

Questions & Answers

This FAQ provides an overview of Principle 2 – the way that it sets up the exchange of information between PRDE signatories, the use of securitisation entities and on-supply restrictions.

WHAT IS THE PURPOSE OF PRINCIPLE 2?

Principle 2 puts in place a framework that enables the exchange of information between PRDE signatories. Principle 2 emphasises that the PRDE is a clear and transparent system that encourages the exchange of comprehensive credit data.

CAN A CRB SUPPLY SIGNATORY CCLI AND RHI TO A NON-SIGNATORY?

No. Principle 2 requires that a CRB can only supply signatory CCLI and RHI to other signatories of the PRDE. The PRDE requires that only signatories can share this data to ensure that shared information is of equal high quality and in being reciprocal, industry has an incentive to participate.

DOES A CRB NEED TO MANAGE DATA DIFFERENTLY, DEPENDING ON WHETHER ORGANISATIONS ARE A PRDE SIGNATORY OR NOT?

Yes, potentially. CRBs need to manage information depending on the different PRDE tier levels signatories choose to participate in.

The different tier levels will mean that there will be an information exchange for each available tier level (i.e. negative, partial and comprehensive information).

Also, as more and more CPs opt to participate in the PRDE exchange, it will diminish the likelihood of multiple data exchange frameworks like the PRDE developing.

WHY ARE CRBS ABLE TO DIRECTLY SUPPLY SIGNATORY CCLI AND RHI TO MORTGAGE INSURERS AND TRADE INSURERS?

CRBs are not restricted from supplying certain information directly to Mortgage Insurers and Trade Insurers. This is because a Mortgage Insurer or Trade Insurer cannot supply that information to a CP. As the information cannot be given to a CP, there was no need to put in place a restriction.

To make an insurance assessment, a Mortgage Insurer or a Trade Insurer is required to use the information obtained by the CRB only for a 'mortgage insurance purpose'.

As such, the PRDE does not impose any restriction on Mortgage Insurers or Trade Insurers obtaining information directly from a CRB.

HOW DOES A SECURITISATION ENTITY DIFFER TO A MORTGAGE INSURER OR TRADE INSURER?

Rather than undertaking mortgage or trade insurance activities, a securitisation entity provides security for credit rather than directly providing credit itself.

The PRDE defines these sorts of securitisation activities as those involving a 'securitisation related purpose', which involves the assessment of risk associated with the purchase of credit through a securitisation arrangement, or alternatively, the assessment of risk arising from credit enhancement (for credit purchased through a securitisation arrangement).

HOW DOES A SECURITISATION ENTITY OBTAIN CCLI AND RHI?

A securitisation entity can obtain signatory CCLI and RHI directly from a CRB, provided that it is identified to the PRDE Administrator as a securitisation entity of a related signatory CP. Further, the securitisation entity can only obtain information where it is fulfilling a securitization-related purpose of the CP.

It can also only obtain the same tier level information which would be accessible by the CP. That means that if the CP is a partial tier signatory, the information accessible by the securitisation entity will only ever be at partial tier.

Finally, in keeping with the principle of reciprocity, a securitisation entity – when obtaining supply of information – is also required to contribute any credit information it holds, even if it is at a lower tier than that obtained.

WHAT ARE THE OTHER INSTANCES WHEN A CP CAN ON-SUPPLY ITS CCLI AND RHI TO ANOTHER ENTITY?

Information can be on-supplied for specific purposes including securitisation, account acquisition, or a 'helper' service (connected to the permitted disclosure provisions under the Privacy Act). A CP can on-supply its signatory CCLI and RHI to its agents, to other CPs who are reviewing the first CP's accounts and to third party 'helper' entities.

Critically, these provisions cannot be relied on as a means to enable a non-signatory CP access to signatory information.

WHAT THIRD PARTIES CAN RECEIVE CREDIT INFORMATION?

A CP can disclose information to a third party where it is assisting to process an application for credit, or to manage that credit. The provisions in the PRDE specifically refer to this disclosure being a permitted disclosure under section 21G(3) of the Privacy Act.