

Questions & Answers

The next release of the PRDE FAQs is the first of the series which will look at Principle 4, focusing on the transitional arrangements.

WHAT IS THE PURPOSE OF PRINCIPLE 4?

Principle 4 recognises that Credit Providers (CPs) will not be able to contribute all of their credit information on day 1, and will therefore need a reasonable period to transition across. Principle 4 sets out what information needs to be provided in the required timeframes.

WHAT IS THE BASIC RULE OF TRANSITION TO THE PRDE?

The PRDE explains in a bit of detail, but the rule is simple: 50% of data for all consumer credit accounts to begin with, and the rest within 12 months.

That means before your organisation signs the PRDE, you should have in place a plan to meet these transition requirements.

WHEN CONTRIBUTING NEGATIVE INFORMATION UNDER THE PRDE, DOES THAT MEAN MY ORGANISATION NEEDS TO GO BACK THROUGH EXISTING CONSUMER CREDIT ACCOUNTS AND ENTER DEFAULTS FOR ALL ELIGIBLE ACCOUNTS?

No, there is no need to go back through existing consumer credit accounts and default customers who would otherwise not have been defaulted.

From the date of signing, the CP will have an obligation to provide all default information, across all of its consumer credit accounts, within a reasonable time period (including those portfolios which may not previously have been default listed).

This requirement will apply to 50% of all consumer credit accounts initially, and within 12 months, apply to all of the CP's eligible consumer credit accounts.

DOES THE SAME APPROACH APPLY TO CONSUMER CREDIT LIABILITY INFORMATION (CCLI)? WILL I NEED TO CONTRIBUTE CCLI FOR ALL OF MY ORGANISATION'S ACCOUNTS – INCLUDING THOSE CLOSED IN 2 YEARS PRIOR TO SIGNING THE PRDE?

No, a CP will not need to go through its old accounts and contribute CCLI for those accounts. Similar to the disclosure of default information, the CP will instead be required to contribute CCLI for all consumer credit accounts which are open at the date of their first contribution and, thereafter, on an ongoing basis – noting that initially that will be a 50% contribution requirement, and within 12 months, contribution will apply to all consumer credit accounts.

WHAT IS THE REQUIREMENT FOR CONTRIBUTING HISTORICAL DATA FOR REPAYMENT HISTORY INFORMATION (RHI)?

Where a CP has nominated to contribute comprehensive information, the PRDE requires that the CP must contribute RHI for at least 50% of their accounts for a period of three months prior to their first exchange of RHI. The CP is then required to contribute at least 50% of RHI for the 12 month period from first contribution (their Effective Date). This means that essentially the CP would have provided RHI for at least 50% of their accounts for a 15 month period (3 months of RHI prior to the effective date, then 12 months from the effective date). At the expiry of the 12 months transitional period, the CP is required to provide RHI for all of its consumer credit accounts.

WHAT HAPPENS IF A CP DOESN'T CONTRIBUTE ALL OF THEIR ACCOUNTS WITHIN 12 MONTHS OF THEIR EFFECTIVE DATE?

It is a key obligation to complete the transition to the PRDE within 12 months. The underlying basis of the PRDE is that it is reciprocal, meaning that each signatory has access to new information because it has contributed

its own information. To fully comply with the PRDE, one of the requirements is that a signatory must contribute all of its relevant data within twelve months.

For this reason, CP signatories will be required to notify the PRDE administrator once they have completed their full transition. If the PRDE administrator does not receive that notification within 12 months, it will initiate action to address this possible breach. The PRDE's robust compliance framework encourages and ensures that signatories participate fully.

WHY WOULD A CP NOMINATE A DIFFERENT TIER LEVEL?

In drafting the PRDE, we recognized that each organisation will be at different stage of comprehensive credit reporting (CCR) readiness. Some organisations may have more technical issues which make a transition to full CCR a long term goal. Other organisations may have more straightforward accounts systems, and be able to sign up to full comprehensive day one. As such, we would want it to be possible for organisations to initially participate in the PRDE at a lower tier level and, over time, be in a position to change that tier level.

One of the features of the PRDE is that data exchange has been divided into a three tiered system – Negative, Partial and Comprehensive. A signatory to the PRDE must nominate the tier level they wish to contribute and access. A signatory can also nominate to change their tier level. One reason why a CP may change to a higher tier is to take advantage of the additional information available through the higher tier.

SO THAT MEANS I CAN GO UP A TIER LEVEL – CAN I ALSO DROP DOWN A TIER LEVEL?

A signatory to the PRDE can increase or decrease the level that they contribute and obtain supply of information. An example of this is if a CP was previously a Designated

Entity becomes a signatory in their own right. If a CP wishes to change tier they must notify the PRDE administrator and their CRBs within 90 days. If a CP has nominated a Designated Entity, each CRB that it has a services agreement with must also be informed of this.

IF A CP HAS BEEN CONTRIBUTING FULL COMPREHENSIVE INFORMATION FOR 5 MONTHS, DO THEY ONLY HAVE ACCESS TO 5 MONTHS OF INFORMATION?

No. When a CP commences its contribution of comprehensive information, it can access all other available comprehensive information. A CP signatory to the PRDE must contribute credit information about their consumer accounts at their chosen tier level before obtaining their first supply of credit information from a CRB. If a CP has met the transitional provisions and has been a full information provider for five months, they are able to obtain supply to all information at their nominated tier level. There are no time scales on information available to a signatory that has been a member for over twelve months and has provided full data.

WHAT HAPPENS IF CONSUMER CREDIT ACCOUNTS ARE ACQUIRED FROM A CP WHO IS NOT A SIGNATORY OR IS A SIGNATORY BUT ON A DIFFERENT TIER?

If a CP acquires credit accounts from another CP they have 90 days from the date of acquisition to review the information for compliance with the PRDE. The purpose of the review will be to determine whether all of the acquired accounts will continue, whether they will be transitioned to the new CP's systems (in agreement with the consumer), or whether they will be placed into run off. After the 90 days the CP must either manage the accounts in accordance with the PRDE run off provisions, or otherwise be subject to the PRDE transition processes in Principle 4. Importantly, the CP will only be able to apply this transition arrangement to these acquired accounts.

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