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HIGHLIGHTS

There are an estimated 29.3 million open, active credit accounts in Australia

CCR data is now being reported in private mode for 34.4% of credit accounts

BACKGROUND

ARCA identified that government, regulators and industry need clearer indicators to track the progress of the implementation of Comprehensive Credit Reporting (CCR) in Australia. The Credit Reporting Fact Base was therefore designed to:

- Track industry-wide progress on the transition to CCR
- Provide a 'single source of truth' regarding key statistics on CCR coverage of the Australian consumer credit market
- Assist credit providers with their internal decision-making and planning processes by communicating industry progress towards CCR

This report is the first published set of data from the Credit Reporting Fact Base. We plan to continue to publish data monthly during the CCR transition phase, or as needed by industry and regulators.

Data included in the report includes:

- An overall assessment of the size of the credit market, expressed by number of open and active credit accounts in total, and by financial institution segment and product category¹.
- Deduplicated and consolidated volumes of accounts where CCR data is being reported in either private or public mode, categorised according to product category and type of financial institution².

METHODOLOGY

1. Market size analysis

There was previously no point of reference that quantified the size of the credit market across all financial institutions and all product categories in terms of **open and active account volumes**. Thus, tracking CCR progress as a percentage of total accounts required derivation of a sufficiently accurate 'denominator'.

Initial market size estimates were derived from public domain statistics, including RBA and APRA statistical data in order to generate estimated credit account volumes by lender by product category. This data was then reviewed by the three CRBs to provide an initial sense check.

Individual credit providers were anonymised, and were categorised into financial institution segments and provided with their own individual estimated account volumes by product category and asked to validate or correct the estimates.

Finally, validated or corrected data returned by credit providers was collated to generate an overall validated market size analysis of active open accounts by financial institution segment and by product category.

¹ See Methodology section.

² CCR volumes of accounts are provided to ARCA by the three credit reporting bodies (CRBs) with the permission of credit providers (CPs).

2. CCR data

Each of the 3 credit reporting bodies, using a standard file template, provide an extract showing the number of credit accounts on the bureau by credit provider by product category³.

The data supplied by each of the CRBs is deduplicated and consolidated in order to derive a single overall view of CCR status across industry. At this stage a quality assurance step is carried out to ensure that the data reported by the CRBs reconciles with expected credit account volumes and to identify and resolve any anomalies.

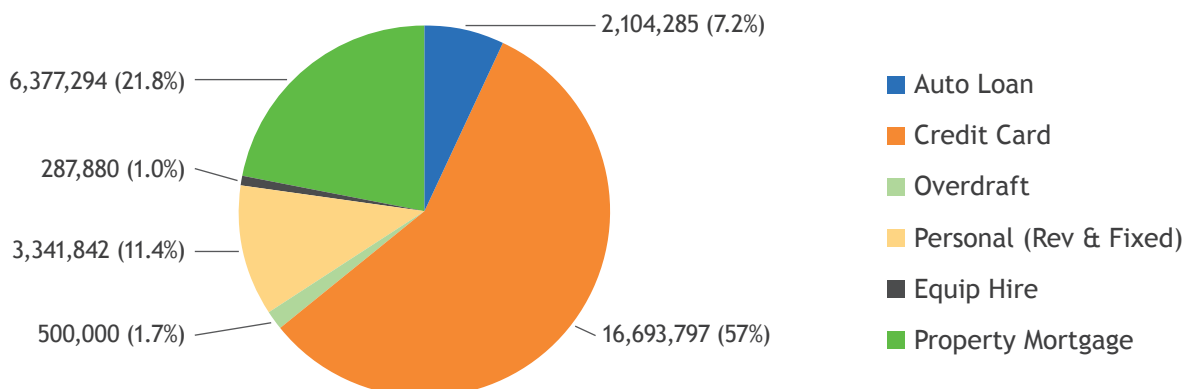
TRANSITION MILESTONES

In preparation for reporting CCR data in public mode, financial institutions typically progress through a pipeline of milestones:

Milestone	Description	How many of the top 20 CPs have achieved this milestone?	Comments
1	Decision to participate in CCR.	Most (but not all).	Most large CPs made this decision some years ago.
2	Commencement of active projects to enable CCR.	Most (but not all).	Most large CPs have each spent millions of dollars on enabling projects. Several CPs including some majors are at or near technical readiness.
3	Testing and quality assurance.	34.4% of credit accounts now have CCR data in private mode. This underestimates the total number of accounts at milestone 3 since test file data that is not stored in private mode is not included in this count.	Testing and QA may include sharing of CCR data in 'private mode' with one or more CRBs - or the CP may do their own testing and go straight to 'public mode'.
4	Internal 'go-live' approval and target date decision point.	Most CPs currently in private mode and several others that have completed testing now working through this milestone.	Decision-making tends to require insight as to intentions and timetable of other CPs. In support of this, ARCA is facilitating discussions between organisations at this milestone.
5	Becoming a signatory to the Principles of Reciprocity and Data Exchange (PRDE).	11 current signatories, 2 new signatories in last month, several currently preparing to sign Deed Poll.	This is not a mandatory requirement but only PRDE signatories can see the CCR data of other PRDE signatories. Can take place earlier, but typically CPs preparing to commence CCR will sign the PRDE at this stage.
6	Sharing of CCR data in public mode.	Small volumes.	Several CPs are currently preparing to commence public CCR reporting.

MARKET SIZE DATA

Fig 1: All open active credit accounts by product category | Total 29.3M accounts



There are 29.3M open and active credit accounts in the credit reporting system. Approximately half of these are Credit Cards, with the next largest product type being Property Mortgages.

³ Where CCR data resides on the bureau in either public or private mode but where CP consent has not yet been received, this is aggregated into a single 'anonymous' category before reporting to ARCA and thus cannot be included in the breakdown of financial institution categories.

PROGRESS WITH CCR

This initial report of the ARCA Credit Data Fact Base shows that there is a significant volume of data being reported in ‘private mode’, that is 10.1 M or 34.4% of all open and active credit accounts. Thus one third of CCR accounts are at Milestone 3, which signifies these credit providers are at a relatively advanced level of technical readiness for the implementation of CCR⁴.

The volume of CCR data being reported to bureaus in ‘public mode’, ie Milestone 6, is however small.

Figure 2 below shows us that most of the raw data currently being reported in private mode comes from Banks followed by Finance companies and International Banks⁵, consistent with the relative market share represented by these organisations.

Fig 2: CCR Data by Financial Institution Segment | Total 10.1M accounts

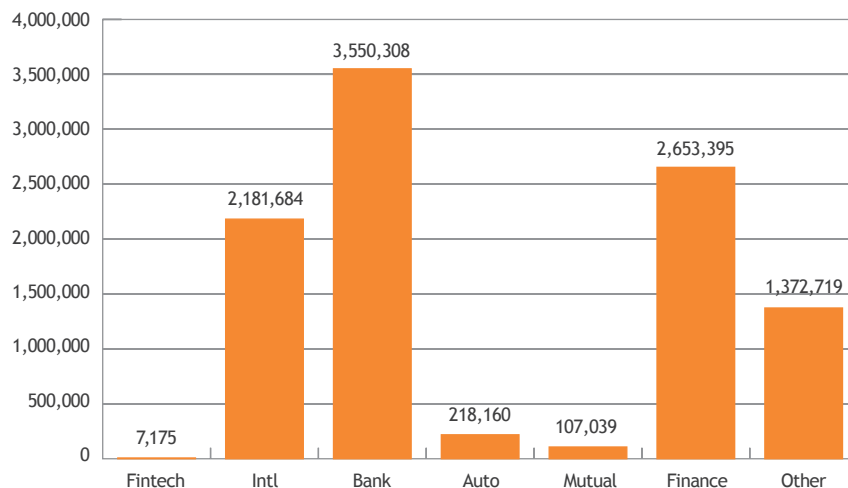
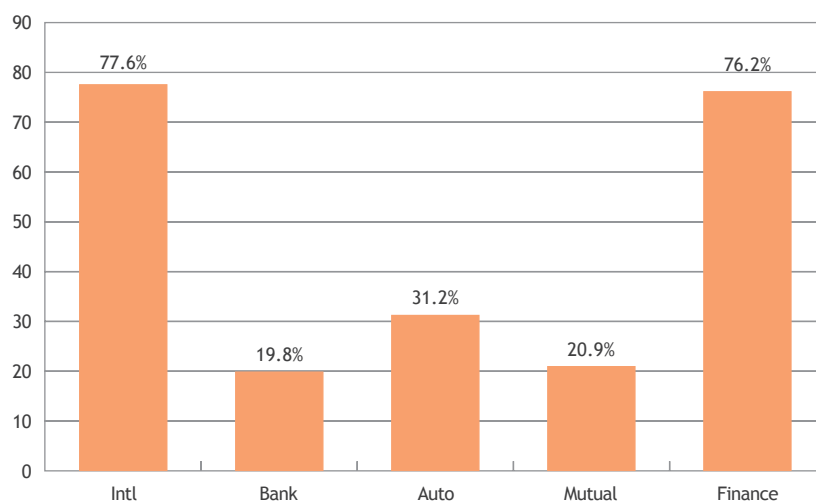


Figure 3 below shows that, relative to total account volumes by product category, the percentage of positive data reported by each financial institution segment in private mode is relatively high for International Banks and Finance companies, and lower for other segments including the Australian banks.

Fintechs have led the way with implementation of CCR. However, because we do not yet have reliable market size data for this segment, we are unable to calculate this percentage. We aim to address this issue in the next edition of the ARCA Credit Data Fact Base.

Fig 3: Percentage of CCR data within each Financial Institution segment



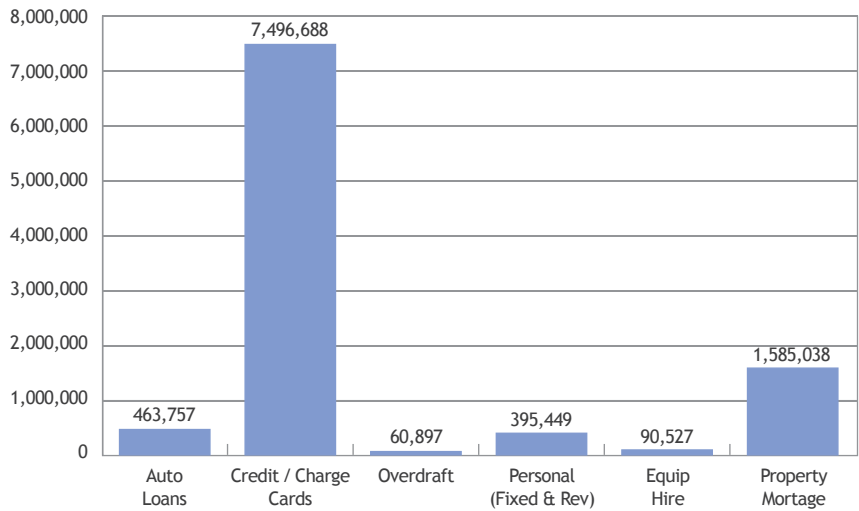
⁴ 34.4% is likely to slightly underestimate Milestone 3 - given that some CCR accounts are tested with the CRBs, without utilising ‘private mode’ facilities.

⁵ International Banks are those with an offshore parent company.

Looking at the CCR data by product category, Figure 4 below shows the raw number of positive accounts by product category, and Figure 5 shows the percentage of CCR data within each product category.

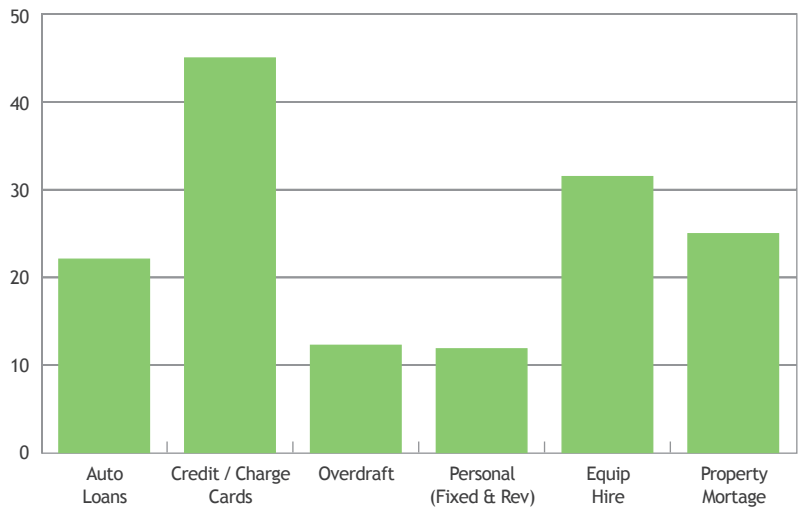
As shown in Figure 4, most of the CCR data is currently from Credit and Charge cards, followed by Property Mortgages.

Fig 4: Source of CCR Data by Product Category | Total 10.1M accounts



However, looking at the percentage of CCR data within each product category in Figure 5, we see that progress towards CCR is more evenly spread with Credit and Charge Cards, Equipment Hire, Property Mortgage and Auto Finance all scoring between 22 and 45% of all accounts having CCR data.

Fig 5: Percentage of CCR data within each product category



NEXT STEPS:

ARCA will re-run this report monthly, with new analysis each month demonstrating progress with achieving the CCR milestones.

The figures and data in this report are estimates based on supplied data and assumptions. ARCA makes no representations or warranties about the completeness or accuracy of this information and any person relying on this information does so at their own risk.

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