overall the market is more competitive, but pricing has not been affected greatly. More important is the aggregated value proposition you have including CCR data as part of the overall solution being provided.

Consumer impact

20. Provision of free services to consumers is an essential service provided by Equifax, and a significant cost for them to provide. Demand for this free service has increased exponentially, a 33% increase between late 2018 and 2020. Equifax have observed that more people than ever before are interested in their credit file and in their credit score. This has been driven by a number of factors including:
    - The rollout of CCR and more data being in the system
    - More literacy around credit reporting and its impact on getting credit
    - (Unfortunately) Growth in credit repair services – more data means more targets for credit repair – though right now they have shifted focus from defaults to inquiry data rather than CCR data itself, so the effects are being felt by telcos and energy companies as well.

21. Equifax want consumers to understand their credit health and understand data and make smart decisions – more data is better if it helps people make smarter choices. Equifax sum up their role as "helping you live your financial best". With more refined data we expect to see an increase in suitably tailored offerings for customers within risk tolerances and healthy competition in the market. A side challenge is more data is spawning other industries (credit repair) wo aren't always working towards the same goal.

COVID-19

22. Equifax have experienced more demand from their clients since COVID-19. Clients are seeking insights they can trust, and Equifax is able to combine CCR data with other insights including bringing a historical perspective using bureau data from the last market downturn.

23. COVID-19 has been a real test to data standards, and for reasons outside our control the industry isn't where it really wanted to be. Industry needs to get on the front foot in the future about this.

PRDE compliance

24. Equifax believe that compliance with the PRDE is working pretty well. There have been aberrations from time to time (like now with COVID-19), but they see an underlying desire to comply - the goal and intent to comply is pretty strong.

25. In terms of extended powers under the PRDE, there's a need to ensure the compliance role is narrow and targeted. There's also a need to consider the hidden costs imposed by standards and compliance with them. Many credit providers haven't understood the true cost of participation over time, especially now the focus is on smaller participants coming on board who may not be able to wear those costs.

Signed: 

Lisa Davis, Executive General Manager

Date: 24 June 2020

Experian's views on the operation of the PRDE and its impact

22 June 2020

1. Authors

Tristan Taylor General Manager Credit Services Experian A/NZ	**Rebecca Barbour** Manager, Bureau Client Relations Credit Services Experian A/NZ	**Robbie Dyer** Director of Operations Credit Services Experian A/NZ

2. Opening statement

Experian has expertise in operating credit bureaus across the globe, with 23 consumer bureaus holding over 1 billion records. We are able to draw upon our global expertise and best-in-class operational experience to help support organisations in transforming regulatory changes into responsible growth, improved operational efficiency and enhanced customer experience opportunities.

We continue to strongly support and promote the adoption of the supply and consumption of Comprehensive Credit Reporting (CCR) data in Australia. The use of this data in decisioning and customer management has become even more vital, given the economic impacts the industry is likely to see as a result of COVID-19.

We are committed to supporting and educating consumers, assisting them to effectively manage their credit histories and support their financial goals.

3. Experian's views on operation of the PRDE and its impact

3.1 Overall views on the importance of the PRDE

Credit Providers

Having the PRDE in place has been very important as it provides the framework and structure for credit providers (CPs) to implement CCR. CPs have relied on the PRDE being in place before they would participate and engage with CCR. Experian understands that the framework has helped CPs to engage their internal stakeholders for approval to participate in CCR, because they could demonstrate that the structure and framework apply industry wide.

Credit Bureaus

For credit bureaus (CRBs) the PRDE has facilitated improved operational interactions with CPs. It has also meant that on-boarding of new CPs has been greatly simplified, particularly compared to those same interactions prior to the PRDE being in existence.

Having an industry framework that applies across the board has been important in removing risk that contracts between CPs and CRBs would produce situations that weren't good for the industry as a whole e.g. exclusivity of data supply to a single bureau which would limit competition. Leaving the rules of participation in CCR to bilateral arrangements would almost certainly have left them open to negotiation. The PRDE removes this risk and uncertainty; It creates a multi-lateral arrangement which ultimately resulting in a more even playing field.

Consumers

Crucially, there are also significant benefits to consumers where credit information is shared equally with all CRBs. Experian notes that this has improved with the introduction of the PRDE but is still subject to some disparity due to historic data supply arrangements. Where information is not consistently shared with all CRBs, it results in greater confusion for consumers. Not only do they see different information displayed on Credit Reports from the CRBs, as new Access Seekers enter the market, they also see differing data. When consumers then engage with CPs, there is also confusion which CRBs that lender might have relationships with, and hence which credit information may or may not be assessed as part of an application.

The PRDE also creates an important set of standards and guardrails to ensure that CRB and CP signatories, regardless of their size and influence, are held to a consistent set of standards.

Overall, the PRDE creates the environment that has enabled CCR to happen effectively.

3.2 Data supply under the PRDE

Information is more evenly spread around CRBs as the result of the PRDE. Information asymmetry - in terms of differing data held by different bureaus - is detrimental to competition between bureaus and confusing for consumers. While this asymmetry still exists to some extent for negative data, it is far less prevalent with CCR data.

The PRDE creates more competition between CRBs on products and services. Whilst under the negative reporting regime, data was a significant point of differentiation among CRBs, supply of CCR data under the PRDE – supported by participation of the four major banks – has helped to create greater data parity amongst the credit bureaus.

Experian also notes that a surprisingly low number of organisations who have signed up to the PRDE have opted to contribute data at lower tier, which is seen as a positive indicator of the value of CCR data and reciprocity.

3.3 CRB competition

Whilst data supply was initially a challenge, particularly for larger and more complex lenders, changes of banking systems to consume and decision on CCR data are typically a greater challenge. The CP environment is complex, with consumption involving new systems, policies, and scorecards etc. Not many

CPs have fully transitioned to CCR data consumption with many still relying on negative data; there remains a disparity between CPs on consumption of CCR data.

Because of this, negative data can still play a role as the basis of competition between CRBs. Each CRB has its own unique assets for negative data which might include subprime, mutuals, BNPL, telecommunications and utilities.

Experian notes that a strong CCR regime – as seen in other countries – facilitated by the PRDE is a crucial instrument for facilitating equal supply of data to the bureaus. Supply parity - as noted previously - results in better outcomes for consumers, stronger products for CPs and improved competition amongst CRBs. Strong progress has been made but there is still an important role for the PRDE to ensure full adoption of CCR throughout the market.

As the four major banks account for a large proportion of open and active accounts, and many consumers move between those institutions, competition between bureaus has been greatly facilitated.

The market is also reaching a tipping point where the benefits of positive data – as measured in terms of predictive power and coverage - now significantly outweigh the impact of unique negative data that a CRB might hold.

Experian notes that CCR adoption could further benefit from the introduced of additional mechanisms to stimulate CCR uptake from a consumption point of view.

Experian supports the future inclusion of Telco and Utility providers in CCR at the full tier. Currently these organisations are excluded from full participation (by the Privacy Act). These organisations represent significant volumes of consumer applications and are crucial for their representation of "new to credit" and "new to country" consumers.

3.4 Multi-bureau supply issues

Experian sees that the majority of CPs have chosen to deal with multiple CRBs for their CCR data supply projects. There are numerous benefits to these organisations in terms of optimising bureau spend through increased competition, transparency for consumers and systems resilience.

Whilst for some of the early movers on CCR data supply, there was some additional effort dealing with a new data standard and slightly divergent data handling processes from the three CRBs, as the industry has gained experience, the effort, complications and errors have fallen.

What is certain is that without the data standards (ACRDS) it would be almost impossible to build a multi-bureau strategy and certainly impossible to enable automated data supply.

3.5 Compliance with PRDE

Based upon visibility Experian has, we believe compliance with PRDE is high and we are not aware of circumstances where non-compliance that is not remediated effectively.

ARCA has played an important role supporting both CPs and CRBs compliance and dispute resolution. Importantly ARCA forums and working groups also play a crucial role in proactively identifying emerging issues and facilitating resolutions.

ARCA continues to play a key role in helping bridge the gap between operation of the Privacy Act, CR Code and PRDE.

3.6 COVID-19

Experian recognises the longer-term implications of how COVID-19 affected consumers are being represented in the credit reporting system. Crucially the challenges faced by consumers and CPs during this time has one again highlighted the need for further enhancements to the CCR regime. Specifically, Experian notes the following features would have provided significantly improved reporting and outcomes during and after the crisis: the ability to report hardship flags within repayment history, balance at an account level and more frequent supply of CCR data.

Experian's observations of the experience in other geographies is that the presence of these additional features has enabled CPs and CRBs to react more seamlessly to COVID-19, gain deeper insights more quickly, enable more streamlined lending practises and provide consumers with a simpler and more consistent experience.

Signed: 

Tristan Taylor, General Manager

Date: 20 May 2020

About Experian

Experian is the world's leading global information services company. During life's big moments – from buying a home or a car, to sending a child to college, to growing a business by connecting with new customers – we empower consumers and our clients to manage their data with confidence. We help individuals to take financial control and access financial services, businesses to make smarter decisions and thrive, lenders to lend more responsibly, and organisations to prevent identity fraud and crime.

We have 17,800 people operating across 45 countries and every day we're investing in new technologies, talented people and innovation to help all our clients maximise every opportunity. We are listed on the London Stock Exchange (EXPN) and are a constituent of the FTSE 100 Index.

Learn more at experianplc.com or visit our global content hub at our global news blog for the latest news and insights from the Group.

Statement of Tim Brinkler, GM Credit Risk of Latitude Group (Latitude)

Latitude's views on operation of the PRDE and its impact

Value of comprehensive credit reporting (CCR) data usage

1. The undisputed and most easily understood benefit of CCR has been its use to identify undisclosed liabilities, especially credit card debt. While in some cases the customer just hadn't cleaned up their financial position and hadn't closed accounts, there has also been the segment that has until now been cycling debt between credit providers. At the extremes this could be multiple credit cards and aggregated limits in the tens of thousands of dollars.

2. Identification of undisclosed liabilities supports the responsible lending use case. In addition to the undisclosed liabilities, Latitude treats this as undisclosed expenses as well – we recalculate commitments for affordability based on the new level of debts identified.

3. CCR data hasn't yet been implemented in Latitude's scorecards due to lack of data maturity but will be soon. As a consequence, our scorecards are still based on negative data and CCR is being used in decision/policy rules. Under the old regime of negative only data, decisioning was more black and white – if you had negative data then it was most likely you would be declined. Now with CCR, more refined decisions are possible. For example, an applicant that may have previously been declined due to an aged default may now be approved if it can be identified through CCR that they have positive recent repayment history with another credit provider.

4. While Australian CCR data matures, Latitude have been experimenting with using CCR data in scorecards leveraging our experience from New Zealand. The NZ business has built scorecards with positive data, and Latitude is applying one of the NZ scorecards in Australia in advance of being able to build tailored Australian scorecards. This is an indication of the value provided by CCR data to refine lending decisions.

5. Latitude's experience is that aside from undisclosed liabilities, the biggest impact of CCR has been a net migration to better risk grades of the population that we would have normally approved. With the shift to higher scores some of these applicants now qualify for higher limits than previously, because the data produces a better score indicating a lower risk (subject also to affordability testing).

Impact on competitive position

6. Latitude believe that our competitive position is stronger as a result of CCR as we have large portfolios and have teams of skilled analysts and modellers able to make the best possible use of the valuable data provided by CCR.

7. Latitude believe the way CCR has been implemented into Australia provides the best possible opportunity for this data to support responsible lending by:
    - Adopting the principle of reciprocity and in so doing encouraging data contribution whilst ensuring equity in the process
    - Requiring lenders to contribute all the portfolios they have thus providing a comprehensive view of an applicant's lending commitments.

8. By contrast, for the latter point the United Kingdom applies reciprocity on a portfolio basis. This means that a lender can elect to contribute by portfolio (if you contribute cards data you can access cards data). It also means that a lender that doesn't lend a particular product (eg mortgages in the case of Latitude) would not be able to access mortgage data which would compromise the ability to make responsible lending decisions where such data is not disclosed by the applicant (as is often the case).

9. Reciprocity has been a fundamental principle behind CCR participation in Australia – without it no one holding significant data would have likely agreed to participate. Latitude would not contribute our CCR data were other lenders and competitors able to access this data for their own benefit without themselves contributing.

Data supply under the PRDE

10. Latitude supply data to all three credit reporting bodies (CRBs) and strongly support the principle of equitable data supply. If this principle were not in place:
    - There would be a risk of CRBs competing on data access, including offering contractual incentives to encourage unilateral data supply in exchange for reduced enquiry costs
    - The resultant fragmentation of data would mean a lender would need to enquire with multiple CRBs to get a complete picture of an applicant's lending commitments.

11. Latitude didn't fully appreciate the implications of multi-CRB supply and data maintenance at 3 CRBs.

12. Whilst for data supply there is minimal operational overhead associated with sending the data to 3 CRBs, it does create incremental operational process as part of the data upload and maintenance process at the CRBs. This is because of the differences in matching logic and data validation.

13. The ongoing overhead of monitoring data supply has been an additional, ongoing cost. Note however that even if Latitude were to stop supplying data to 1 CRB it doesn't take away a third of the work as there is still a need to manage and maintain data previously contributed.

14. As an early mover with a large customer base, Latitude helped iron out early issues with interfaces between credit providers and CRBs, and those who came later benefited.

15. While the operational issues with a multi-CRB supply have been more significant than anticipated for Latitude, without the data standard (ACRDS) it would be materially more difficult and costly to the extent that it would likely not be viable to contribute different data sets to 3 CRBs. This would in turn compromise the principle of equitable data supply.

16. That said, if you erode the PRDE the whole thing falls apart. Reciprocity is such a critical principle to the whole regime.

CRB competition

17. There is a lot more parity in data held by the CRBs as a result of the CCR regime established by ARCA, though there is still unique data (which is quite valuable and compelling) in CRBs from non-PRDE signatories for negative data. Some of this is historical but with the passage of time these historical differences are diminishing.

18. Latitude have also observed that some differences in data between CRBs relate more to the differences in the CRB matching algorithms – the data provided is the same but it is matched differently. The differences in CRB matching cause bigger differences in data sets than unique data. This gap is narrowed when 'near matches' are considered.

19. Latitude consume data from all 3 CRBs, although we do have a primary CRB. Legacy infrastructure at credit providers is a barrier to competition between CRBs. Like other lenders, Latitude carry the legacy of infrastructure supporting a single primary CRB, and multiple changes are necessary to accommodate interfaces, data receipt and data use from multiple CRBs. This includes expansion of data storage, expansion of data accessed by decision engines and changes to scorecards and decision logic.

20. The PRDE simplifies this issue and thus facilitates greater competition between the CRBs. This is because providing consistency in data at the CRBs makes it more possible to switch between CRBs. For example, a CCR scorecard attribute sourced from one CRB is less likely to need re-analysing and change if the same data attribute is sourced from a different CRB.

21. Latitude support the principle that CRBs should be able to compete on an equal footing in terms of data supply with the PRDE and ACRDS being key to supporting both this and the ease of transition between CRBs. The CRBs would then compete on the basis of cost and value-added services.

Compliance with PRDE

22. Latitude have no data or evidence that the PRDE is not being complied with by any market participants. The ability to self-report has been a good feature encouraging compliance.

23. More recently Latitude have identified the access seeker/"soft inquiry" process as an issue that needs to be clarified. This may include more explicit rules on where a soft enquiry can and can't be used, for example similar to the decision in New Zealand around indicative loan pricing before a formal credit application is submitted.

Case study of NZ

24. Latitude also operates in New Zealand and has had the benefit of seeing CCR evolve in both markets as an active participant. Unlike what exists in Australia through the PRDE and ACRDS governed by the RDEA and ARCA, Latitude is somewhat frustrated with the lack of governance around CCR in NZ.

25. The industry principles for CCR in NZ were developed by the industry body RCANZ, but the principles lack detail similar to the PRDE (they are a heads of agreement only)

and the data standard is interpreted differently by different CRBs. The governance provided by RCANZ and their broader industry influence is limited.

26. Participation in CCR in New Zealand is still widespread, but there can be disparity in data. The principle of equitable data exchange is not enshrined in legislation or a code creating opportunity for divergence from the principle in the heads of agreement.

Signed: 

Date: 25th June 2020

Statement of Paul Abbey, Chief Risk Officer of MoneyPlace

MoneyPlace's views on operation of the PRDE and its impact

1. MoneyPlace was one of the first few CPs participating in the PRDE, and we have seen some significant change in our time participating, particularly now compared to a few years ago.

Data contribution strategy

2. MoneyPlace provide CCR data to all three bureaus. MoneyPlace wanted a level playing field between the bureaus – we want our business to be bureau agnostic. MoneyPlace also believes that multi-bureau data supply is important for our customers i.e. it is the customer's data and it is important that MoneyPlace share it and make it available to support our customers.

Data contribution issues and data quality

3. MoneyPlace provide the same file to all bureaus but we have three different error rates due to different approaches to validation e.g. one of the bureaus reject the entire record if an optional field is in the wrong format. MoneyPlace also encounter issues when we try to update multiple data sets at the same time. For example, we try to be fast to supply RHI and account closure information – but we find it challenging to update both CCLI and RHI as part of one change. (This may be because 2 bureaus accept, 1 will reject).

4. These issues are compounded for MoneyPlace because we supply data both mid and end of month, for accounts that cycle in the first half of the month compared to the second half of the month.

5. The bureaus also have different processes for corrections e.g. two bureaus provide a web portal for corrections allowing MoneyPlace to undertake the work themselves, but the third bureau does not provide web portal access for immediate updates, which means the correction will only take effect when the bureau processes it. This might impact a customer making an application at another credit provider because the MoneyPlace credit account might show as open with that third bureau.

6. One bureau might also be fast for uploading data but MoneyPlace encounter more issues with data validation. Another bureau might be less timely but have a lot fewer issues.

7. MoneyPlace has clean data going in upfront, and we have found these multi-bureau challenges unexpected, given it had been assumed it would largely be a copy and paste exercise. However, there has been an unexpected resourcing cost in keeping the bureau data up-to-date.

8. MoneyPlace also notes that there can be major delays for data to hit the bureaus – however, MoneyPlace are not clear whether this is due to slow delivery of information by other credit providers, or processing at the bureau. See an example below, which might also be on hardship – April, not reported and pending May/June:

Open date	Status	Latest limit
18 Jan 2019	Open	$406,813(11 May 2020) Show original limit

Repayment history

2018						2019												2020					
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
C	C	C	C	C	C	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	R	P	P

Multi-bureau strategy and competition between CRBs

9. MoneyPlace have set up so we can consume CCR data from all three bureaus.

10. Coverage of data differs between bureaus, less so in terms of CCR data available under the PRDE, but more in terms of data supplied by payday lenders and other sectors such as telcos. One bureau also has CCR data available from the payday sector who aren't PRDE signatories.

11. Telco data also tends to also be shared between different bureaus, depending on which bureau the telco is dealing with, as they tend to change regularly. Public record information such as bankruptcy information is also surprisingly better at one bureau, compared to others.

12. Timeliness is a point of competitive difference between the CRBs, with some CRBs quicker to load – and this can be critical for customers, particularly having accounts closed.

13. Apart from differences in data coverage and timeliness, all the bureaus compete with each other on a range of other products and services. For example, one bureau offers benchmarking services and has a big focus on portfolio management and collections tools. Another is very focused on analytic services and providing a "sandpit" for analysis. The third bureau offers upload tools for CCR data but has been the weakest for innovation.

14. Pricing approaches have differed between bureaus. One is very transactional and looks for price hikes each year. Another is more negotiable. The third used to offer "all you can eat" pricing for CCR but is now offering discounts based on total spend across all the products and services you buy from them.

MoneyPlace's use of CCR data

15. MoneyPlace provide consumers with an opportunity to make "soft enquiries" which utilise CCR data, prior to the consumer committing to make a full application. In this respect, CCR is helpful in the "price discovery" process.

16. The full application process at MoneyPlace also involves a call on CCR data, but this is a "hard inquiry" that will leave a footprint on the customer's bureau file. This helps to understand undisclosed debts vs the application form or observed via their bank account.

17. Prior to CCR, MoneyPlace saw some customers trying to "quarantine" what they told us, but now CCR helps with verification and identification of undisclosed debts. Being able to identify under- or un-disclosed debts allows MoneyPlace to make more prudent serviceability calculations.

18. The availability of RHI data within the framework helps to better support responsible lending by identifying customers who are under credit stress in the form of missed payments or severe distress where they are very close to charge-off. This can be identified via other sources, but the virtue of a data standard means it's very easy to digest this information.

MoneyPlace's competitive position

19. MoneyPlace has had the benefit of being established relatively recently, without the burden of legacy technology systems. A key factor for MoneyPlace in a world with no existing customers, is to leverage the data available to ensure there are "no strangers" and data asymmetry is reduced. Transactional data and CCR information helps to make that possible.

20. For consumers, being able to capitalise on their strong repayment profiles and leverage their data to get a better deal than they would at a bank – this, together with a quick turnaround is helping consumers see there is a better way.

COVID-19

21. MoneyPlace is following the industry approach to reporting RHI for COVID-19 affected customers.

22. In terms of data consumption, MoneyPlace understand the credit file will be impacted. Our approach to mitigating this is to ask customers questions upfront if they've been impacted, especially if they come from COVID-19 affected industries, or are a casual worker.

PRDE compliance

23. MoneyPlace haven't identified anything that would suggest there is any material non-compliance within industry around the PRDE requirements.

24. However, MoneyPlace have noticed that the major banks do not appear to disclose all defaults. That is, you may see an account showing extremely delinquent RHI that is closed the next month, and no default information subsequently appearing in the system. Very few of these will have closed as 'good' accounts.

Signed:

Paul Abbey, Chief Risk Officer

Date:

17th June 2020

Statement of Andrew Ward, General Manager, Credit Portfolio Management of NAB (National Australia Bank)

NAB's views on operation of the PRDE and its impact

Data contribution strategy

1. NAB provide CCR data to all three bureaus. Prior to CCR NAB used two bureaus but through the CCR project we added a third. NAB saw the value in distributing data across all three bureaus to drive innovation and competition between the bureaus. It also gave NAB choice in which bureau services to use because, under PRDE consistency provisions they will develop a similar array of data over time.

Data consumption / multi-bureau

2. NAB see that the new elements of CCR data (namely CCLI and RHI) coming from the three bureaus is largely aligned, but each bureau has pockets of unique data in relation to negative elements – primarily due to credit enquiries and a legacy of negative default data.

Competition between CRBs

3. Bureau Service innovation has been seen to varying degrees by the CRBs in Origination (to assess an application for credit), Portfolio Management (to assist customers to avoid defaulting) and Collections (to collect overdue payments) areas. Innovation was initially focussed largely on Origination but as this has been established, has shifted towards Portfolio Management and Collections.

4. There are still opportunities for the Bureaus to deliver additional insights from the data they have e.g. customer level insights and how product usage overlaps between competitors.

NAB's use of CCR data

5. NAB sees the value in the use of consumer credit liability information (CCLI) in strengthening its ability to identify undisclosed liabilities.

6. CCR data has also improved NAB's assessment of new to bank customers and determination of the risk profile for these customers.

7. NAB also see that the consumers of credit reporting services have benefited from having the PRDE – it has led to a more broader industry coverage of data – better coverage of the broader population. From the users of credit reporting services perspective, that's been a better outcome.

8. NAB also notes how much the participation under the PRDE can be attributed to the PRDE itself versus other factors such as regulatory pressure. Certainly the transparency of rules around the PRDE helped provide motivation for participation. But so did regulators. And today, the motivation for participation has switched – those not participating are seeing the risk of adverse selection.

Impact of CCR on NAB's competitive position

9. Overall, CCR has probably had a neutral impact on NAB's competitive position. Yes, a new entrant can get more data now, but so can NAB. Of course, NAB has had to work hard to maintain its competitive position – if we weren't actively using CCR data it would be in a worse position.

PRDE compliance

10. NAB is comfortable with PRDE compliance in the industry. We have a good window into this through originations – we aren't seeing anything coming through that gives us cause for concern. We see data at a very granular level from different credit providers – if there was an issue we'd generally see it.

COVID-19

11. NAB recognises that COVID-19 will impact the RHI being reported, and many customers who have a COVID-19 payment pause will not be immediately visible.

Signed:

Andrew Ward
General Manager, Credit Portfolio Management
National Australia Bank

Date: 25/6/2020

Statement of [Joanne Edwards, Chief Risk and Data Officer] of WISR (Wisr Finance Pty Ltd ACN 119 503 221)

WISR's views on operation of the PRDE and its impact

Overall comment

1. WISR's view is that without the PRDE, the fintech industry engaged in consumer lending would not exist. Because of the PRDE, fintech's are able to compete – the PRDE has shifted the basis of competition – it's no longer a David and Goliath battle based on the amount of data you hold, but rather it's competition about expertise in using data that is available to everyone.

How the PRDE has facilitated a more even playing field in data and talent

2. Without access to industry data through the PRDE, it simply would be too challenging for WISR to lend, because we would be lending "blind". And without access to data, we wouldn't have seen the movement in people from established industry players to fintech's – the best people wouldn't have joined a fintech if they thought they could not compete. So, access to data was critical for the fintech industry to exist, to attract talent, and compete. In this respect Australia through CCR and the PRDE is only catching up to where other markets (e.g Europe, new Zealand, US) have been for some time.

A more even playing field has benefited the large incumbents as well

3. In WISR's view, the major banks have also benefited from CCR under the PRDE. Even though the big banks only have data about their own customers, they are still getting access to data and insights they never had before.

Benefits of getting access to CCR data for WISR

4. Even though the transition to CCR by the major banks had only recently started (with NAB in February 2018), WISR started consuming CCR data from mid-2018. As participation in CCR has grown, WISR has become more and more reliant on CCR data, and the need to conduct follow-up inquiries to verify what customers say has reduced.

5. Because we have CCR data it's much less onerous to prove what liabilities a consumer has and how those loans are performing. Some consumers do try to hide loans, and even if you had access to bank statements before, some consumers might deny a loan was theirs – but now you can point to the CCR data.

6. WISR is now able to dramatically improve turnaround times for consumers – from days to approve a loan given all the back and forth – to hours. Applications can be fast tracked with fewer enquiries required. There is also less onus on the customer to provide information, and less friction and accusation in dealing with the customer – rather than the customer being queried about entries in account statements, WISR can now simply point to the credit report entry.

7. CCR data obtained through the PRDE has provided an extra tool to solve the information asymmetry problem small lenders had with consumers. Some consumers treated that asymmetry as a game, but that's much harder for them now – time and time again WISR is finding undisclosed liabilities. Larger CPs such as the major banks

had less of a problem with information asymmetry because they did most of their lending to existing customers where they also had the transaction accounts. Smaller CPs like WISR are so much more reliant on CCR and bureau data. WISR also uses the broker channel and CCR is important to enable them to effectively support that channel as well.

8. Apart from a better customer experience, all this leads to greater competition in the market as well. WISR is able to compete more effectively with the major banks. Before CCR, a major bank was under no real pressure to give a better or fairer deal to even their best customers – they were under no price pressure and could charge higher rates – only they knew how their customers were performing. With CCR, WISR can access that information and target their best customers. This creates a fairer deal for customers, and it helps WISR build relationships with those customers.

Consumer awareness of CCR

9. WISR believes that Australian consumers are still in transition in terms of understanding about CCR, what a credit profile is, what scores are, and how the consumer's behaviour affects that. Consumers are starting to understand, but because CCR didn't exist a few years ago it will take time. There is not yet a firm understanding that a credit score can be an asset and enable better customer choice; the previous mindset that credit information is a 'black mark' tends to make education more difficult.

10. WISR run our own consumer education program and website WISR Credit, including providing a portal, so consumers can access credit scores from two of the three bureaus. WISR customers are savvier, but even then, sometimes the education process starts after the consumer has been declined for a loan. WISR then tries to educate them about what they could do to improve things in the future.

Data supply to Credit Reporting Bodies (CRBs)

11. The Data Standard associated with the PRDE has been important for WISR to implement their multi-bureau strategy. WISR supplies to all three bureaus – but we only supply one file via the software portal provided by Decision Intellect (an illion subsidiary), and that file is forwarded by Decision Intellect to the other bureaus.

12. Even though we supply the same file to all three bureaus we do get different errors and different error codes from all three – it's not a major problem for WISR today, and we accept that as we grow in size the problem may also grow. Addresses aren't a big issue for WISR in terms of bureaus' data validation, it's been more other issues such as:

    - Whether a bureau accepts a "blank" for hardship reporting or reports it as an error that needs to be fixed
    - Issues with default status' that needed to be updated

Data consumption and competition between CRBs

13. WISR consumes services from all three bureaus, including credit reporting services from two of them (one primary, one secondary). CCR data available from the bureaus is largely the same (although there have been noted differences), and while competition between bureaus is now based on more than just available data, the bureaus still try to compete based on other types of data e.g. from alternative lenders such as payday lenders.

14. The PRDE has been a big leveller in terms of CCR data held by bureaus, so they are now competing across a lot more areas e.g.:
    - Service, quality, and price
    - The power of their analytics and insights, plus
    - Platforms they provide for consuming data

15. In WISR's view, CRBs are becoming more analytics companies than data owners. As the data playing field is levelled, prices for a "simple" credit report have gone down. CRB's can see the imperative to diversify revenue streams away from credit reports to analytics, insights, and other new technologies.

Impact of open banking

16. Open Banking will only make the shift in competition away from "data ownership" to analytics capabilities even stronger. Open Banking will take a good five years to implement and make an impact. And Open Banking has limitations in the consumer consent model that don't apply for CCR (e.g. consumers must consent under Open Banking to share their banking data at the point of applying for a loan, CCR provides CP's with access to their holistic credit profile) – so while Open Banking could theoretically substitute for CCR, it's more likely to be a complimentary service than a substitute.

PRDE compliance

17. WISR haven't seen any instances of PRDE non-compliance by signatories.

18. One issue WISR has identified and are concerned about relates to the use of the access seeker provisions of the Privacy Act. WISR's understanding is that these provisions relate to providing information, not using the information for making credit decisions. The use of the access seeker regime to make "soft" enquiries that enable a loan to be assessed, and then only make a "hard" enquiry for loans that are approved is not in the spirit of CCR nor the PRDE. This practice needs to be stopped otherwise it's possible that other industry participants will think this is permissible behaviour. WISR do not use "soft" enquiries to make credit decisions and perform hard enquiries on the submission of an application, not just for those that are approved. This is important because having enquiries recorded on consumers' credit files protects the integrity of the credit reporting system, improves responsible lending, and enables a true understanding of credit demand.

19. Another issue WISR has identified relates to the quality of RHI being produced by some large institutions e.g. RHI goes from a "0' to a "2".

COVID-19

20. WISR is concerned about the reporting of RHI for consumers receiving payment pauses as a result of COVID-19, particularly those consumers being reported as a zero. In some respects, WISR believes the industry "panicked" when making the decision to report zeros rather than suppress RHI for the period of the pause when financial assistance is being provided. Suppressing RHI, in line with the industry agreed approach for all for other hardship cases would have potentially been a more appropriate option.

21. The implications for small CPs like WISR of having no way of knowing from CCR which customers received a payment pause or not could be a challenge and could

result is lending to customers who are currently facing financial difficulties, and again disproportionate compared to large CPs who lend a lot more to within their existing customer bases. Reporting zeros will also impact the integrity of the data within the credit reporting system for the next 24 months, and mean CPs like WISR will have to ask more questions of consumers in order to lend, or gather more documents from customers adding increased friction to the lending process.

22. Consumers and consumer advocates need to work with industry on agreeing the approach to implementation of hardship flags (as proposed in the legislation) are not a consumer detriment, but more a fact base that will lead to better lending decisions, great levels of integrity in the lending process, and ultimately more access to lower priced, fairer credit for all Australians.

Signed:

[Name, title] 

Chief Risk & Data Officer

Date: 9/6/20

AUSTRALIAN
RETAIL
CREDIT
ASSOCIATION

APPENDIX G – RELEVANT MARKET PARTICIPANTS

The following groups are identified as relevant market participants.

Following the Independent Review of the PRDE and in order to assist the ACCC, ARCA sought to brief and seek comments and feedback from these stakeholders on the operation of the PRDE. ARCA's engagement with relevant market participants is noted below.

Industry Associations

Communications Alliance	Level 12, 75 Miller Street North Sydney NSW 2060 02 9959 9111	11 May 2020
Mortgage & Finance Association of Australia	Suite 2, Level 9 130 Pitt Street Sydney NSW 2000 1300 554 817	11 May 2020
Australian Collectors and Debt Buyers Association	PO Box 295 WARATAH NSW 2298 02 4925 2099	11 May 2020
Insurance Council of Australia	4/56 Pitt St Sydney NSW 2000 1300 728 228	11 May 2020
Australian Banking Association	6-10 O'Connell St Sydney NSW 2000 02 8298 0417	11 May 2020
Australian Finance Industry Association	Level 11, 130 Pitt Street, Sydney, NSW 2000 02 9231 5877	11 May 2020
Australian Institute of Credit Managers	303/1-9 Chandos St St Leonards NSW 2065 1300 560 996	11 May 2020
Customer Owned Banking Association	Suite 403, Level 4 151 Castlereagh Street Sydney NSW 2000 02 8035 8400	11 May 2020

Consumer Household Equipment Rental Providers Association	PO Box 2070 Bayswater VIC 3153 1300 353 027	15 May 2020
National Credit Providers Association	30 Welsford Street Shepparton, VIC 3630 0401 695 030	18 May 2020
Australia Energy Council	Level 14, 20 Market Street Melbourne 3000 03 9205 3100	By email only

Consumer Advocate Groups

Financial Rights Legal Centre (FRLC)	PO BOX 538 Surry Hills NSW 2010 02 9212 4216	13 May 2020. FRLC provided a written submission, included at Attachment 1 to this Appendix
Legal Aid Queensland (LAQ)	44 Herschel St Brisbane City QLD 4000 07 3182 5182.	13 May 2020. LAQ provided a written submission, included at Attachment 2 to this Appendix
Australian Privacy Foundation	enquiries@privacy.org.au 0414 731 249	By email only
Consumer Action Law Centre	Level 7, 459 Little Collins Street Melbourne 3000 03 9670 5088	By email only

Regulators

Australian Prudential Regulation Authority	Level 12, 1 Martin Place Sydney NSW 2000 1300 558 849	15 May 2020
Office of the Australian Information Commissioner	Level 3, 175 Pitt Street Sydney NSW 2000 1300 363 992	18 May 2020
Australian Securities and Investments Commission	GPO Box 9827 Brisbane QLD 4001 1300 300 630	11 May 2020

External Dispute Resolution Bodies

Australian Financial Complaints Authority	GPO Box 3 Melbourne, VIC 3001 1800 931 678	21 May 2020

Service providers

Zeal Solutions	101 Collins St Melbourne VIC 3000 03 8370 3500	11 May 2020
Ultradata Australia	6/10 O'Connell St Sydney NSW 2000 02 8264 2100	13 May 2020

18 May 2020

Colin Raymond
Consultant
ARCA
by email: [redacted]
cc. Geri Cremin, [redacted]

Dear Colin Raymond,

Re: Recommended amendments to the PRDE (Pre-2020 ACCC Re-Authorisation)

Thank you for providing the overview of the current Principles for Reciprocity and Data Exchange (**PRDE**) review process on Wednesday. Below I have described in more detail the three main issues consumer groups have with the PRDE. Our key concerns are that the PRDE does not resolve the critical problem of consistency in treatment of hardship variations on credit reports, and that the proposed PRDE may interfere with legitimate settlement negotiations that relate to the listing of credit defaults. As discussed on Wednesday, we also strongly support consumer representation in the Reciprocity and Data Exchange Administrator (**RDEA**).

I have outlined the recommended amendments we would like to see to the PRDE before it is sent to the ACCC in June regarding:

1. Repayment History Information (**RHI**) reporting for customers in hardship;
2. Exceptions for listing defaults when there has been a negotiated settlement; and
3. Including consumer representation as part of the PRDE compliance framework.

RHI and hardship

The PRDE does not resolve the critical problem of consistency in treatment of hardship variations on credit reports. This is a problem for Credit Providers (**CPs**) that will sign up under the comprehensive tier level of the PRDE to provide and receive RHI about consumers. There is currently no permanent and enforceable resolution in Australia for how CPs are expected to record RHI when a consumer has entered into a repayment arrangement due to financial hardship. Without consistency in the PRDE on this one critical issue consumers are very concerned about the fairness, transparency and even workability of the PRDE as well as the entire credit reporting regime.

ARCA would be well aware that this issue has been debated for some time now, and was nearly resolved with the *National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures)* Bill 2019. However, the Bill was never passed into law, and it is unclear when it might be brought up again in the Senate. Even if the Bill does make it through Parliament in 2020 there is no reason that the PRDE should not clarify to subscribers how RHI should be reported when a customer is in hardship.

At the moment ABA members have agreed to a temporary solution to reporting RHI while customers are in hardship during the pandemic, but there is absolutely no agreed consistent approach to how those customers RHI should be reported after September and it is very likely that PRDE subscribers will take inconsistent approaches. This temporary solution doesn't even apply to all customers, and those customers who were already in hardship before the pandemic began are currently having their RHI left blank, seemingly in violation of the PRDE. Additionally, the ABA solution doesn't apply to all lenders so smaller lenders are also in breach of the PRDE's RHI reporting requirements if they are leaving RHI blank for customers in hardship. Consumer advocates support the temporary practice of leaving RHI blank when a customer is in hardship if there is no other consistent approach which is fair to consumers, but this issue does highlight the problem with the inflexibility of the current PRDE and the need for an industry-agreed consistent approach.

Consumer advocates have expressed our views on this issue repeatedly with ARCA and the OAIC. The following is a brief summary of our position:

- RHI must be reported in a way that accurately reflects the hardship variation entered. For example:
    - if a hardship arrangement allows a debtor a moratorium or variation on payments for a certain period, RHI should reflect whether the debtor is making payments in accordance with the arrangement, not the original contract; and
    - CPs should carefully explain (and confirm in writing) whether a variation will have any impact on a debtor's credit file.
- Additionally, the way RHI is reported should avoid operating in a way that discourages debtors from seeking a hardship variation.

ARCA would agree that the current situation (where there is a lack of uniformity over how RHI will be reported) is unacceptable. In our view, it should be clear under Principle 1 that where a CP has chosen to contribute comprehensive information under the PRDE, the CP must not disclose a payment as overdue if the individual entered into a hardship arrangement. During the period of the hardship arrangement, RHI should be recorded as "Current up to and including the grace period", in accordance with clause 8.2(c)(i) of the Credit Reporting Code 2014 (the CR Code).

'Hardship arrangement' should also be defined broadly in the definitions section of the PRDE and should mirror the definition in the most recently amended *National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures)* Bill 2019. For example it should state that hardship arrangement includes "*any kind of agreement, arrangement or understanding, whether formal or informal, whether express or implied and whether or not enforceable, or intended to be enforceable, by legal proceedings*" and the consumer has agreed with a CP to a moratorium or variation on payments due to financial hardship.

Exceptions to the PRDE requirement that all defaults are listed on credit reports

Representatives of consumers (which includes solicitors, financial counsellors and other caseworkers) regularly include the contents of credit reports in negotiated settlement outcomes. Settlements are reached following disputes about the debt claimed. The PRDE cannot and should not interfere with legitimate settlement negotiations. It is a matter between the parties to determine how a dispute is settled and the PRDE must specifically acknowledge

the rights of both parties in this matter. Interference with settlement negotiations and the ability of the parties to comprehensively settle a dispute is contrary to the public interest.

The PRDE also must acknowledge the role of the Australian Financial Complaints Authority (**AFCA**) to make recommendations or determinations that delay or remove listings. AFCA will be ineffective in resolving the entire dispute if credit report listings cannot be removed.

We suggest adding another exception to the requirement at Section 19 and 20 to contribute default information, which would provide that a CP can delay, remove or choose not to list credit defaults about a consumer if:

- the CP has entered into a binding settlement with the consumer, or is in the process of legitimate settlement negotiations with the consumer in regards to the listing; and/or
- the CP is acting in accordance with a recommendation or determination of AFCA in relation to a dispute with the consumer.

Consumer representation on the RDEA

One of the big issues for consumers in the credit reporting system is that data on their credit reports is not always correct. The new CCR regime increases the amount of data on consumer credit files, and accordingly increases the probability of incorrect information being recorded.

Inaccuracies disadvantage consumers because they create the potential to be unfairly denied credit and/or to be pursued for debts that do not belong to them. It also disadvantages CPs, because they are less able to rely on credit report information as an accurate gauge of a person's creditworthiness, and leads to inefficiencies in the credit system.

We are not convinced the "monitoring, reporting and compliance" framework under Principle 5 of the PRDE is sufficiently independent and transparent in identifying systemic problems with data quality in credit files (i.e. consumer advocates will still have to rely on individual clients recognising incorrect listings on their reports).

At the very least, monitoring and compliance functions should be independent from the industry in order to facilitate consumer confidence. We recommend that the Reciprocity and Data Exchange Administrator (RDEA) include representation from consumers, and be chaired by someone independent from the industry. Reporting must be public, and encourage transparency of all decision-making and/or sanctions.

Other options that could be considered to improve enforceability and transparency include:

- providing the RDEA with additional powers to undertake compliance audits of signatories;
- allowing the RDEA to initiate a report of non-compliance where the RDEA has concerns regarding data quality and accuracy;
- requiring the RDEA to report systemic non-compliance to the OAIC;
- providing a mechanism for consumers to make complaints to the RDEA about data quality and accuracy;
- establishing a Consumer Advisory Panel;
- enabling non-compliant CPs and CRBs to be expelled from the PRDE; and
- introducing an enhanced self-reporting regime, which could be similar to the 'significant breach reporting' regime for Australian Financial Services Licensees under the Corporations Act 2001.

We look forward to your positive response to this matter.

Yours faithfully,

Yours faithfully,

Karen Cox
Chief Executive Officer
Financial Rights Legal Centre
Direct:
PO BOX 538, Surry Hills NSW 2010
ABN: 40 506 635 273

Fiona Guthrie
Chief Executive Officer
Financial Counselling Australia
Direct:

Gerard Brody
Chief Executive Officer
Consumer Action Law Centre
Direct:
Level 6, 179 Queen Street, Melbourne VIC 3000

From:	Loretta Kreet
To:	Colin Raymond; Geri Cremin
Cc:	Julia Davis
Subject:	Principles of Reciprocity and Data Exchange Code - request to be involved in the consultation process
Date:	Monday, 18 May 2020 10:35:47 AM

Hi Colin and Geri

Recommended amendments to the PRDE (Pre-2020 ACCC Re-Authorisation)

Thank you for providing the overview of the current Principles for Reciprocity and Data Exchange (**PRDE**) review process on Wednesday 13th May 2020.
During the meeting attended by Financial Rights Legal Centre and Legal aid Queensland we raised a number of issues with you in relation to the consultation process, the proposed amendments to the PDRE and our recommended amendments to the PRDE.

You asked that we put our concerns in writing.

Consultation process

The PRDE required a review of the PRDE within 3 years of its authorisation. You engaged Price Waterhouse Cooper PWC to conduct the independent review however did not consult with consumers as part of the review. We acknowledge that the PRDE is primarily a code to regulate the sharing of information between industry subscribers but it is our view that the reviewer ought to have consulted with consumers as part of the review process for the following reasons:

1. Consumers were consulted and participated in the development of the original PRDE;
2. The data being exchanged is consumer data;
3. Consumer groups had raised concerns about the original PRDE and how it affected the rights of individual consumers; and
4. ASIC Regulatory Guide 183 requires that an independent reviewer should base its review on the same processes used to develop the Code which includes consultation with consumers.

Proposed amendments to the PRDE

In principle we are not opposed to the amendments of the PRDE as reported to us in the presentation on May 13.
However its not clear how the PWC recommendations in its report are reflected in the proposed amendments. We do have concerns about the recommendations that were provided in the report and would like to understand better how these recommendations will be addressed in the proposed amendments to the PRDE. For example recommendation 9 in the PWC report refers to giving access to comprehensive data to commercial only credit providers.

The presentation did not refer to this recommendation nor how it was to be implemented.

Recommended amendments

The comments below mirror to a significant extent the concerns raised by Financial Rights Legal Centre and we wish to thank them for providing much of the wording for the paragraphs below

Repayment History Information (RHI) reporting for customers in hardship;

The PRDE does not resolve the problem of consistency in treatment of hardship variations on credit reports.
This is a problem for Credit Providers (**CPs**) that will sign up under the comprehensive tier level of the PRDE to provide and receive RHI about consumers. There is currently no permanent and enforceable resolution in Australia for how CPs are expected to record RHI when a consumer has entered into a repayment arrangement due to financial hardship. The National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill intention was to resolve this issue but it did not pass

LAQ and consumer advocates have expressed our views on this issue repeatedly with ARCA and the Office of the Australian Information Commissioner OAIC. The following is a brief summary of our position:

- RHI must be reported in a way that accurately reflects the hardship variation entered. For example:
    - if a hardship arrangement allows a debtor a moratorium or variation on payments for a certain period, RHI should reflect whether the debtor is making payments in accordance with the arrangement, not the original contract; and
    - CPs should carefully explain (and confirm in writing) whether a variation will have any impact on a debtor's credit file.
- Additionally, the way RHI is reported should avoid operating in a way that discourages debtors from seeking a hardship variation.

ARCA would agree that the current situation (where there is a lack of uniformity over how RHI will be reported) is unacceptable. In our view, it should be clear under Principle 1 that where a CP has chosen to contribute comprehensive information under the PRDE, the CP must not disclose a payment as overdue if the individual entered into a hardship arrangement. During the period of the hardship arrangement, RHI should be recorded as "Current up to and including the grace period", in accordance with clause 8.2(c)(i) of the Credit Reporting Code 2014 (the CR Code).

'Hardship arrangement' should also be defined broadly in the definitions section of the PRDE. For example it should state that hardship arrangement includes “any kind of agreement, arrangement or understanding, whether formal or informal, whether express or implied and whether or not enforceable, or intended to be enforceable, by legal proceedings” and the consumer has formally agreed with a CP to a moratorium or variation on payments for a certain period of time due to financial hardship.

Exceptions for listing defaults when there has been a negotiated settlement

The PRDE does not provide exceptions to the listing of defaults. In our view there are maybe legitimate circumstances where default listings ought not to be listed. These legitimate circumstances fall into 3categories,

- Where there is an ongoing dispute between the parties that has not been resolved;
- The CP has entered into a binding settlement agreement in regards to the listing; or
- The CP is acting in accordance with a recommendation or determination of the Australian Financial Complaints Authority AFCA

The PRDE must allow for exceptions to the listing of default information by CP's

Consumer representation as part of the PRDE compliance framework.

For the PRDE to meet best practice it must be effectively administered. Effective administration requires that the body or person charged with overseeing the operation of the Code is independent of the industry that is subscribing to the Code. It should include consumer representation (Regulatory Guide RG 183 Approval of financial services sector codes of conduct https://download.asic.gov.au/media/1241015/rg183-published-1-march-2013.pdf

We are not convinced the "monitoring, reporting and compliance" framework under Principle 5 of the PRDE is sufficiently independent and transparent in identifying systemic problems with data quality in credit files (i.e. consumer advocates will still have to rely on individual clients recognising incorrect listings on their reports).

We welcome however any proposed amendments to the PRDE that strengthen the powers of the Reciprocity and Data Exchange Administrator (RDEA)

We recommend that the Reciprocity and Data Exchange Administrator (RDEA) as a minimum include representation from consumers, be chaired by someone independent from the industry and be adequately resourced. Reporting must be public and encourage transparency of all decision-making and/or sanctions.

We look forward to a response to this matter.

Kind regards

Loretta

The Consumer Protection Unit at Legal Aid Queensland provides advice and representation specialising in consumer injustices including disputes with credit providers and insurers. Advice can be booked by calling 1300 65 11 88
Loretta Kreet | Senior Solicitor/ Consumer Advocate | Consumer Protection Unit| Legal Aid Queensland | p [redacted] | f [redacted]