



AUSTRALIAN
RETAIL
CREDIT
ASSOCIATION



ANNUAL REPORT TO MEMBERS

FOR THE YEAR ENDED 30 JUNE 2015

ABN 47 136 340 791

OUR MEMBERS

AS AT 30 JUNE 2015

American Express

Australia and New Zealand Banking Group

Bank of Queensland

Bendigo and Adelaide Bank

Citibank

Commonwealth Bank of Australia

Credit Union Australia

Customer Owned Banking Association (COBA)

Dun & Bradstreet

Experian Australia

GE Capital

HSBC Bank Australia

ING Direct

Macquarie Leasing

ME Bank

Momentum Energy

National Australia Bank

Suncorp

Toyota Finance Australia

Veda

Volkswagen Financial Services

Westpac Banking Corporation

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**IMPROVING PEOPLES'
LIVES THROUGH BETTER
CREDIT DECISIONS.**

OUR PURPOSE

VISION & MISSION

“Through education, innovation and trusted relationships, we will engage with our stakeholders to develop and deliver a better credit reporting system in Australia.”

VALUES

RESPECT We value the interaction with our Members, and the needs of our stakeholders.	<ul style="list-style-type: none">◦ We care for and help our team and Members to be successful.◦ We utilise the knowledge, experience and diversity of our Members.◦ We assist our Members in promoting the concept of responsible credit.◦ We seek and provide constructive feedback.◦ We collaborate, listen and are approachable.
INTEGRITY We're open, honest and trustworthy and accept responsibility and accountability.	<ul style="list-style-type: none">◦ We are open and transparent in all our communications.◦ We recognise the success of others.◦ We build and promote trusting relationships.◦ We deliver on our promises.
INNOVATION We think creatively and consistently seek new ideas in search of innovative solutions on behalf of ARCA Members.	<ul style="list-style-type: none">◦ We have the courage to question the present and pursue our Members' objectives.◦ We give ourselves permission to search for creative solutions.◦ We are active learners and passionate educators.◦ We encourage opportunities to collectively solve problems and develop new ideas with our Members.
ENERGY Show strength and vitality to achieve our desired outcomes on behalf of Members.	<ul style="list-style-type: none">◦ We proactively collaborate with our Members.◦ We enthusiastically tackle our tasks.◦ We passionately defend and promote ARCA's vision.◦ We actively contribute to change.◦ We demonstrate resilience.

OUTCOMES

TRUSTED ADVOCATE INDUSTRY LEADER	MEMBERSHIP IS REPRESENTATIVE OF THE CREDIT REPORTING SYSTEM VALUED FOR OUR ABILITY TO KEEP MEMBERS INFORMED AND ENGAGED	LEADERS INCREASING CONSUMER AWARENESS EDUCATING INDUSTRY	GOVERNANCE PROMOTES CONFIDENCE TRUST SUPPORT
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COMPANY OVERVIEW

The Australian Retail Credit Association (ARCA) is the industry association for organisations involved in the disclosure, exchange and application of credit reporting data in Australia. Membership comprises credit reporting bodies (CRBs) and credit providers (CPs). ARCA is a not for profit public company, limited by guarantee.

It has been 10 years since ARCA was established with the purpose of promoting best practice in credit risk assessment and responsible credit practices. We provided a forum for CPs and CRBs to meet regularly and exchange ideas and learnings on improving the credit reporting system.

During the Australian Law Reform Commission (ALRC) review of Australian privacy*, ARCA became a uniting voice on behalf of our Members, paving the way for the efficient adoption of comprehensive credit reporting. ARCA Members, both individually and through ARCA, were able to provide the ALRC with detailed analysis and guidance on the impacts and benefits of shifting to a more comprehensive approach to the exchange of consumer credit information.

Following the ALRC report, which identified the potential for legislative reform, members of the retail credit industry recognised that a unique opportunity existed to establish an association capable of broadly representing the interests of those operating in the retail credit reporting system, and ARCA was incorporated in 2009.

During 2014/15, ARCA continues to evolve and is well positioned to deliver on Members' expectations.

*For Your Information: Australian Privacy Law and Practice (ALRC 108, 2008)

A MESSAGE FROM OUR CHAIRMAN



It has been my privilege to Chair the ARCA Board as the momentum towards change in the credit reporting industry gathers pace.

While it has taken longer than we had hoped, the last key piece of the industry framework required to enable sharing of comprehensive data is much closer to being finalised. Rules that govern the rights and obligations that industry participants owe to each other when sharing that data (collectively known as the Principles of Reciprocity and Data Exchange (PRDE)) have been developed through exhaustive workshopping by ARCA Members, and consultation with external stakeholders. This bottom up process illustrated the willingness within industry to both collaborate and compromise to achieve something workable and acceptable to the widest possible group of stakeholders. The success of this collaboration and compromise is demonstrated by the fact that only a few issues were sent to the ARCA Board for a final decision.

Because the PRDE does by nature include a set of arrangements between companies that are, in other respects, competitors or have supplier-customer relationships – certain paragraphs of the PRDE were required to be submitted to

the Australian Competition and Consumer Commission (ACCC) for authorisation. At date of writing, the ACCC had issued a draft determination proposing to authorise the PRDE arrangements. While this is not the final decision, it is a very welcome outcome.

Overall, while a challenging process, the PRDE is a better framework because of the intensive debate and review both within ARCA, between ARCA and other industry groups and external stakeholders, and through the ACCC authorisation process.

Over the past 12 months we have also been excited to welcome two new Members – Volkswagen Financial Services and Momentum Energy. It is especially significant that in Momentum Energy we have the first of what we hope will be many utility or telecommunication credit providers becoming Members. This is important because, by working together across industry sectors, we can most effectively advocate and support improvements in the credit reporting system. Compared to most other markets, Australia has an almost unique model with CRBs and CPs participating in the same industry association. As the success of ARCA demonstrates, the benefits of this model are significant.



WHAT HAS BEEN ACHIEVED WAS ONLY POSSIBLE THROUGH THE EXTRAORDINARY COMMITMENT TO INDUSTRY WIDE COLLABORATION BY OUR MEMBERS.

– *Michael Laing*

ARCA ended the financial year in a strong financial position, building reserves that will support investment in key issues and strategies in coming years, and avoiding increasing membership fees.

In the middle of the financial year the annual Board elections were held, and it was pleasing to see the strong interest in Board participation by Members. As a result of these elections – plus internal changes within Members – six new Directors were welcomed to the Board. These included Tim Brinkler (GE) and Mike Cutter (Veda) who have both had a long association with ARCA in the past, as well as Andy Sheehan (Experian), Jacqui Colwell (NAB), Scott North (CUA), and Adam McAnalen (BOQ). The work levels and commitment required from an ARCA Director have increased significantly over recent years, and I would like to express my appreciation to the departing Directors for their contribution over the past 12 months. Those departing during the year included Steve Brown (D&B), Jennifer Evans (ANZ), David Grafton (Veda), James Haviland (ME Bank), Poli Konstantinidis (GE), and Richard Nevill (HSBC). ARCA is fortunate for the high calibre of Directors willing to serve on its Board, and it is because of this, despite the significant turnover within the Board, that the “passing of the baton” was smooth.

Finally, as we sign off the year, it’s worth pausing and considering the breadth of the critical pieces of industry infrastructure and capability that ARCA and our Members have completed or initiated over the past couple of years. These include:

- Development of the Privacy (Credit Reporting) Code (on behalf of the Privacy Commissioner) which details the statutory rights and obligations of CPs and CRBs to consumers and their credit reporting data
- The creation of the industry data standard, the Australian Credit Reporting Data Standard (ACRDS), that underpin credit reporting
- The creation of the business-to-business rules that support the exchange of credit reporting data/information (the PRDE)
- The creation of standardised training modules (in partnership with Kaplan) that Members and the wider industry can use to train consumer-facing staff to understand and be compliant with credit reporting standards and regulations
- The annual ARCA National Conference and networking and other educational events such as Executive Breakfasts

- Consumer education including the “CreditSmart” website as a key source of information on credit reporting, designed specifically to be understood and engaging for consumers

That none of this was in place two years ago emphasises both the extraordinary effort made by ARCA and our Members, but also the commitment to industry-wide collaboration, without which none of this would have been possible. While the journey we have been on in recent years only goes to prove that the shortest distance between two points isn’t always a straight line, nevertheless significant progress has been made. I am confident we are now very close to truly entering the world of comprehensive credit reporting.

MICHAEL LAING

Chairman

A MESSAGE FROM OUR CEO



This year has been an extraordinary year by any measure, as we move ever closer to the vision created by ARCA's founding Members some years ago – a comprehensive exchange of credit information.

ARCA's achievements to date have been founded on a strong collective and collegiate spirit shared between ARCA and our Members. With this strong working foundation, it has been a privilege to work with our Members and the Board on such a historic reform.

This year we have focused on sustainability by:

- defining our culture and values that support a high performing team
- developing policies, systems and processes that support our people
- investing in long term strategic relationships to ensure that the dialogue on further reforms remains constant
- delivering on large and complex reforms that will make a difference to how the credit reporting system functions

In essence, ARCA's ability to provide a forum for our Members to express their ideas to reform and improve the credit reporting system is what makes ARCA truly unique.

We often understate the challenges that inherently exist when diverse interests come together under the ARCA umbrella. When we examine the roles of our counterparts in the United States, United Kingdom and European Union, it is clear to me that ARCA Members have been able to achieve something unique in what has been described as a “once in a life time reform”. This has been achieved by putting aside commercial and competitive tensions and working across the credit reporting system.

It is my hope that in the future, organisations like the World Bank, the International Finance Corporation, the Consumer Data Industry Association (CDIA) and the Association of Consumer Credit Information Suppliers will look upon what ARCA Members have achieved as a global benchmark in reciprocal data exchange.

CREDIT REPORTING REFORMS

In December 2013, we finalised the Privacy (Credit Reporting) Code (CR Code), and the Office of the Australian Information Commissioner (OAIC) registered it in January 2014. The CR Code provided the final pieces in the legislative framework that enabled comprehensive credit reporting.

Through the reform process that led to the enactment of the Privacy Amendment Act, it was clear that any arrangements between industry participants dealing with the exchange of credit reporting information would not be covered by the Act, and further any amendments that were not contemplated in Act would be unable to be dealt with in the CR Code.

For ARCA that meant further work was required to deliver the three important pillars that formed the cornerstone of comprehensive reporting for ARCA Members, namely:

- A single data standard
- A system of reciprocity , and
- A system that promoted trust and confidence in data sharing (compliance)

Each of these pillars were deemed a fundamental part of a successful credit reporting system and it became evident that if we were to succeed in maximising participation in data sharing a different approach beyond legislative reform would need to be adopted.

A MESSAGE FROM OUR CEO

THE PRINCIPLES OF RECIPROCITY AND DATA EXCHANGE (PRDE)*

Following the development of the CR Code, the next step in our strategic journey to improve the participation rates for the supply of comprehensive credit information was delivering on the three pillars of reform. This financial year we have focussed on delivering on these three pillars through the development of the PRDE.

The creation and development of the PRDE has required hundreds of hours to determine first principles, draft the detail and then refine the impact, ensuring that the PRDE provides a suitable framework that encourages credit providers to participate in the sharing of credit information.

With the finalisation of the PRDE in February 2015, we embarked on the process of seeking an authorisation from the ACCC in relation to three key obligations in the PRDE, namely:

- Reciprocity
- Consistency, and
- Enforceability

The ACCC, in determining whether to authorise the provisions in question, is required to assess the public benefit of the PRDE, and ensure that this benefit outweighs any public detriment. As part of this assessment, at key stages in the determination process, it received a number of public submissions.

This public consultation process has strengthened the broader understanding of the PRDE and provided an opportunity for industry, regulators and consumer advocates to participate in the broader debate concerning participation in the credit reporting system.

We expect that the ACCC will make its final determination by the end of 2015, providing the industry with the opportunity to commence 2016 in a better position to truly begin to see the benefits of comprehensive credit reporting.

FINANCIAL SYSTEM INQUIRY

The final report of the Financial System Inquiry (FSI), released in December 2014, provided an opportunity for consideration of the key role played by the credit reporting system as part of the overall Australian financial system. Recommendation 20 was relevant for a number of key reasons, namely:

- It supports industry efforts to expand credit data sharing under the new voluntary comprehensive credit-reporting (CCR) regime
- It identified that if, over time, participation is inadequate (i.e. a voluntary system fails to create adequate participation), Government should consider legislating mandatory participation
- In order to assess the adequacy of the voluntary system (namely, the PRDE) the FSI identified that Government should conduct a review of industry's participation in CCR in 2017
- As part of the review of CCR in 2017, Government should consider expanding data fields, particularly to include account balances
- The Inquiry provided in-principle support for this expansion of data fields, noting that more high-quality credit data leads to better credit decisions and improved credit conditions for borrowers

The broader strategic implications of these recommendations was the recognition that the credit reporting system plays an important part in ensuring economic stability.

This recognition has continued to evolve with key prudential and conduct regulators such as the Australian Prudential Regulatory Authority (APRA) and the Australian Securities and Investments Commission (ASIC) taking a much more active interest in the credit reporting system during this reporting period.

We are now waiting for the Government's response to the FSI report. To further our credit reporting reform efforts we will be continuing our work to:

- Align Australia and New Zealand to facilitate trans-Tasman credit information exchange
- Secure broader participation for telecommunications and utilities companies and their ability to supply and use repayment history information, and
- Increase the data that can be exchanged to improve credit decisions

ARCA NATIONAL CONFERENCE 2014

The ARCA National Conference 2014 was a tremendous success with over 300 delegates from 70 different organisations in attendance.

The conference provided a unique opportunity to come together as an industry and share experiences, skills and knowledge.

The Conference Committee, consisting of Rebecca Murray, David Dee and Marcus Oakley worked extremely hard throughout the year to deliver a first rate experience. Adelle Griffiths and the team at RFi Events continue to support ARCA and RFi Roundtables and ensure that our conference remains a premiere event.

**The PRDE is a voluntary framework designed to encourage the contribution and sharing of credit reporting information.*

The success of the Conference could not happen without the support of our sponsors and I would like to thank them for their ongoing support of the ARCA National Conference:

- Platinum Sponsor
Veda
- Gold Sponsors
Dun & Bradstreet
Experian
- Silver Sponsors
FICO
Connected Analytics
- Bronze Sponsors
Credit Corp Group

On behalf of ARCA, I would like acknowledge the Conference Committee, and Adelle and the team at RFI Events for their hard work and dedication, and we are looking forward to another fantastic event in November 2015.

EXECUTIVE BREAKFASTS

This year we commenced a new initiative to bring credit professionals together in a forum where ideas and concepts can be exchanged and debated. The Executive Breakfast program commenced in May 2015, with sessions run in Melbourne and Sydney. They have been a tremendous success.

We are looking forward to conducting more of these events for Members and the industry in 2016.

ARCA - A WORKPLACE OF CHOICE

At the heart of our achievement and goals are our people. I am humbled and amazed at the creative spirit and energy that surrounds our activities. Our guiding focus is the belief in creating solutions on behalf of our Members and working together on something that will have a

profound impact on the way consumers access credit.

We have also focused on building ARCA into a workplace of choice by defining the type of workplace we want to build, the organisational values we want to reflect and the culture that makes ARCA a great place to work.

Over the next 12 months, we will continue to focus on how we can make ARCA a better place to work. This will include:

- Promoting inspired leadership across ARCA
- Building our unique culture with our core values at the heart of what we do
- Focusing on growing our talent both through recruiting well and developing our existing teams
- Building continuing accountability and performance management
- Building strong alignment and expectations regarding execution of our strategic objectives

WORKING IN COLLABORATION WITH OTHERS

As a small organisation, we are dependent upon the collaborative and strategic relationships we form with our service providers and partners.

On behalf of the ARCA Members, the ARCA Board and the team, I would like to thank the following organisations for their continued support and assistance:

- AM Accounting and Bookkeeping
- Cameronralph Pty Ltd
- Corporate Traveller
- Crowe Horwath Sydney
- Gilbert + Tobin
- HWL Ebsworth
- K&L Gates

- Kaplan Professional
- Redalto Pty Ltd
- RFI Roundtables
- RFI Events
- Sai Designs Pty Ltd

LOOKING FORWARD

The next financial year will be a challenging one for us all. It will be a busy year with our focus on the final PRDE determination and the creation of the necessary infrastructure, the renewed advocacy activities to leverage the momentum created by the FSI, industry learning solutions and consumer awareness, and growing ARCA membership across new entrants and non-financial credit providers.

We are fortunate that we have an energetic team who are committed to our Members and focused on delivering real outcomes. I would like to take this opportunity to thank all the team at ARCA for their hard work and dedication.

The next 12 months is shaping up to be a great period where we finally achieve what has been, for many, a long and drawn out period of reform. The team and I are privileged to play a part in these significant reforms and we are looking forward to working with Members, Directors and the industry to ensure that the credit reporting system continues to be seen as a major piece of Australia's economic infrastructure.



DAMIAN PAULL

Chief Executive Officer

OUR BOARD OF DIRECTORS

CURRENT AT 30 JUNE 2015



MICHAEL LAING

Qualifications

M. Com (Hons I)

Member of Chartered Institute of Arbitrators

Name of Organisation

Independent Chairman

Experience

Michael has significant director experience including large financial services companies (Bank of New Zealand, MLC), small financial services companies (eChoice Home Loans, HICAPS, The Warehouse Group Financial Services), industry associations (Visa NZ, Visa Asia Pacific), and multi-retailer loyalty programmes (FlyBuys JVs in Australia and NZ).



TIM BRINKLER

Qualifications

MSc Operational Research (Birmingham, UK)

Name of Organisation

GE Capital

Experience

Tim is a retail credit and risk professional who commenced his career in the United Kingdom, with the benefit of experience in multiple markets, supplier and user, negative and positive reporting environments.

Tim has broad industry experience and an appreciation of the strategic importance of this change to all industry participants. His long term involvement in the industry dates back to 1990. He has been associated with ARCA as a representative for National Australia Bank, Australia and New Zealand Banking Group, and most recently, GE Capital.



JACQUI COLWELL

Qualifications

Bachelor of Economics

Name of Organisation

NAB

Experience

Jacqui Colwell is the Chief Risk Officer for Personal Banking at NAB. Jacqui has held this role since April 2013. She is accountable for oversight of both Credit Risk and Operational Risk for Personal Bank which includes Retail Banking, NAB Broker, Digital and Direct Business and Marketing. Prior to her current role Jacqui held the position of State General Manager NAB Business, Victoria and Tasmania, where she was responsible for over \$34 billion in lending and \$17 billion in deposits and funds management to Victorian and Tasmanian small to medium enterprise.

Jacqui has had over 25 years' experience in the financial services industry across Australia, predominantly in business and institutional banking. She also has significant experience in risk, and has worked in strategy, finance and retail banking.



MIKE CUTTER

Qualifications

BSc (Hons) SF Fin

Name of Organisation

Veda

Experience

Mike joined Veda in March 2015 with an extensive career in financial services, spanning more than 25 years both in Australia and abroad. Mike's roles have included time at National Australia Bank, CRO at ANZ (Australia), CEO at GE Money Australia & New Zealand and CEO of OAMPS Insurance Broking. Mike has knowledge of comprehensive credit reporting from international markets and has been one of the original champions of CCR in the Australian market.

Mike has held numerous directorships and chairmanships with WesFarmers, ANZ and GE. He is a senior fellow of Finsia, served as Director of the Women's Cancer Foundation from 2006 to 2015 and served as a Director of the Australian Finance Conference until 2009 and National Insurance Brokers Association until 2014.



FIONA LARNACH

Qualifications

Masters in Banking & Finance

Certified Practicing Accountant

Name of Organisation

Commonwealth Bank of Australia

Experience

Fiona is Chief Risk Officer of Retail Bank Services and started with the Retail Bank in November 2011. Fiona's team is responsible for advising and supporting the Retail Bank Services in making risk decisions through strategies and policies which aim to optimise returns within the bank's risk appetite.

Fiona has extensive international risk experience gained in a number of global organisations including Citibank and GE. Fiona's Australian experience was most recently as a Partner in Ernst & Young specialising in risk management. Prior to this, Fiona was the CRO of Westpac's Business & Retail Bank.



ADAM McANALEN

Qualifications

Diploma of Business

Name of Organisation

Bank of Queensland

Experience

With 25 years' experience in retail and commercial banking Adam was appointed to the role of General Manager Retail Credit at the Bank of Queensland in 2012. Adam has responsibility for Group Retail credit risk strategy, portfolio management, scorecards, credit assessment, retail collections & recoveries and hardship. Since joining BOQ in 2004 Adam has held a number of senior leadership roles within Group Finance, Retail Banking and Operations. Prior to joining BOQ Adam spent 10 years at Westpac Banking Group, with leadership roles across both Commercial Banking and the Retail Banking Group.

OUR BOARD OF DIRECTORS

CURRENT AT 30 JUNE 2015



SCOTT NORTH

Qualifications

B.Com, MBIT, FCA

Name of Organisation

Credit Union Australia

Experience

Scott joined CUA in July 2013. Scott is responsible for leading the strategic development, implementation, challenge and assurance of CUA's risk management strategy and risk frameworks.

Scott has over 20 years' experience in risk management, audit, technology, and accounting, with the last 13 years in the financial services industry. He has extensive experience in enterprise risk management in financial services, with a strong focus on digital innovation in retail banking. His previous roles include Head of Risk Digital and Head of Enterprise Operational Risk Australia and New Zealand for GE Capital as well as senior roles driving the evolution of enterprise risk management for NAB Group's digital banking businesses, Ubank and Direct Banking.

Scott is a Fellow of the Institute of Chartered Accountants and a Fellow of the University of Melbourne.



SUSIE PEACOCK

Qualifications

Bachelor of Commerce, Sydney University
Executive MBA, AGSM

Name of Organisation

Westpac Banking Group

Experience

Since 2014, Susie has been responsible for the strategy, policy and processes for the detection of fraud within the Westpac Group.

Her previous roles at Westpac have included the Head of Risk and Operations, and the Head of Risk Transformation in the St George/Westpac risk merger programme. Susie brings a wealth of experience in the Australian financial services market with previous roles at the Commonwealth Bank of Australia, Genworth Financial and Citibank.

Susie is a former Director of the Banking and Financial Services Ombudsman (BFSO), a former advisor to the Banking Advisory Board for the Financial Ombudsman Service (FOS), and is a former chairperson of the Mortgage Risk Manager Round Table.



ANDREW SHEEHAN

Qualifications

Master of Business Administration
Bachelor of Science in engineering

Name of Organisation

Experian Australia

Experience

Andrew Sheehan joined Experian Australia's Credit Services business as Managing Director in January 2014. Andrew oversees the sales, product marketing and business operations, driving the strategic direction for Experian's portfolio of credit services solutions spanning the entire credit life cycle. These products and services help Experian's clients make better decisions in customer acquisition, portfolio management and collections.

Andrew initially joined Experian in the United States in August 2002 and has held leadership roles with Experian's Automotive and Credit Services businesses. His prior experience also includes strategy consulting with Booz Allen & Hamilton and Andersen Consulting.

BOARD MEMBERS

THANK YOU TO OUR BOARD MEMBERS WHO ALSO SERVED DURING THE 2014/15 FINANCIAL YEAR

STEVEN BROWN

Qualifications

Bachelor of Arts (University of Queensland)
Post Grad Dip Management (MGSM)

Name of Organisation

Dun & Bradstreet (Australia) Pty Ltd

Experience

Steven has worked in the credit reporting industry since 1989 and has held senior sales and marketing roles for the two leading credit reporting bodies in Australia. Having led Dun & Bradstreet's consumer credit reporting bureau since its inception, he has been involved in championing major changes to the credit reporting industry.

In his current role, Steven is responsible for Dun & Bradstreet's Consumer Risk Solutions business across Australia and New Zealand.

JENNIFER EVANS

Qualifications

Bachelor of Science
Senior Fellow of FINSIA

Name of Organisation

ANZ

Experience

Jennifer was appointed Chief Risk Officer, ANZ Australia, in March 2013, and is also responsible for Global Retail Risk.

Over a 25 year banking career, Jennifer has held a number of senior roles across Australia, New Zealand, Asia and the United Kingdom, including the Chief Risk Officer for ANZ New Zealand and Chief Operating Officer based in London for ANZ's Europe and America business.

DAVID GRAFTON

Qualifications

BA PhD GAICD

Name of Organisation

Veda

Experience

David has held senior executive positions across the banking and credit industries in Australia, the UK, USA and Europe for more than 25 years, including the Chief Risk Officer for the Commonwealth Bank of Australia's Retail Bank, and CEO and Director of Data Advantage/Baycorp.

David is a Director and former chairman of the then Australasian Retail Credit Association and has for many years been an industry leader in advocating the move to comprehensive credit reporting.

JAMES HAVILAND

Qualifications

Bachelor of Commerce
Bachelor of Economics
Graduate Diploma Applied Finance and Investment

Name of Organisation

ME Bank

Experience

At ME Bank James has held the positions of Acting Chief Risk Officer and General Manager of Internal Audit. His key experience includes risk operating model reviews, annual audit planning and delivery.

Prior to joining ME Bank, James had over 12 years with Ernst & Young, including as the Executive Director within the Advisory practice.

POLI KONSTANTINIDIS

Qualifications

BSc (Hons – Statistics & Operations Research) from RMIT University

Name of Organisation

GE Capital

Experience

Poli is currently the Head of Risk Infrastructure at GE Capital Australia and New Zealand.

Poli has extensive risk management experience, having been in the credit risk and financial services industry for the last 14 years. During this time has held numerous senior risk roles at GE Capital. Prior to this, Poli spent 4.5 years at Ford Motor Credit as the Consumer Risk Manager for Australia and New Zealand and as the Portfolio Performance Manager for Asia-Pacific.

RICHARD NEVILL

Qualifications

Statistics & Mathematics at University of Brighton UK

Name of Organisation

HSBC Bank Australia

Experience

Richard is currently the Head of Risk for Retail Banking & Wealth Management at HSBC Bank Australia, with responsibility for the full credit lifecycle on all secured and unsecured portfolios including acquisition, account management and collections.

Richard has been at HSBC for 11 years since arriving from the United Kingdom in 2003. Prior to HSBC Australia, he worked for Lloyds TSB (now Lloyds Banking Group) in a range of risk management roles including scorecard development, fraud scoring, credit underwriting and collections strategies.

OUR PEOPLE



**YOU CAN NEVER CROSS THE OCEAN UNTIL YOU HAVE THE
COURAGE TO LOSE SIGHT OF THE SHORE.**

– Christopher Columbus

ARCA has six full time and three part time staff members operating across three areas - the Executive Office led by Damian Paull, the Government, Regulatory & Industry Affairs team, led by Matt Gijselman, and the Member Services & Consumer Affairs team, led by Rebecca Murray.

We are committed to ensuring our team are employed in the roles required to meet the needs of our Members. This year we have created four new roles to ensure we can deliver our key priorities. Esther Wambui Migwe joins us in a contract role as an Administrative Assistant, and as at the end of the financial year we are recruiting three new contract roles, as shown in the organisational chart on page 19.

ARCA remains focussed on providing equal employment opportunity and a discrimination-free working environment for all employees. ARCA has a diverse workforce and strives for equality of employment conditions across the teams.

During this reporting period, ARCA released its Remuneration and Recognition Policy. This policy lays the foundations for how we manage and recognise performance for individuals,

teams and the organisation as a whole.

At the heart of the policy is the recognition that ARCA offers a supportive and challenging work environment.

We have also continued to demonstrate commitment to flexible workplace arrangements. ARCA provides employees with access to genuine flexible working arrangements, with the ability to work-from-home as the need arises, as well as the ability for staff to select hours which best suit their requirements and family circumstances.

Examples of how ARCA offers a supportive working environment to all employees includes:

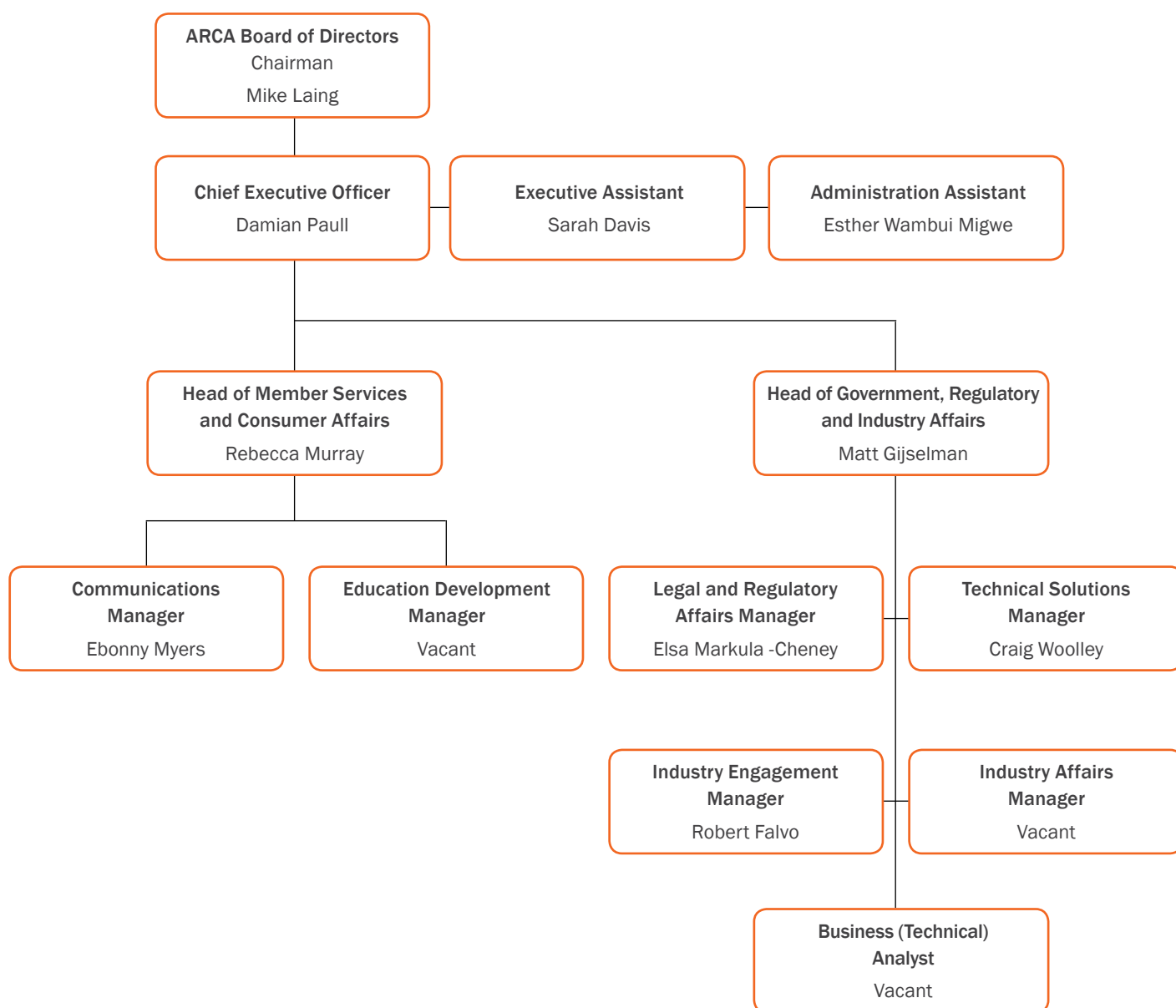
- Supporting working from home
- Ability to have flexible work days, and offering part-time employment on this basis
- Providing time in lieu for those employees working longer hours to complete tasks
- Establishing a collaborative work place, with a focus on team projects and cross-functionality across different employees, playing to individual strengths
- Operating with a growth mindset , fostering creative problem solving

In addition to providing this supportive environment, ARCA also emphasises staff development, with development plans being reflective of individual ambitions. These plans provide an opportunity to consider additional external training prospects, from short courses through to nationally accredited qualifications.

Beyond this reporting period, ARCA aspires to remain an employer of choice, offering flexibility and providing a supportive and collaborative workplace culture.

ARCA'S ORGANISATIONAL CHART

CURRENT AT 30 JUNE 2015



STRATEGIC OVERVIEW

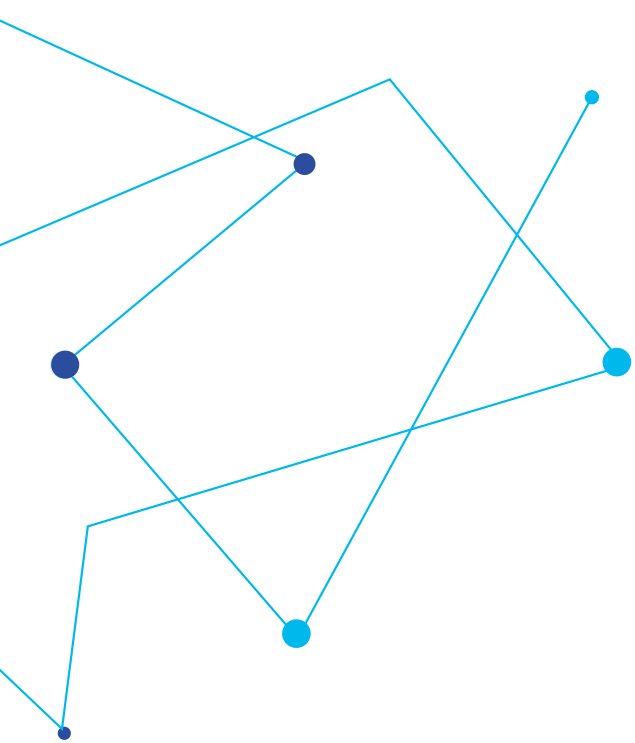


**THE FIRST RESPONSIBILITY
OF A LEADER IS TO DEFINE
REALITY. THE LAST IS TO SAY
THANK YOU. IN BETWEEN, THE
LEADER IS A SERVANT.**

– Max De Pree

ARCA'S OBJECTS REFLECTED IN OUR CONSTITUTION ARE:

- To lead and advocate on issues that either affect the integrity and functioning of credit reporting, or are affected by the credit reporting system
- To provide a forum for CPs and CRBs in Australia to identify, discuss and examine retail credit issues that directly or indirectly affect the credit reporting system and, where possible, to facilitate resolution of these issues
- To develop and promote policies and Codes of Conduct to improve the practices of the retail credit industry and where appropriate provide advocacy and leadership to assist in achieving that outcome
- To promote, through education and advocacy, responsible credit and best practice in consumer credit management as it relates to credit reporting
- To facilitate the functioning of the credit reporting system by providing industry support services, systems and technology (so long as these do not duplicate or compete with services provided by Members or any organisation to which a substantial number of Members belong)
- To facilitate and conduct research into issues which affect responsible credit and credit reporting, as identified by Members



OUR PROGRESS



THE PRINCIPLE MARK OF
GENIUS IS NOT PERFECTION
BUT ORIGINALITY, THE
OPENING OF NEW FRONTIERS.

– *Arthur Koestler*

This year represents the second year in ARCA’s current strategic plan. Our six goals build upon the foundations laid in previous years, and this year have been refined as part of a strategic review.

THE KEY FINDINGS OF THE REVIEW WERE THAT:

- ARCA has a specific purpose of developing the credit reporting system
- ARCA is well supported by Members to complete the credit reporting reforms
- There is broad acceptance that this will take several years
- ARCA should continue to seek a broad membership across industry sectors to more fully reflect the participants in the credit reporting system

The review also considered the priorities of ARCA and identified the following:

TOP FOCUS	PRDE & Continuing Policy Reform
KEY ENABLERS	Stakeholder Engagement & Industry Engagement
SERVICES/MEMBERS	Member Engagement & Services (including education services)
FOUNDATION	ARCA Awareness & Internal Effectiveness

ARCA'S STRATEGIC GOALS

KEY GOALS

We have now prioritised our goals, identifying those goals necessary to achieve our long term objectives (ARCA's Key Goals), and those secondary goals that enable us to succeed (ARCA's Enabling Goals).

Consistent with this prioritisation, ARCA has been striving to deliver the following:

A FUNCTIONING CREDIT REPORTING SYSTEM, WITH BROAD PRDE SUBSCRIPTION, SUPPORTED BY INDUSTRY, REGULATORS AND GOVERNMENT.

INITIATIVES

WHY?

- | | |
|--|---|
| <ol style="list-style-type: none">1. <i>A successful ACCC authorisation for the PRDE</i>2. <i>Establish the Reciprocity & Data Exchange Administrator (RDEA), including governance and operational capability</i>3. <i>Establish and induct the Industry Determination Group (IDG) and the Eminent Person panel (EPP)</i>4. <i>Develop the PRDE technology requirements</i>5. <i>Conduct the PRDE subscription process</i>6. <i>Transition the Australian Credit Reporting Data Standard (ACRDS) and Data Standards Working Group (DSWG) across from ARCA to the RDEA</i> | <ul style="list-style-type: none">• An effective functioning reciprocity framework builds trust and confidence in the credit reporting system, and leads to greater participation and data sharing, resulting in better credit decisions.• Transparent governance helps build confidence in the credit reporting system, increasing participation of data suppliers. |
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PROGRESS TO DATE

- The PRDE ACCC authorisation application submitted together with the KPMG independent report
- The first round of public consultation and submissions completed, and a full analysis of the issues identified
- ARCA's response to the submissions completed together with a further economist's report (Charles River Associates) setting out those features of the PRDE, including reciprocity, consistency and enforcement obligations, which are necessary to enable the exchange of comprehensive credit reporting information
- The RDEA registered and an interim Board identified
- The terms of reference for the IDG and EPP drafted for the consideration of the PRDE workgroup and subsequent approval of the RDEA
- Approval for the appointment of the Industry Affairs Manager has been obtained and recruitment has commenced

ARCA'S STRATEGIC GOALS

EFFECTIVELY PURSUE OUR FORWARD POLICY AGENDA, SUPPORTED BY OUR MEMBERS, RESEARCH AND THE WIDER INDUSTRY

INITIATIVES

WHY?

- | | |
|---|--|
| <ol style="list-style-type: none">1. <i>Continue to pursue ARCA's long term policy reform agenda by developing and implementing the advocacy plan for 2015.</i>2. <i>Provide advocacy on matters that emerge during implementation of the credit reporting reforms.</i>3. <i>Meet with key Government and Opposition MPs to pursue our reform agenda.</i><ul style="list-style-type: none">• <i>Trans-Tasman data sharing</i>• <i>FSI recommendations - recognition of the PRDE to facilitate exchange of comprehensive credit reporting information as opposed to any mandatory arrangements</i>• <i>Non-financial CPs exchanging Repayment History Information (RHI)</i>• <i>RHI arrangements for consumers in hardship</i>• <i>Additional data</i>• <i>Alignment of Privacy Act and Privacy (Credit Reporting) Code (CR Code) reviews</i>4. <i>Develop ongoing strategic partnerships with key industry and academic partners to promote and deliver on key research topics in support of reform agenda.</i>5. <i>Establish a roundtable program to provide a forum for key regulators to understand the benefits and issues associated with the credit reporting system.</i> | <ul style="list-style-type: none">• Maximise allowable data to improve the ability of the credit reporting system to better manage credit risk• The credit reporting system has been recognised as important to financial stability and may be subject to further review from Treasury• Increase predictive scoring through improved data sets |
|---|--|

PROGRESS TO DATE

- Positioned credit reporting as an economic driver, with the FSI report acknowledging potential further reforms as a key part of economic infrastructure including further data points such as balance and utilisation rates
- Briefed the Australian Bankers' Association (ABA), Australian Finance Conference (AFC) and Customer Owned Banking Association (COBA) on ARCA's policy agenda to achieve some alignment and understanding
- Briefed the Government and Opposition on credit repair, RHI and hardship, Trans-Tasman data sharing, FSI report outcomes, aligning the relevant reviews of the *Privacy Act* and CR Code, and on obtaining additional data
- Achieved bi-partisan support for trans-Tasman data sharing. Now on the radar for the Attorney General's Department (AGD)
- Drafting a white paper on the issue of RHI and hardship. Preliminary discussions and briefings have taken place with the Australian Prudential Regulatory Authority (APRA), Australian Securities and Investments Commission (ASIC) and the Office of the Australian Information Commissioner (OAIC), and have established sufficient interest for a regulator roundtable to discuss the issue where there appears to be a conflict in expectations
- Working with the Australian Collectors & Debt Buyers Association (ACDBA) to deliver a roundtable on the impact of the reforms including the PRDE on debt buyers and collectors
- Established the need for the telecommunications and utilities organisations to discuss further reforms to the credit reporting system

ARCA'S STRATEGIC GOALS

IMPROVE THE CREDIT REPORTING SYSTEM THROUGH INDUSTRY ENGAGEMENT AND EDUCATION

INITIATIVES

WHY?

- | | |
|---|--|
| <ol style="list-style-type: none">1. <i>Deliver the ARCA National Conference with over 250 delegates in attendance from across both the financial and non-financial CPs and CRBs.</i>2. <i>Deliver a new Executive Breakfast series every 4 months with the last session for 2015 coinciding with the ARCA National Conference.</i>3. <i>Launch the Kaplan Education strategy for CreditSmart focussing on frontline staff, intermediaries and financial counsellors.</i>4. <i>Increase sponsorship opportunities arising from the ARCA National Conference that have extended impact across the year for key initiatives, publications and events.</i>5. <i>Participate at industry conferences as a recognised leader on the credit reporting system.</i> | <ul style="list-style-type: none">• Industry engagement and education will enhance understanding of the CRS and lead to acceptance and embrace of CCR• Increased understanding of the importance of the CRS to the economy will assist ARCA to continue the reform process• Increased industry confidence in the CRS will increase participation and data sharing• Increased Member and non-Member engagement will assist ARCA to build support for further reforms |
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PROGRESS TO DATE

ARCA National Conference

- Delivered a successful ARCA National Conference 2014
- Plans are developing well for ARCA National Conference 2015
- Established the Conference Committee, chaired by an Independent Chair, Marcus Oakley
- Sponsorship agreements completed for the ARCA National Conference 2015 and all major sponsorships sold
- Agenda planning well underway and will be released in July 2015
- Logistics planning well under way, with venue for the ARCA National Conference 2015 booked (QT Hotel, Gold Coast)

Kaplan Education

- The online CreditSmart training has been developed in conjunction with Kaplan
- Strong support expected from the financial counselling sector and ARCA Members for the delivery of training to financial counsellors
- Further resourcing will accelerate the completion of the online CreditSmart training in the second half of 2015

Industry Engagement

- Presentations at over eight conference including the Hardship and Utilities Conference, Debt Buyers and Collectors Conference, and FCA conference
- Learning solutions provided to Macquarie Bank on default listing

Executive Breakfasts

- Concept launched in conjunction with Privacy Awareness Week
- 116 attendees across two locations in Sydney and Melbourne
- Strong positive feedback and support for the initiative from Members, attendees and industry stakeholders
- A series of Executive Breakfasts have been included as part of the sponsorship offerings for the conference

ADDITIONAL ACTIVITIES INCLUDE:

Industry and Consumer Communications Media Strategy

- Approved by the Board
- Continued activity concerning CreditSmart and Privacy Awareness Week
- Regular articles in The Adviser for Mortgage & Finance Association of Australia (MFAA) members
- Opinion editorial pieces for trade media ongoing
- Managed reaction to negative stories

Member Communications

- Refined the Member communications strategy, including the development and launch of the ARCA CReditorial monthly bulletin

ARCA'S STRATEGIC GOALS

IMPROVE CONSUMER BEHAVIOUR TO IMPROVE CONSUMER CREDIT MANAGEMENT

INITIATIVES

WHY?

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| <ol style="list-style-type: none">1. <i>Deliver a CreditSmart strategy with an objective of improving the role of CreditSmart in consumer education.</i>2. <i>Work in conjunction with the OAIC to deliver "CreditSmart Day" as part of Privacy Awareness Week in May 2015</i>3. <i>Conduct at least two Consumer Advisory Panel (CAP) meetings in 2015, and manage the issues that arise from the discussions to a satisfactory conclusion.</i>4. <i>Identify opportunities to sponsor completion of the CreditSmart Kaplan training for financial counsellors as a means of helping consumers better understand the impact of the credit reporting system (CRS) in accessing credit.</i>5. <i>Identify and build consumer collateral for Members to use in customer communications.</i>6. <i>Encourage all ARCA Members to link to the CreditSmart website.</i> | <ul style="list-style-type: none">• Improved consumer understanding and behaviour leads to greater financial inclusion and a reduction in industry costs• Improved consumer understanding leads to greater engagement with the CRS• Empowered consumers can more readily participate in the corrections process thereby reducing potential reliance on "for profit financial difficulty providers" |
|--|--|

PROGRESS TO DATE

- CreditSmart received media and consumer attention during Privacy Awareness Week
- The Consumer Advisory Panel has been established with broad representation from consumer advocates
- We promoted CreditSmart at the FCA Conference in Canberra, and distributed over 600 individual fact sheets and training brochures to financial counsellors
- We are actively seeking philanthropic support to sponsor 200 financial counsellors through the CreditSmart online training course
- A number of Members are continuing to link to the CreditSmart website, with over 160 financial literacy organisations having linked in total.
- We have established a reciprocal agreement with the International Association of Privacy Professionals (IAPP) in Australia and New Zealand to offer reciprocal pricing and attendance at public events

ARCA'S STRATEGIC GOALS

ENABLING GOALS

EASY ACCESS TO KEY DECISION MAKERS IN GOVERNMENT, REGULATORS, ADVOCATES AND MEMBERS

INITIATIVES

WHY?

- | | |
|--|---|
| <ol style="list-style-type: none">1. <i>Increase ARCA engagement with consumer advocates through the creation of the CAP.</i>2. <i>Provide a leading role in relation to hardship and the role of the credit reporting system in identifying and avoiding a significant risk of default.</i>3. <i>Provide a leading role in relation to the debate on credit repair and its impact on the credit reporting system.</i>4. <i>Establish regular briefings with key stakeholders including peer associations, Government, Opposition, relevant government departments and regulators to ensure that ARCA is recognised as the leading industry association in regards to the credit reporting system.</i>5. <i>Improve the Senior Executive forums to increase awareness of ARCA activities and strategic objectives.</i>6. <i>Establish a broader understanding of ARCA's activities with the International Finance Corporation (IFC) and the New Zealand Office of the Privacy Commissioner.</i> | <ul style="list-style-type: none">• Improved understanding and support from all stakeholders will assist ARCA in delivering on our strategic goals• Continued stakeholder management will maintain ARCA's position as a leader in the credit reporting system• Effective relationships will assist ARCA to deliver on our policy agenda• Effective relationships will assist ARCA to resolve industry issues relating to the credit reporting system |
|--|---|

PROGRESS TO DATE

- ARCA continues to build strategic relationships with senior stakeholders in order to ensure we can build a foundation for further influence and change
- The extent of this activity is evident in the achievements to date which include the inclusion of the credit reporting recommendation in the Financial System Inquiry final report, the influence of ARCA on the development of key regulator positions in relation to the CRS, and the interest in the work of ARCA by our international industry association colleagues
- ARCA has established ongoing communication with Consumer Data Industry Association (CDIA) in the United States in the US and Association of Consumer Credit Information Suppliers (ACCIS) in Europe to better understand the issues emerging in global data sharing and credit reporting

GROW ARCA AS A PROACTIVE AND DYNAMIC ENABLER OF SOLUTIONS, RESOURCES AND NETWORKING OPPORTUNITIES

INITIATIVES

WHY?

1. *Develop and implement the Member acquisition plan focusing on non-financial CPs and larger mutual Authorised Deposit-taking Institutions (ADIs).*
 2. *Develop and deliver on the Member acquisition plan to retain ARCA membership and improve engagement.*
 3. *Increase Member representation at key workshops, meetings and events.*
 4. *Review the ARCA membership structure and make recommendations to the ARCA Board to ensure membership categories and tiers remain appropriate.*
 5. *Design and deliver on a strategy to attract COBA members in partnership with COBA, in order to maximise COBA's group membership and to promote ARCA more broadly across the sector.*
 6. *Maintain and facilitate the required work groups to support the implementation of the PRDE, and ACRDS, and drafting of the CR Code guidelines.*
 7. *Improve and drive the issue and risk register (Risk Register) as a single source for industry issues and ensure that the information is broadly circulated amongst Members.*
 8. *Publish guidelines for the CR Code, PRDE and ACRDS*
- Providing a 'first port of call' resource for Members will encourage information sharing and reduce the burden on internal resources
 - ARCA is a membership-based organisation, and our Members need to be our key focus
 - Broadening our membership base to include other CRS participants from the non-financial CPs will help ARCA advocate more effectively
 - Clear guidance for participants using the credit reporting system improves understanding, efficiency and consistency

PROGRESS TO DATE

Data Standards Work Group (DSWG)

- Strong representation at the Data Standard Working Group with regularly scheduled meetings
- A number of subcommittees are dealing with operational issues including the impacts of 'grace days' on the operation of RHI
- DSWG managing emerging issues such as standardisation of error codes and the transfer of ownership with debt buyers

Industry Working Group (IWG)

- ARCA's credit repair action plan drafted
- Examining transitional issues regarding the use of credit eligibility information
- Debating the industry requirement for guarantor and relevant information to be included on a credit report
- Reviewing the *Privacy Act* sections 20N and 20Q audit requirements and arrangements across the industry
- Sub-committee established to support Members in relation to lenders' mortgage insurance (LMI) arrangements following transfer of a consumer credit account
- Advocacy on behalf of Members affected by the *Privacy Research Rule 2014*
- Action plan for RHI and multi regulatory requirements relating to hardship

Industry Guidelines

- Planning commenced for drafting the first set of guidelines
- Future releases of guidelines to cover the credit reporting system, PRDE and ACRDS

Membership

- Communications relaunched as the ARCA CReditorial - issued monthly
- Management of ad hoc Member issues as raised
- Fortnightly ARCA Huddle and FAQs
- Meeting with COBA Members regarding membership opportunities
- Board approval obtained to review membership and consider a fourth tier for CPs (financial and non-financial)
- Consideration of a membership strategy to encourage a transitional membership for telecommunications and utilities to assist with advocacy on access to repayment history for these sectors

ARCA'S STRATEGIC GOALS

STRONG ENGAGEMENT AND PERFORMANCE FROM STAFF, CEO, CHAIR AND THE BOARD

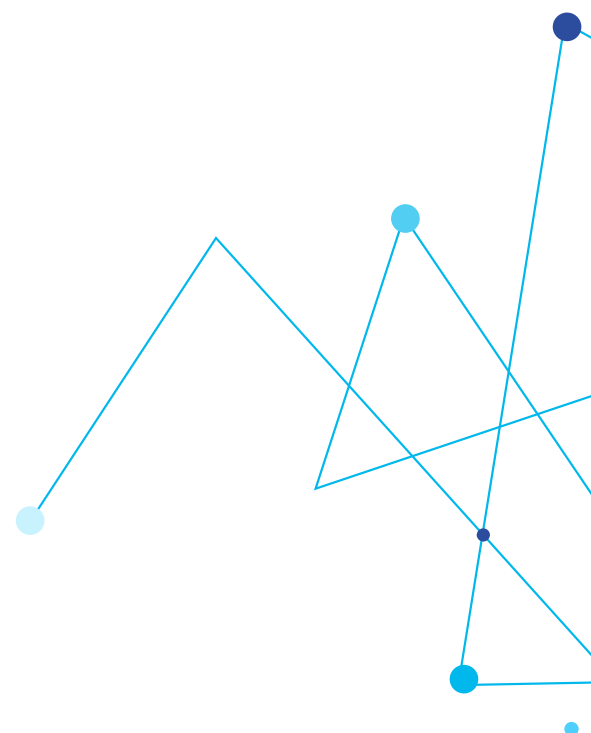
INITIATIVES

WHY?

- | | |
|--|---|
| <ol style="list-style-type: none">1. <i>Improve Board reporting to reflect key milestones and delivery against the strategic plan.</i>2. <i>Ensure key financial metrics are understood and regularly monitored.</i>3. <i>Conduct periodic reviews of the strategic direction and goals to ensure they remain current and reflective of the Board's expectations.</i>4. <i>Develop a calendar of matters for the Board for 2015.</i>5. <i>Develop clear Key Performance Indicators for ARCA staff.</i>6. <i>Develop and implement performance management and development plans for 2015.</i>7. <i>Ensure that ARCA values are understood and measured.</i> | <ul style="list-style-type: none">• Stronger alignment will assist the team to deliver on the goals and objectives for 2015• Engaged staff leads to greater performance• An active and engaged Board will help deliver on ARCA's objectives• ARCA is well positioned and respected for our industry representation on matters relating to credit reporting |
|--|---|

PROGRESS TO DATE

- Board calendar of matters developed for 2015
- New Board reporting introduced in April 2015 to reflect the strategic plans and milestones
- ARCA Media strategy reviewed and endorsed
- Measuring and monitoring key financial metrics with cash flow reporting for 2015
- Board strategic review completed by Cameronralph
- Budget adjustment and key initiatives identified and approved by the Board
- Discretions framework for expenditure reviewed and amended
- Remuneration and Recognition Policy approved
- Succession planning commenced for key staff
- Key Performance Indicators and performance plans for 2015 under review



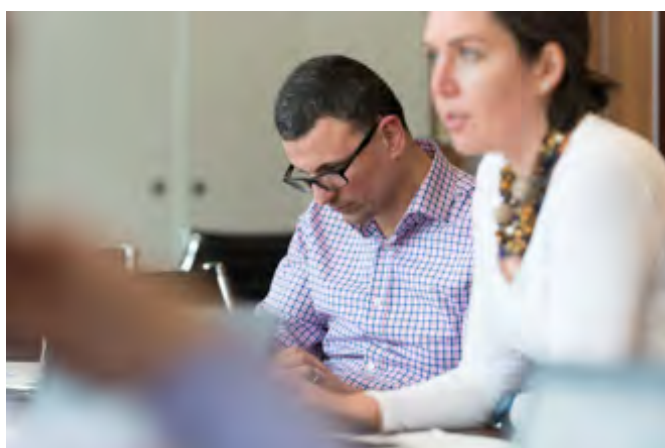


**A FUNCTIONING CREDIT
REPORTING SYSTEM WITH
BROAD SUBSCRIPTION,
SUPPORTED BY INDUSTRY,
REGULATORS AND
GOVERNMENT.**



**CHANGE IS BLOODY HARD AND IT TAKES GENERATIONS BUT
YOU HAVE TO TAKE STEPS. THE SIGN OF SUCCESS IS WHEN
THE MOMENTUM DOES NOT RELY ON THE LEADER.**

– Lieutenant-General David Morrison



PRDE DEVELOPMENT

The development and finalisation of the PRDE framework was a key focus for ARCA during the reporting period. In addition to the PRDE itself, ARCA has made significant progress on the other elements of the framework including :

- a mechanism to bind signatories – a deed poll
- a compliance attestation process – annual compliance certificate, and
- a disputes resolution process including the Industry Determination Group (IDG) and Eminent Persons Panel (EPP)

During this time, input into the PRDE development was received from;

- the PRDE working group (which met on 10 occasions)
- the PRDE Legal Review group (which met on 2 occasions and also provided ongoing informal feedback)
- feedback generated from one-on-one meetings with ARCA Members, and
- discussions with industry stakeholders and regulators

These initiatives demonstrate the collaborative approach to development of the PRDE adopted by ARCA. Within the PRDE working group, decision-making sought to achieve a significant consensus. Where an impasse was reached and the working group was unable to reach a consensus on particular provisions, these provisions would be referred to the ARCA Board

for decision. In other instances, changes which had been proposed by the PRDE Legal Review group would also be referred to the ARCA Board for endorsement.

Ultimately, only two provisions were referred to the ARCA Board for final decision, which reflects positively on the final positions adopted in the PRDE drafting.

The PRDE was finalised on 20 February 2015. The remaining documents including, the deed poll and terms of reference for the Industry Determination Group and Eminent Person Panel, are well-advanced in their development and will be finalised in time for commencement of the PRDE.

PRDE KEY PROVISIONS

In developing the PRDE, ARCA Members sought to create a binding multilateral framework setting out rules for data exchange between CRBs and CPs. ARCA Members were clear that the PRDE needed to ensure incentives existed for signatories to exchange partial and comprehensive information, and to improve the existing contribution of negative information. In doing so, the PRDE supports ARCA's key objective, which is to transform Australia's credit reporting system.

The final PRDE comprises six principles, with the key provisions focussed on implementing the following requirements and obligations:

- Binding effect – signatories to the PRDE will sign the deed poll, which will require each signatory to comply with the PRDE
- Reciprocity – each signatory will only be able to 'get what they give', with reciprocity operating across the three Tier Levels, being negative, partial and comprehensive
- Consistency – when contributing at a nominated Tier Level, each signatory must contribute all required consumer credit information for that Tier Level. Further, when a signatory has a services agreement with more than one CRB, its contribution of information must be at the same Tier Level.
- Transparency – signatories will know which organisations are signatories, and their level of participation (although CRB signatories will only be provided this information for those CPs who consent). Further, if there is a compliance issue, signatories will know its outcome (except for those resolved within 30 days)

- Enforceability – as well as being binding, the obligations in the PRDE are enforceable, based on a staged dispute resolution model. This model allows for signatories to resolve disputes between each other, before progression to a peer review group (which has the ability to conciliate disputes) and final appeal to an independent Eminent Person. The sanctions associated with non-compliance focus on fixing the issue of non-compliance, rather than penalising the non-compliant signatory

Collectively, these key provisions put in place an effective means by which ARCA Members and industry as a whole can promote participation in comprehensive credit reporting.

PRDE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION AUTHORISATION APPLICATION

For the PRDE to be able to operate, ARCA has had to apply to the ACCC seeking authorisation of particular provisions of the PRDE. The effect of the authorisation is that, during the authorisation period (nominated as five years), any provision in the PRDE which may otherwise breach the provisions of the relevant competition law, are 'authorised' and not subject to an ACCC prosecution. The test for granting authorisation rests on whether the public benefit arising from the PRDE provisions outweighs any public detriment which arises from these provisions.

ARCA's authorisation application was lodged with the ACCC on 20 February 2015. The application requested the authorisation of the reciprocity, consistency and enforceability obligations in the PRDE. This initial application was supported by an economist report

provided by KPMG, which detailed the public benefits associated both with comprehensive credit reporting, and with the PRDE. The argument put forward in the application was that the PRDE was necessary to realise both the benefits of comprehensive credit reporting, as well as the unique benefits that arise from the manner in which the PRDE is intended to operate.

Thirteen submissions were provided to the ACCC in response to ARCA's application. These submissions came from ARCA Members, regulators (ASIC and the OAIC), industry associations (the Australian Finance Conference, Australian Bankers' Association and COBA), interested organisations (Origin and ConsumaData), and consumer advocates. There was a high level of support provided for the PRDE, as well as some issues raised.

ARCA provided our response to these submissions on 29 May 2015. This response was based on three key areas:

- That the PRDE is necessary to fully realise the benefits of comprehensive credit reporting
- That the consistency obligations in the PRDE provide public benefits, including promoting widespread participation in the PRDE and involve minimal extra cost
- That the development and operation of the PRDE was appropriate and well-balanced, and further that additional issues raised by consumer advocates concerned matters outside the PRDE

The response was also supported by a further economist report, provided by Charles River Associates, which focussed on how the PRDE obligations are critical to achieving the public benefits associated with comprehensive credit reporting.



THE PRDE REPRESENTS THE FINAL PIECE OF THE CCR FRAMEWORK. IT'S EXCITING TO SEE MOMENTUM BUILDING AS THE PRDE MOVES TOWARDS CONCLUSION, CREDIT PROVIDERS START TO SUPPLY COMPREHENSIVE DATA & THE COMPETITIVE BUREAU LANDSCAPE DRIVES INNOVATION IN NEW PRODUCTS & SERVICES.

– Tim Brinkler

Outside of the reporting period, on 17 July 2015, the ACCC issued its draft determination. This draft determination proposed that the PRDE provisions be authorised, with no conditions imposed.

It is anticipated the final determination will be issued in November or December 2015.

PRDE INDUSTRY ENGAGEMENT

In December 2014 the ARCA Board made a significant change to the scope and application of the PRDE to the credit reporting system. As a result of the amendment, it is now a requirement to sign the PRDE to have access to PRDE signatory data.

We have initiated an active communications and engagement campaign with our Members and other industry stakeholders. To date we have met with the majority of ARCA Members, a range of industry participants from the telecommunications and utilities and data analytics sectors, and a number of key industry associations and their members.

Our engagement provided us with an opportunity to not only discuss the final version of the PRDE and the proposed

ACCC authorisation of the PRDE, but also allowed ARCA to discuss transition to comprehensive credit reporting and the challenges industry is facing in making the transition to the new arrangements.

In the new financial year, pending ACCC authorisation, we will be focussing on identifying and engaging with signatories to the PRDE. We are currently developing plans to launch a dedicated PRDE website which will be used to communicate the benefits of the PRDE to potential signatories as well as promoting available services including training and public FAQs and other communications tools on the PRDE.

Until the ACCC makes a final determination regarding our application for authorisation, we will continue to build support for the PRDE through our ongoing engagement with ARCA Members and the broader industry.

PRDE – THE FUTURE

As ARCA has noted to the ACCC, the PRDE is the missing piece of the puzzle in terms of the introduction of CCR in Australia. The PRDE will give CPs the confidence to contribute their data, and lead to a greater uptake of CCR.

As noted above, the development of the PRDE has been a major undertaking by ARCA during this reporting period – and the commencement of the operation of the PRDE is expected to be a significant undertaking in the next year.

Looking forward beyond this busy development and establishment period for the PRDE, ARCA is confident it will become an important part of the credit reporting system in Australia. The PRDE is designed to be a low cost, durable and flexible set of rules for all CPs and CRBs that choose to become signatories. We expect that as the pool of data in the PRDE grows, the PRDE will become increasingly attractive to other credit providers – and for those that want to exchange comprehensive data the benefits of becoming a signatory will be significant.

The PRDE has been written to address the known issues with the comprehensive credit reporting system – and flexible enough to adapt as required to new issues as they arise. ARCA has worked hard to design a PRDE that will meet the needs of industry, and ARCA Members can be proud of the role they have played in building an effective framework to promote confidence in the comprehensive credit reporting system.



**EFFECTIVELY PURSUE OUR
FORWARD POLICY AGENDA,
SUPPORTED BY OUR
MEMBERS, RESEARCH AND
THE WIDER INDUSTRY.**



**I ALWAYS LOOK ON THE BRIGHT SIDE OF EVERYTHING.
IF YOU KEEP AIMING FOR SOME GOAL, YOU USUALLY
GET THERE IF YOU DON'T GIVE UP.**

– Bart Cummings

OUR KEY POLICY AGENDA

ARCA recognises that a strong and vibrant credit market underpins a strong economy and sharing comprehensive credit information encourages significant consumer benefits. That is why the ARCA Board has endorsed a public policy agenda aimed at supporting reform in the credit reporting system.

An important part of ARCA's future policy agenda is to:

- Advocate for more information to be shared in the credit reporting system
- Improve access to comprehensive data for all participants in the credit reporting system

ARCA's policy goals were outlined in our submission to the FSI. This submission set out the five key policy objectives ARCA is seeking to achieve:

- Recognition that the credit reporting system is a vital part of a strong economy
- Encouraging a Trans-Tasman arrangement for the sharing of credit reporting data
- Repayment history information made accessible by non-ASIC licenced CPs

- Information about government debts able to be contributed to the credit reporting system
- Advocating for additional data to be included in the credit reporting system

The FSI Final Report, released on 7 December 2014, was significant for ARCA Members because it accepted ARCA's position that the credit reporting system is a key piece of economic infrastructure – not merely a privacy matter.

The FSI was particularly interested in how the financial services industry had progressed implementation of comprehensive credit reporting. In particular the report considered the ARCA-led development of a reciprocity framework, the PRDE. The FSI recommended that in 2017 the Australian Government review industry-led efforts in implementing comprehensive credit reporting, with a view to legislate or regulate a requirement to participate, if implementation has not been adequately achieved.

ARCA supports an Australian Government review of comprehensive credit reporting in 2017. A review of implementation and other aspects of the Privacy Act will offer industry an opportunity to advocate for further information to be included in the credit reporting system. It will also offer a chance to review the success of the comprehensive credit reporting under the PRDE.

OTHER POLICY MATTERS

During this reporting period, ARCA advocated on a number of public policy matters on behalf of Members. Advocacy issues included responsible lending and measures to support financial resilience among vulnerable consumers.

ARCA also provided formal submissions to a range of parliamentary inquiries, including the Senate Committee on the Freedom of Information Amendment (New Arrangements) Bill 2014 into changes to the OAIC, and Treasury on the proposed Banking Amendment (Credit Card) Regulation 2014 into issuer arrangements for credit cards.

WHAT WE NOW KNOW

Evidence is the foundation of informed public policy debate – and on that basis, ARCA has continued to build on the catalogue of research around the importance of the credit reporting system.

In January 2015, KPMG lodged their research report, “The benefits of enhanced credit data exchange”. The report formed part of ARCA’s initial application to the ACCC for authorisation of selected paragraphs in the PRDE.

This report evaluated the economic and wider public benefits of the exchange of comprehensive credit reporting information – and linked them to the operation of the PRDE.

In May 2015, Charles River Associates released “Incentives for Sharing Positive Data in Bilateral and Multilateral Settings”. The report outlined their expert analysis of the expected impacts of the PRDE which was also used to support ARCA’s application seeking authorisation of the PRDE provisions.

These reports are substantial contributions to the research on the credit reporting system in Australia and ARCA was pleased to be involved in their production.

ARCA also continues to support the research efforts of external stakeholders, including bodies such as the Political and Economic Research Council (PERC) – linking them with Members where appropriate and continuing to build the body of knowledge available to ARCA and our Members when developing public policy arguments to advance with government. In October 2014 PERC released an ARCA-supported report, “The Impacts of Information Sharing on Competition in Lending Markets”.



**IMPROVE THE CREDIT
REPORTING SYSTEM
THROUGH INDUSTRY
ENGAGEMENT AND
EDUCATION.**



**EDUCATION IS FOR IMPROVING THE LIVES OF OTHERS
AND FOR LEAVING YOUR COMMUNITY AND WORLD BETTER
THAN YOU FOUND IT.**

– Marian Wright Edelman

A RECOGNISED INDUSTRY LEADER

As a result of the growing industry and community profile of comprehensive credit reporting, the ARCA team are regularly sought for industry presentations regarding the credit reporting system. During the past year, we have spoken at 8 conferences, on topics ranging from CreditSmart and financial empowerment to default listings to the impact of CCR on the debt collection industry.

DATE	EVENT	STATE	PRESENTATION TOPIC	SPEAKER
10 September 2014	iappANZ Boardroom Lunch on Privacy	Sydney, NSW	The challenges and opportunities of cross border data transfers	Damian Paull
1 October 2014	Credit Law Conference	Gold Coast, QLD	Workshop on default listings	Elsa Markula-Cheney
17 November 2014	Annual iappANZ Summit 2014	Sydney, NSW	Asia Pacific Thought Leadership panel session	Damian Paull
27 November 2014	WIRE Women's Information Seminar	Melbourne, VIC	CreditSmart and Financial Empowerment	Elsa Markula-Cheney
13 – 14 April 2015	ACDBA Informa Consumer Debt Forum	Sydney, NSW	Impact of positive credit reporting on the debt collection industry	Damian Paull
7 May 2015	Macquarie Bank	Sydney, NSW	Default Listing Training	Elsa Markula-Cheney
11 – 12 May 2015	Informa Credit Collections and Hardship Programs in Utilities	Melbourne, VIC	Credit reporting information to assess capacity and reduce debt. Impact of regulatory changes on privacy and hardship	Damian Paull
20 May 2015	FCA Conference	Canberra, ACT	CreditSmart information session	Rebecca Murray



Source: The Adviser, 13 November 2014



Source: Herald Sun online 11 May 2015

Through our media advisers, Honner Media, we have provided many educational articles to trade media to educate financial intermediaries on the changes to credit reporting. Articles which gained significant traction included an article entitled 'Check your credit report each year', which was sent out on 11 May 2015 and taken up by the Daily Telegraph, the Herald Sun, news.com.au, The Australian and The West Australian. Other educational articles have been published in many online and printed publications, including the Australian Financial Review, The Adviser, Money magazine, Australian Banking & Finance, The Age, The Sydney Morning Herald and the Canberra Times. In total there were 47 press clips published during the 2014/15 financial year, of these 96% had either positive or neutral sentiment.

The development of CreditSmart Online Training forms an important cornerstone of our industry engagement strategy. This training has been designed to educate call centre staff, financial counsellors, mortgage brokers, accountants and financial planners to assist them to answer the questions consumers ask about the new credit reporting system. It is based on ARCA's award winning CreditSmart website and, following pilot testing, will be launched in 2015.



ARCA NATIONAL CONFERENCE GOES FROM STRENGTH TO STRENGTH

The 2014 ARCA National Conference was a significant and highly successful event. Held from 5 to 7 November 2014 at the Sofitel Gold Coast, Broadbeach, the conference provided outstanding educational and networking opportunities for Members and industry stakeholders.



The theme for the 2014 conference was "The New Frontier – How regulation, technology and consumer forces are changing the credit landscape". Over 300 attendees, including ARCA Member representatives, regulators, consumer advocates and industry representatives came together to listen to experts speak and to engage in debates on local challenges and international best practice in the retail credit industry, focussing on:



- Data analytics – new opportunities for financial services, telecommunications companies and utilities
- Risk management challenges – the evolving credit risk function
- Consumer issues – hardship and troubled debt restructure, credit repair, providing support to the vulnerable
- Next steps for CCR



The success of the conference reflected the quality of the speaker presentations as well as the strong support from Members and sponsors, with sponsorship provided by Veda, Dun & Bradstreet, Experian, FICO, Connected Analytics and Credit Corp Group. Feedback from sponsors and delegates was very enthusiastic – with praise for the highly rated speakers, the networking events and rave reviews in support of the overall conference organisation. Delegates

particularly appreciated the increased opportunities for engagement via interactive breakout sessions.

Typical feedback from delegates included:

"Absolutely fantastic - great speakers, really pertinent topics"

"Well organised, professional, good variety of topics and time for questions"

"Great array of speakers across a diverse set of topics quite topical to risk management at the moment"

"It has added an extra 43 initiatives to my day job!"

Particularly highly rated speakers included Richard McCrohan of Standard Chartered Bank, who provided the international keynote speaker, Matt Symons of Society One who provided the closing keynote speaker, and Li Cunxin of the Queensland Ballet (Mao's Last Dancer), the motivational speaker who held the audience spellbound with his life story with only two slides. Li achieved the highest delegate score ever received at an ARCA national conference of 9.2/10. Other highly rated speakers included Duncan Berry of GE Capital, Paul Bloxham of HSBC, and Andy Jennings of FICO. Highly rated panels included "The Chief Risk Officer", chaired by Marcus Oakley, and "Credit Repair – The Next Steps", chaired by Tim Gough from ASIC.

Due to the strong support from valued sponsors, speakers and delegates, the conference made a contribution to ARCA revenues which fund other key ARCA activities.

With the success of both the 2013 and 2014 ARCA National Conferences, the event is now firmly established as the premier annual retail credit conference for Members and industry.



EXECUTIVE BREAKFASTS ENHANCE NETWORKING OPPORTUNITIES FOR MEMBERS

In May 2015, ARCA held the inaugural series of ARCA Executive Breakfasts, with events in Melbourne and Sydney. The Executive Breakfasts were designed to be an extension of the valued educational and networking opportunities which arise from the ARCA National Conference.

The topic for the May 2015 breakfasts was “Comprehensive Credit Reporting – what’s the impact on your customers?” Both breakfasts were held during Privacy Awareness Week and it was fitting that Privacy Commissioner Timothy Pilgrim PSM opened the event with introductory commentary on the industry, his

insights into his areas of focus in the year ahead and statistics regarding privacy complaints. Following Timothy’s presentation, newly appointed Executive General Manager at Veda, Mike Cutter, provided an industry perspective on what organisations and the industry need to do to ensure that customers realise the potential benefits of comprehensive credit reporting.

Timothy and Mike were then joined by Kim Jenkins, Principal of KayJen Consulting, for a facilitated panel session. Kim provided further valuable insights into how best to tackle consumer education in a comprehensive credit reporting environment, drawing on her expertise in consumer education.

There were around 120 attendees across the two events. Feedback was resoundingly positive, with all of the surveyed attendees saying they would attend a future Executive Breakfast session. It is clear there is real demand for industry education focussed on credit reporting issues, with presentations from different industry players. Given this feedback, ARCA will continue to respond to this desire for industry education and networking, and will hold further Executive Breakfasts on a quarterly basis. Outside of the reporting period, a second Executive Breakfast was held in September 2015, with the next planned to coincide with the ARCA National Conference in November 2015.



**IMPROVE CONSUMER
BEHAVIOUR TO IMPROVE
CONSUMER CREDIT
MANAGEMENT.**



WHERE WE CANNOT INVENT, WE MAY AT LEAST IMPROVE.

– Charles Caleb Colton

WHAT IS A CREDIT SCORE?

You may have heard about "credit scores" from news articles, different websites providing scores, products offered by credit reporting bodies, or discussions with your credit provider. You might even have noticed that different organisations' credit scores relating to you are different from each other.

Even though a credit score can seem like a random number, it is important to understand what it represents. This fact sheet aims to provide you with information about what a credit score is, what it means, how it is created, how it might be used and how you can improve your credit score over time.

Your credit score is a number which is intended to be indicative of your credit worthiness. Credit scores may be used to help credit providers, like banks or credit unions, make lending decisions about whether or not they will accept your credit application (such as a loan application).

How many credit scores do I have, and why are they different?

You may have many different credit scores – because each credit reporting body or credit provider will calculate their own score using their own formulas and information available to them at that time. They may hold different information and potentially assess this in different ways.

Your credit score from a credit provider with whom you have a limited credit relationship could be quite different to your credit score from a credit provider with whom you have many credit products.

A lower credit score from a credit reporting body or credit provider means that you are regarded by them as a higher credit risk than a person who gets a higher credit score. It's also important to know that your credit scores keep changing over time. The changes to your scores will occur when each credit provider and each credit reporting body obtain more up to date information, or if they change how they calculate your score.

How can I improve my credit scores?

If you manage your credit effectively, this should be reflected in your credit scores (although as noted above each of your credit scores depends on which credit reporting body or credit provider has calculated it). When obtaining a copy of one of your credit scores, it is a good idea to also obtain a copy of your credit report so you can better understand some of the information which may have been used to calculate that credit score. Visit www.CreditSmart.org.au/guiding-five-credit-report for more information.

CREDITSMART
CLEANER CREDIT HISTORY

How are credit scores created?

Credit scores from credit reporting bodies are generally based on credit-related and demographic information held by them on your credit history – which may include age and location, type of credit applied for, type of credit provided, the number of enquiries made to lenders about credit over time, repayment behaviour, public data including court judgments or court writs and defaults including how many, whether they are paid and how recent they are.

In addition to having their own process for calculating a credit score, each credit provider also applies their own criteria and policies when making lending decisions – which is why some lenders may approve your application while others won't.

Visit www.CreditSmart.org.au

CreditSmart is an information website developed by credit experts in conjunction with consumer advocates and government bodies to help you understand the credit reporting system. Our goal is to help you understand how the credit reporting system affects you, by providing unbiased and fair information.

CREDITSMART – STRATEGY, FUNDING, ACTIVITIES

CreditSmart Pty Ltd is a standalone learning and education brand, registered by ARCA as a wholly owned subsidiary.

Over this reporting period, the mission of CreditSmart was identified as the education of consumers, particularly disadvantaged groups, regarding their consumer rights and opportunities in the credit reporting system. This accords with overseas research which demonstrates that disadvantaged groups, both the financially excluded and those at risk of financial exclusion, benefit most from comprehensive credit reporting – but only when they understand how the system works so they can actively demonstrate credit worthiness.

ARCA Members have continued to support the CreditSmart initiative. In this reporting period, ARCA has funded CreditSmart operating expenses. Over the next 12 months we are seeking to develop the capacity of CreditSmart to undertake additional educational services via alternative sources of funding such as grants and sponsorship.

The CreditSmart website continues to be well supported by all stakeholder groups, with over 160 financial literacy organisations now linking to the consumer website, including ASIC's MoneySmart website and the OAIC website. Financial counsellors, consumer advocates, the OAIC and the ASIC MoneySmart team have all made contributions to the site, and the OAIC has been particularly supportive, declaring Wednesday 6 May 2015 as "CreditSmart Day" during Privacy Awareness Week.

Since its launch, more than 60,000 unique visitors have been to the CreditSmart website, driven by these financial literacy linkages, and our own media activity. ARCA has worked to keep the CreditSmart website current and relevant, including through the creation of a new resources section on the website and an accompanying fact sheet on credit scores which is now available.

ARCA will continue to refine CreditSmart's strategy, including by supporting Members with their own consumer education efforts.



CREDITSMART DAY DURING PRIVACY AWARENESS WEEK

ARCA was again delighted to support Privacy Awareness Week in 2015, a major initiative designed to raise awareness of privacy related issues run by the OAIC.

The Wednesday during Privacy Awareness Week was identified by the OAIC as “CreditSmart Day” to draw attention to the importance of credit reporting as part of developing overall privacy awareness. To coincide with the inaugural “CreditSmart Day”, ARCA released a press release including a quote from Privacy Commissioner Timothy Pilgrim PSM, which resulted in a significant spike in visits to the CreditSmart website. Indeed, 10,000 visits were recorded over a couple of days, proving that with sufficient awareness, consumers are eager to engage and educate themselves on credit reporting.



ARCA also contributed to Privacy Awareness Week by organising our inaugural Executive Breakfast series to occur during Privacy Awareness Week, which were in turn promoted by the OAIC as part of their calendar of events. The topic for these Executive Breakfasts was “Comprehensive Credit Reporting – what is the impact on your consumers?” In a very busy week for the OAIC, we were grateful that the Privacy Commissioner was able to speak at both our Sydney and Melbourne Executive Breakfasts and provide valuable regulatory insights into the impact of comprehensive credit reporting.



**CONNECTING WITH
OUR MEMBERS.**



WHAT TRIBES ARE, IS A VERY SIMPLE CONCEPT THAT GOES BACK 50 MILLION YEARS. IT'S ABOUT LEADING AND CONNECTING PEOPLE AND IDEAS. AND IT'S SOMETHING THAT PEOPLE HAVE WANTED FOREVER.

– Seth Godin

2014 ARCA MEMBER SURVEY – ACTING ON FEEDBACK RECEIVED

The 2014 Member Survey demonstrated that ARCA Members:

- Were highly engaged with ARCA
- Confirmed the importance of ARCA's constitutional objects and strategic themes
- Agreed that ARCA was effective in delivering against these objects and strategic themes
- Would like ARCA to do more on consumer education, do more industry education events and grow the membership base to be better representative of industry

The Member Survey also identified opportunities to improve Member communications. Whereas more specific communications were believed to be valuable, effectively delivered and occurring at the right frequency, some Members were unaware of the available communications services or education programs, or to whom they were targeted.

Adopting this feedback, Member engagement and communication initiatives during the 2014/15 financial year included:

- Changing the name of the Implementation Working Group to the Industry Working Group, and in doing so, changing the focus of this working group to establish it as the key forum for Members to raise issues with the credit reporting system for discussion and resolution
- Refining our key policy advocacy objectives to focus on the areas of: Credit reporting as a key function in the economy; inclusion of new data sets including credit account balance; Trans-Tasman data exchange; inclusion of government data into the credit reporting system; the extension of repayment history information to non-licensed credit providers. These objectives are in-line with our Board-approved Financial System Inquiry submission
- Designing and launching the ARCA CReditorial monthly newsletter, summarising outcomes from each ARCA Board meeting, providing credit reporting updates including information on achievements of ARCA and our working groups, the educational and networking events available for Members, and a calendar of upcoming activity. The delivery of short informational updates is designed to optimise Member engagement with ARCA activities and to provide Members with information which is suitable for distribution within their organisations. The ARCA CReditorial has been successful so far in both reducing the number of weekly emails to Members as well as in increasing the opening rate from 19% during the 2014 calendar year across all communications to 33% on average for each issue of the ARCA CReditorial
- Creation of the ARCA Executive Breakfasts which are both educational and networking events, with prominent speakers from across the credit reporting sector. The Executive Breakfasts are a response to requests from Members to extend the educational and networking benefits of the annual conference throughout the year. So far, we have had almost 400 Member representatives and other industry participants attending the first four Executive Breakfasts
- Ramping up our industry education efforts by securing Board approval and funding for a new position in the new reporting year, to be tasked with assessing Member training needs and creating a program of learning solutions to meet these needs
- Creation of a Tier 4 membership structure to encourage ARCA membership for smaller telecommunications companies, utilities, and some remaining credit providers such as debt buyers and peer to peer lenders

ARCA'S INDUSTRY WORKING GROUP (IWG)

This workgroup provides strategic oversight of industry concerns arising in the areas of credit reporting and consumer credit. It provides a key forum for Members to raise issues with the credit reporting system for discussion and resolution. During 2014/15, the role of chair passed from Ian Kaplan (GE) to Andrew Cutting (Westpac). Meetings had active representation from almost all ARCA Members.

Some of the most significant issues the IWG has considered during this reporting period include:

- Repayment History Information (RHI) and 'hardship' – discussions have focused on how RHI is reported when a consumer is in hardship, and what approaches industry intends to take to reporting RHI for consumers in hardship. These discussions have identified a need for further reform
- Credit repair – The IWG has discussed the activity of credit repair businesses and their impact on the operations of Members, as well as their anticipated impact in a comprehensive credit reporting environment. These discussions have shaped ARCA's policy agenda for credit repair. The IWG has also identified data collection to support this policy agenda, and is providing feedback on a reform white paper to be provided to regulators, key industry stakeholders and consumer advocates
- Privacy Research Rule – The IWG identified that the *Privacy Research Rule 2014* has had the unintended consequence of restricting the use of de-identified information for research purposes. IWG discussions have aided ARCA to raise this issue with the OAIC

ARCA'S DATA STANDARDS WORKING GROUP (DSWG)

This workgroup focuses on the operation of the ACRDS, which is a standard developed to input data in the credit reporting system. The group evaluates ACRDS change requests and develops any required modifications to the ACRDS.

In 2014/15 David Erving (ANZ) chaired the group, with Eric Janssens (Veda) as technical lead.

Examples of issues the DSWG considered during this reporting period include:

- RHI and 'grace days' – Due to differences in credit provider practices, policies and systems there are a variety of approaches in calculating specific RHI month values. The DSWG has been developing an industry position paper with a view to providing an insight to ARCA Members on different means of reporting RHI within legal requirements
- Unspecifiable credit limit – Through the DSWG, it was identified that there was a discrepancy between how the ACRDS dealt with an unspecifiable credit limit, as compared to the CR Code. The ACRDS provides an 'Unlimited credit' indicator and 'Maximum amount of credit available' value. However, the CR Code only refers to 'No fixed limit'. A minor amendment was made to the ACRDS to ensure that it was consistent with the CR Code
- ACRDS release 2 – During the reporting period, minor amendments to the ACRDS with no impact on the data exchange formats (XML schemas) were implemented. These updates, for example, included corrections to address street type abbreviations

ARCA WELCOMES NEW MEMBERS AND A REVISED MEMBERSHIP STRUCTURE

New Members welcomed into the ARCA community during the financial year include Volkswagen Financial Services (VWFS) and Momentum Energy. VWFS continues to broaden ARCA's representation in the auto-finance sector, and Momentum Energy's membership of ARCA represents the growing importance of retail credit in the energy sector, and aligns with ARCA's policy objective of expanding RHI to include non-ACL holders.

At the end of the 2014/15 financial year, ARCA had 22 Members, having lost Capital Finance due to its takeover by Westpac.

The ARCA Board approved the creation of a Tier 4 level of ARCA membership, to encourage LMI, debt buyers, smaller mutuals, peer to peer lenders and other smaller CPs particularly telecommunications companies and utilities to join ARCA as full Members, with voting rights and membership fees. In the 2015/16 financial year, we expect to see some new Members join as Tier 4 Members.



**LISTENING TO OUR
STAKEHOLDERS.**



**ONE OF THE MOST SINCERE FORMS OF RESPECT IS
ACTUALLY LISTENING TO WHAT ANOTHER HAS TO SAY.**

– Bryant H. McGill

ENGAGEMENT: POLITICAL AND INDUSTRY ASSOCIATIONS

ARCA continues to build strategic relationships with senior political and industry stakeholders to support our broader public policy and engagement goals, and to maintain ARCA's position as a public policy leader in the credit reporting system.

During this reporting period we have:

- Worked to deepen our engagement with staff of the Treasury, reflecting our policy objective to shift credit reporting away from solely a privacy matter to one that also recognises the economic importance of the credit reporting system
- Conducted regular briefings with key political stakeholders across the Government and Opposition, including relevant ministers and their shadows, backbenchers, and key parliamentary committee stakeholders
- Continued our positive engagement with staff of the Attorney General's Department, as we work through implementation of the credit reporting reforms and on ARCA's forward-looking policy agenda

- Engaged constructively with our peer associations, such as the Australian Finance Conference and Australian Bankers' Association, working to align activity and effort on relevant policy matters, such as credit repair and hardship

ENGAGEMENT: REGULATORS

ARCA has reinforced our position as an industry leader in credit reporting, reflected in the ongoing maintenance of our existing strong regulator relationships. This strong engagement with regulators makes ARCA a key player in promoting awareness of credit reporting and its impact on Australia's financial system.

During this reporting period we have:

- Improved regulator awareness and understanding of the impacts of reporting repayment history information for consumers in hardship, in discussions with ASIC, the OAIC and APRA
- Developed engagement with the ACCC through the PRDE authorisation application, with this engagement providing an opportunity to give the ACCC an insight as to the critical role that credit reporting has in the Australian economy

-
- Continued our regular briefing and engagement sessions with the OAIC and ASIC. Our engagement with the OAIC has focussed on matters including the development of the OAIC's Regulatory Action Policy, the reforms to the OAIC, and ARCA's work on the development of the PRDE. Similarly, our engagement with ASIC has included briefings on the PRDE, as well as discussion of our credit repair reform agenda

CONSUMER ADVOCATE ENGAGEMENT

ARCA has sought regular engagement with consumer advocates, who represent key stakeholders whose input we seek in pursuing ARCA's reform agenda. During the reporting period, ARCA has formalised this engagement through the creation of the Consumer Advisory Panel (CAP).

The first CAP meeting was held in Melbourne on 30 April 2015, with representatives from the CRBs, a banking representative, consumer advocates and the ARCA team. Topics discussed included the PRDE, RHI and hardship, credit repair, industry participation in CCR and CreditSmart training.

The meeting was highly valued by all attendees, and feedback from the group was strongly supportive of continuing the discussions at least twice a year under a Charter that is to be endorsed by the ARCA Board.

In addition to the formal engagement through the CAP, ARCA has continued to regularly meet with consumer advocate organisations, for one-on-one briefings on issues including the PRDE and the ACCC authorisation process, and RHI and hardship. ARCA has also worked with the Consumer Action Law Centre (CALC) to progress our credit repair reform agenda.

Furthermore, ARCA, through our CreditSmart brand, has been requested by consumer advocate groups to improve consumer education through attendance at the Financial Counsellors Australia Conference in Canberra in May 2015, and also through presentations on credit reporting and CreditSmart to WIRE's Women's Information Network, the South Australian Financial Counsellors Association, the Money Workers Association of the Northern Territory, and ASIC's Indigenous Financial and Commercial Literacy program.

Engagement with consumer advocates, as well as ARCA Members, has aided ongoing updates of the CreditSmart website including adding information on credit scores, and creating factsheets on credit scores and credit repair. These fact sheets were also widely distributed to financial counsellors and financial literacy organisations at industry events.

ANNUAL REPORT GLOSSARY

COMMON ACRONYMS

ABA - the Australian Bankers' Association

ACDBA - the Australian Collectors & Debt Buyers Association

ACCC – Australian Competition and Consumer Commission

ACRDS – Australian Credit Reporting Data Standard

ALRC – Australian Law Reform Commissioner

APRA – Australian Prudential Regulation Authority

ARCA – Australian Retail Credit Association

ASIC – Australian Securities and Investments Commission

CCR – Comprehensive credit reporting

CP – Credit provider

CRB – Credit reporting body

CRS - Credit reporting system

DSWG - Data Standards Working Group

FSI – Financial System Inquiry

IWG – Industry Working Group

LMI - Lenders' mortgage insurance

OAIC – Office of the Australian Information Commission

PRDE – the Principles of Reciprocity and Data Exchange

RDEA - Reciprocity & Data Exchange Administrator

RHI – Repayment history information

KEY LEGISLATION

Privacy (Credit Reporting) Code 2014 – the CR Code

Privacy Act 1988 – the Act

Privacy (Enhancing Privacy) Amendment Act 2012 – the Amendment Act

Privacy Regulations 2013 – the Regulations



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