
ARCA CREDIT REPORTING REFORM PROGRAM

TRANSITIONAL PROCESS & STRUCTURE PROPOSAL

Version: October 2012

Contents

1. Version Control.....	4
2. Feedback and Reviewers.....	4
3. Background.....	5
4. Purpose of Document.....	6
5. Scope.....	7
6. Assumptions.....	7
7. Benefits.....	8
8. Risks.....	9
9. Proposed Project Structure.....	10
10. Resources.....	Error! Bookmark not defined.
10.1 Resources Assumption and Risk	Error! Bookmark not defined.
11. Roles and Responsibilities of Project Components	11
11.1 Introduction.....	11
11.2 Code Industry Council (CIC) – Role and Responsibilities.....	12
Primary Function.....	12
Responsibilities.....	12
Skills Required	12
Activities	12
Meeting Frequency	13
Not Responsible For.....	13
11.3 ARCA Project Management Team – Role and Responsibilities	13
Primary Function.....	13
Responsibilities.....	13
Not Responsible For.....	13
Activities	13
Skills.....	Error! Bookmark not defined.
Meeting Frequency	Error! Bookmark not defined.
“Person” Responsible To	Error! Bookmark not defined.
11.5 Program Director – Role and Responsibilities.....	14
Primary Function.....	14
Responsibilities.....	14
Not Responsible For.....	14
Skills Required	15
Activities	15

"Person" Responsible To	15
11.8 Independent Reviewer & Stakeholder Consultation	16
Background.....	16
Primary Function.....	16
Responsibilities.....	16
Skills Required	16
Activities	17
12. Proposed Transition Guiding Principles	17
13. Project Processes.....	18
13.1 Current ARCA Project Workflow	18
13.2 Proposed Industry Project Structure.....	19
14. Work Break-Down Structure	20
15. Key Deliverables and Timeline	20
15.1 Key Deliverables & Milestones.....	20
15.2 Timeline.....	22

1. VERSION CONTROL

Version	Detail	Author/ Owner
Draft		Matt Gijsselman
0.1	Issued for internal ARCA review & feedback	Matt Gijsselman
0.2	Feedback from ARCA	ARCA Members
0.3	Issued to ARCA Members for endorsement	Matt Gijsselman
0.4	Issued to industry stakeholders for endorsement	
1.0	Endorsed by industry stakeholders	
1.1	Amended to reflect agreed changes to the structure from the CIC	Clair Mackenzie

2. FEEDBACK AND REVIEWERS

The table below provides details of the versions and dates that each reviewer provided feedback/ endorsement on

Name	Organisation	Plan date	Actual signoff date
Mark Degotardi	Abacus	4/8/11	4/8/11
Michael Hartman	ANZ	4/8/11	4/8/11
Damian Paull	ARCA	4/8/11	4/8/11
Tony Tronolone	CBA	4/8/11	4/8/11
Daad Soufi	GE Capital	4/8/11	4/8/11
Katrina Slaughter	NAB	4/8/11	2/8/11
Chris Gration	Veda	4/8/11	4/8/11
Henri Cruddas	Westpac	4/8/11	4/8/11

3. BACKGROUND

As part of reforms to Australia's privacy regulatory regime, the Credit Reporting Code of Conduct (CR Code) will be revised and updated.

To ensure data is accurate, up to date, complete and relevant, ARCA strongly supports updating the current single, mandatory CR Code. We believe that task is best undertaken by industry.

In 2009, ARCA established the CR Project to manage the development of industry inputs into the new Code, and the implementation of reforms to credit reporting. The CR Project currently reports to ARCA Members who ultimately endorse the final policy positions.

The positions that have been developed through the CR Project have formed the basis for the Issues Paper that ARCA drafted for consultation. ARCA expects that the Issues Paper, and feedback received on that document, will form the basis for the updated Code.

An Independent Reviewer was selected by government and consumer advocate representatives in January 2011 to undertake wide community consultation in relation to the development of the Code – including on a Consultation Paper and draft Code – and provide a summary report which can be provided to the regulator for consideration as part of the approvals process for the Code. The Independent Reviewer is paid for by ARCA.

Following a government roundtable in February 2011, a number of ARCA Members were concerned about the broader engagement of industry with the work being undertaken by ARCA with respect to the editing of the Code.

This concern led to the development of an alternate process proposal intended to meet these concerns, which largely dealt with transparency, independence and protection of specialty interests. Though ARCA acknowledged the issues that the alternative proposal tried to address, the alternative proposal was ultimately not broadly supported within ARCA.

In order to address the issues raised, ARCA undertook to develop a new structure and process. This was initiated by soliciting input from a broad range of stakeholders both within ARCA and externally (who will be involved in, and impacted by, the changes to credit reporting).

This new Code development process illustrates how industry (the broad cross-section of both credit providers, which includes finance and banking institutions and also telecommunications and utilities providers, and credit reporting bodies) will oversee the development of the edited Code through

the establishment of the Code Industry Council. Stakeholder consultation remains a vital part of the CR Code development process.

Parallel to the CIC, ARCA will undertake activities to develop ARCA Member views and review outcomes from the CIC.

4. PURPOSE OF DOCUMENT

This document details the proposed structure which will drive the development of the CR Code.

This document outlines the role of ARCA and industry including the roles and responsibilities of each.

Further, this document details the arrangements by which ARCA and the CIC works to ensure that the industry participants of the CIC are familiar with and can endorse the requirements of the CR Code and associated frameworks.

This document details the various components of the proposed new Code development process, the engagement across industry, consumer advocates, government and regulators, and other interested stakeholders.

5. SCOPE

IN SCOPE

- Australian law reforms relating to the Privacy Act
 - Negative data (existing data)
 - Partial data (4 data sets)
 - Comprehensive (5th data set)
- Access to and use of CCR
- Proposals regarding placement of controls – Act, Regulation or Code
- Correction requests and complaint handling
- Development and prioritisation of CR Code development activities
- Stakeholder management (inc media and communications)
- The redraft of the CR Code - including the determination of the entity best positioned to draft it
- Industry obligations (reciprocity)
- Creation of an industry input data standard, and return data principles
- Data quality controls and standards documentation
- Compliance with the regulatory framework, including the Code
- Future governance and compliance arrangements for the Code
- Implementation, including consumer awareness campaign
- Maintaining an awareness of New Zealand's activities relative to credit reporting changes

OUT OF SCOPE

- Operational matters relating to New Zealand's CCR reforms
- Excluded data – e.g. balances
- Pricing or any matter that might be deemed anti-competitive or illegal
- Any organisation's operational matters

6. ASSUMPTIONS

The following are assumptions that have been made relating to the CR Code Development process:

- Timeline: All legislative timelines are best estimates at the time of the release of this document.
- Funding: ARCA Members continue to fund the ongoing work of redrafting the CR Code.

- **Funding Sustainability:** Initially funded by ARCA with support from industry participants. Sustainability and continuity of the resources may be dependent upon financial contributions from participating industry groups.
- **Independent Reviewer:** Reviewer to be funded by ARCA. If the scope and nature of the engagement is amended by the CIC, any additional costs will need to be funded by the CIC.

7. BENEFITS

The benefits of the approach to Code development include:

1. Knowledge sharing between organisations and industries
2. Present a united, and thereby more powerful, Code submission for approval to the regulator
3. The ability to develop a powerful and influential ongoing rapport with key stakeholders
4. The ability to continue to utilise the benefits of ARCA to inform initial positions and outcomes, and support common tasks
5. Operational, technological and legal cost efficiencies gained from a standardised implementation

Tangible benefits

- Minimise schedule slippage, cost over-run, and poor quality through strong Project management discipline
- Minimise costs associated with risk of insufficient stakeholder engagement and poor communication
- Cost reduction of development of the Code from industry groups
- Standardisation of common processes may reduce the cost and complexity of implementation

Intangible benefits

- The creation of broad industry collaboration provides leadership on the issue of credit reporting reform
- Improved data standards increases data accuracy, minimises reputational risk for CRBs and improves access to credit markets
- Improved execution helps mitigate adverse issue portrayal in the media
- Improved execution will support future efforts focused on including additional data elements
- The external oversight provides significant reputational enhancement opportunities for ARCA, especially through parallel engagement with stakeholders

8. RISKS

The following are some of the potential risks that need to be managed in the Code development process:

1. Funding & Resourcing

- Inadequate funding resulting in poor management and governance.
- Key resources may not deliver allocated activities on time due to other commitments resulting in potentially poor quality and/or delay.
- Not managing single points of failure (small number of resources have required expertise), key person risk and inadequate succession planning for key resources.

2. Regulatory & Government

- Legislative process is so delayed that participants delay making decisions, lose interest, or re-allocate financial or human resources.

3. Timelines & Deliverables

- Inability to control scope and schedule (dependency on timing of legislation passage and participants procuring resources to implement to an agreed timeframe), resulting in cost and schedule overrun.
- Inadequate incentives to encourage smaller credit providers to make the necessary investments required to contribute data to credit reporting bodies as soon as possible, resulting in their input being either missed or having to be retrofitted in later causing delay and rework.

4. Stakeholders

- All stakeholders not identified early and potential for new stakeholders to enter the process, and/or join ARCA or CIC resulting in scope changes at a late stage.
- Inadequate stakeholder engagement and communication - not creating a clear communication rhythm between each group resulting in their input being either missed or having to be retrofitted in later, resulting in delay and rework.
- Lack of active participation and cooperation from industry in general.
- Unable to reach consensus – due to the wide ranging views and requirements of all industry participants, and the large number of participants required to be involved, there may be difficulty in obtaining consensus on key issues.

9. PROPOSED STRUCTURE

This structure has been designed to provide an opportunity for industry to oversee and participate in the redrafting the existing CR Code.

1. Endorsement Level - A Code Industry Council (CIC) comprising of nominees from key industry associations and the credit reporting bodies will have oversight of the activities and outputs with the intention of ensuring the final draft CR Code has the broadest possible industry support. Decisions will be made on a consensus basis, with dissenting views recorded against participants, when required.
2. Managerial Level –ARCA will continue the overall management of the CR Code development project, with guidance and support from the CIC to ensure industry requirements are reflected.
3. Research and Proposal Development Level - ARCA will continue to research and propose solutions. This provides an opportunity for industry to leverage from the work done to date on this reform agenda.

Given the broad range of stakeholders that are potentially affected by the proposed redrafting of the CR Code, the CR Code development process includes an independent process for consultation through the release of a Consultation Paper. This independent review process will help ensure that individual credit providers, credit reporting bodies, consumer and privacy advocates, regulators, government and other stakeholders have an opportunity to provide feedback and input into the redrafting of the Code.

An Independent Reviewer will report on various stages of the process. The report(s) from the Independent Reviewer will form part of the application to the regulator for approval of the Code.

Additionally, stakeholder consultation will be completed throughout the development of the CR Code. This activity will be completed by the appointed Code Drafters, in line with the activity detailed within the CR Code Development Project Plan.

10. ROLES AND RESPONSIBILITIES OF PROJECT COMPONENTS

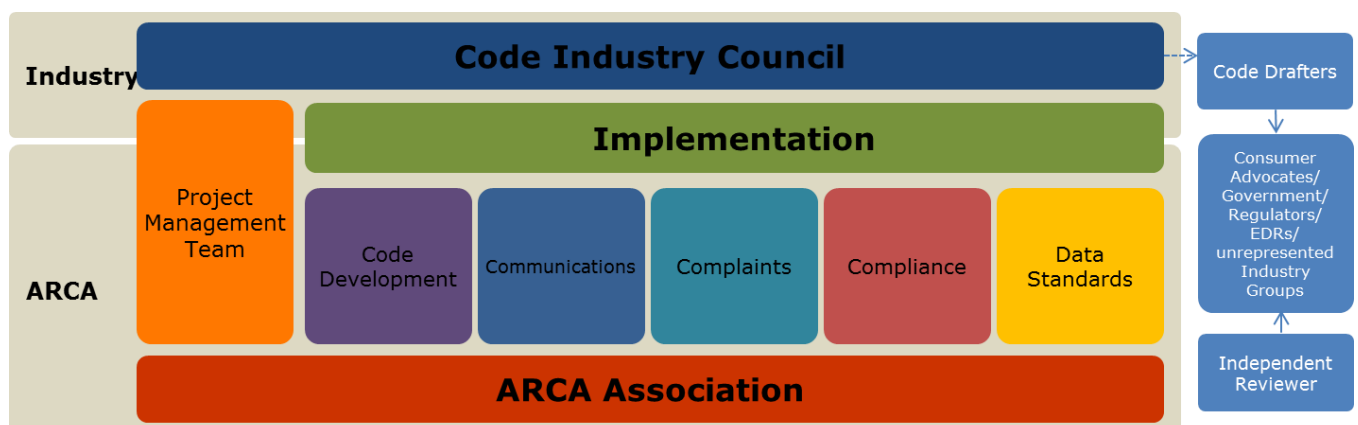
10.1 INTRODUCTION

The reform structure is designed to ensure the objectives are achieved through utilisation of the most effective resources. The three tiers of the structure are designed to manage Project outcomes most effectively:

- Code Industry Council
- ARCA
- ARCA Work Groups

The Independent Reviewer and Code Drafters add support to the Project by ensuring wide community feedback and acceptance of Project outcomes.

The Project structure is illustrated below:



10.2 CODE INDUSTRY COUNCIL (CIC) – ROLE AND RESPONSIBILITIES

PRIMARY FUNCTION

Oversee ARCA's drafting of the CR Code and endorses Code prior to public consultations and submission for approval to OAIC.

RESPONSIBILITIES

The CIC will:

- Endorse the timetable for the development of the revised CR Code, with reference to external factors such the legislative process
- Discuss, modify and or ratify all key positions developed by ARCA
- Ensure that all alternate views and positions are documented and clearly identifiable
- Ensure that appropriate consultation has occurred with consumer and privacy advocates
- Ensure that regulators and government are briefed on the development of the Code
- Champion the cause of the Code and credit reporting reforms

SKILLS REQUIRED

The skills required to be held by CIC members may include:

- Industry-specific knowledge and experience
- Knowledge of global credit reporting practices
- Passion for credit reporting reform that supports the interests of business, consumers, and government
- Open communicator, embraces diversity
- Strong analytic abilities

ACTIVITIES

Role of the CIC is to provide industry oversight and endorsement for the draft CR Code. This includes:

- helping ensure that the Code development process has been fair and equitable
- helping ensure that the Code clearly identifies industry agreed positions
- helping ensure that positions that are not agreed at an industry level are clearly identified
- where industry sectors cannot agree on a common position, that the alternate industry positions are clearly identified
- providing advice and guidance to ARCA
- providing feedback and review of the key documents as they relate to the CR Code

Industry associations and all credit reporting bodies will be invited to provide a representative for CIC membership.

MEETING FREQUENCY

The CIC will meet monthly as required.

One of the CIC's early activities will be the review and endorsement of the independent review process and the Issues Paper.

NOT RESPONSIBLE FOR

The CIC will not:

- be accountable for delivering Project benefits
- take a hands-on role in the management of the Project

10.3 ARCA - ROLE AND RESPONSIBILITIES

PRIMARY FUNCTION

The role of ARCA is to provide effective governance and delivery for the reform process for the CR Code.

ARCA provides a Quality Assurance (QA) function – so that recommendations are complete, and clearly articulated.

RESPONSIBILITIES

ARCA WILL:

- Oversee progress of ARCA Work Groups
- Ensure that all alternate views and positions are accurately documented and clearly identifiable.
- Champion the cause of the reforms of the CR Code.
- Review performance against plan.
- Advise and direct the ARCA CEO and CIC Chair regarding matters of execution, including issues threatening plan viability, changes to scope, communications, stakeholder management, resources, quality, risk (Project/operational) and strategy alignment.

NOT RESPONSIBLE FOR

ARCA will not:

- Be accountable for delivering reform benefits
- Determine or pre-empt recommendations to the endorsement level

ACTIVITIES

Ensure that progress on activity is being made, and the resources and funds are being utilised in a productive manner.

This includes:

- ensuring that the reforms meets agreed deliverables
- providing advice and guidance to the ARCA CEO and CIC Chair
- help ensure that where agreement can not be reached, that alternate positions and views are clearly identified and documented
- provide advice and guidance on quality (not content) of documents and material being presented to the CIC
- 'champion' the cause of the reforms.

10.5 PROGRAM DIRECTOR – ROLE AND RESPONSIBILITIES

PRIMARY FUNCTION

Facilitates and co-ordinates the reforms resources.

RESPONSIBILITIES

The Program Director will:

- Assemble and manage the core ARCA work requirements referred to the CR Code Project (Project).
- Prepare the Project charter/definition and detailed plans.
- Define the responsibilities, work breakdown and targets for each team member.
- Manage the resource requirements for the Project in terms of type, quality and volume.
- Monitor and manage Project progress.
- Monitor and manage risk and opportunities.
- Manage the resolution of Project issues.
- Manage the scope of the Project and control changes.
- Forecast and update expected business benefits.
- Communicate with and manage stakeholders (including the ARCA CEO and Chair of the CIC).
- Ensure the Project deliverables are provided on time, within budget and to the agreed level of quality
- Manage all required administration and reporting of the Project.
- Manage the closure of the Project.

NOT RESPONSIBLE FOR

The Program Director will not:

- Be accountable for delivering Project benefits
- Approve changes that move the Project outside the Terms of Reference

SKILLS REQUIRED

- Demonstrated Project discipline with utilisation of Project methodology
- Proven delivery of Project objectives within budget, on time, and with quality results
- Effective people management (able to apply directive/ supportive management as required)
- Integrity – critical to ensuring reporting of risks/ issues/ slippages/ scope creep/ impacts etc
- Attention to detail – critical to ensuring timely and accurate reporting
- Respect within industry and Project team
- Financial acumen

ACTIVITIES

Principal accountability is the delivery of the Project in accordance with the requirements of the relevant approval authority through the day-to-day management of the ARCA Project. This includes elements involving:

- business requirements specification and design
- integration
- scope
- time
- cost
- quality
- resource
- communications
- collaboration
- risk
- issues management, and
- benefits estimation.

The Program Director is the highest point of accountability for all activity within the Project and must deliver the Project to the required specifications.

“PERSON” RESPONSIBLE TO

The Program Director is responsible to the CEO of ARCA.

10.6 INDEPENDENT REVIEW, CODE DRAFTING & STAKEHOLDER CONSULTATION

BACKGROUND

The current reforms to credit reporting and proposed redrafting of the CR Code are somewhat unique as the CR Code has a broad impact on a wide variety of stakeholders across industries and consumers. The key to developing a Code that approved by the regulator which is effective and gives rise to a more comprehensive credit reporting framework, is the level of engagement and collaboration that is undertaken in determining the issues and in drafting the CR Code.

There have been a number of industry codes that have undergone a redrafting process and some have been more successful than others. Unlike an industry Code, the CR Code is mandatory and will bind industry to a set of rules and principles that seek to provide access to personal information while protecting the rights of individuals.

In order to ensure that the draft CR Code is balanced and fair, it is proposed that an independent review process be undertaken.

Chris Connolly has been approved and appointed by ARCA as the person to facilitate the initial independent review.

Further review of the draft CR Code will be consulted on with stakeholders throughout the CR Code development process. This will be conducted by the appointed Code Drafters, Cameronralph Navigator.

PRIMARY FUNCTION

Obtain feedback from industry and community representatives on proposed inclusions in the Code.

RESPONSIBILITIES

Engage with key stakeholders to obtain their feedback on both the approach taken and the output of the CR Code development process

Provide report(s) to the CIC.

SKILLS REQUIRED

- Capacity to lead industry discussions, to build consensus around potential inclusions in the updated CR Code
- High degree of knowledge of legislative and regulatory processes and requirements within Australia
- Able to engage across a wide audience within industry, consumer advocates, industry associations, EDRs, other un-represented industry groups, and identify stakeholder requirements

- Strong compliance to ensuring data management and accuracy in a timely manner
- Respected within the wider industry community

ACTIVITIES

- Identification of stakeholders
- Stakeholder consultation related to Consultation Paper and draft Code
- Development of stakeholder consultation template and strategy
- Provision of report into stakeholder feedback on Consultation Paper and draft Code

Other activities as may be identified and recommended by the Code Industry Council.

11. PROPOSED TRANSITION GUIDING PRINCIPLES

1. **Code Industry Council** to be formed once Code development process endorsed by ARCA
2. **ARCA Work Groups to be ongoing**, and transition from development and research of industry positions to wider scope of aligned industry viewpoint
3. **ARCA Work Groups** to work under direction of ARCA Program Director, and report directly to ARCA Association meetings
4. **Implementation ARCA Work Group** to expand membership, program, activities and arrangements to include representatives from the CIC and other industry stakeholders, as desired
5. Work of **Independent Reviewer** and **Code Drafters** to be directed by ARCA with oversight from the CIC.
6. **Funding arrangements** for ARCA to be maintained unless otherwise arranged.

12. PROJECT PROCESSES

12.1 CURRENT ARCA PROJECT WORKFLOW

Some ARCA Members currently support the work of the CR Project via an additional voluntary financial commitment to sponsor the work required to enable implementation of credit reporting reforms.

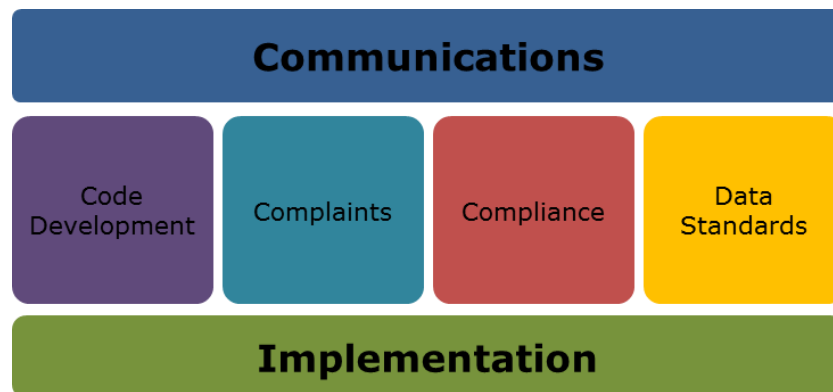
Six Work Groups operate under the ARCA CR Project: Communications, Compliance, Code Development, Complaints Handling, Data Standards and Implementation.

The ARCA Work Groups operate under their own individual Terms of Reference, including scope details. Members of Work Groups are subject matter experts on each topic. Each Work Group Chair, Lead and participants are confirmed by ARCA Members at an Association meeting.

The six Work Groups operating under the CR Project previously reported to a Steering Committee through a Project Director. Currently, the Work Groups report to the ARCA Association. The Association Board oversees Project progress, control spending of the budget, and performs a quality assurance function.

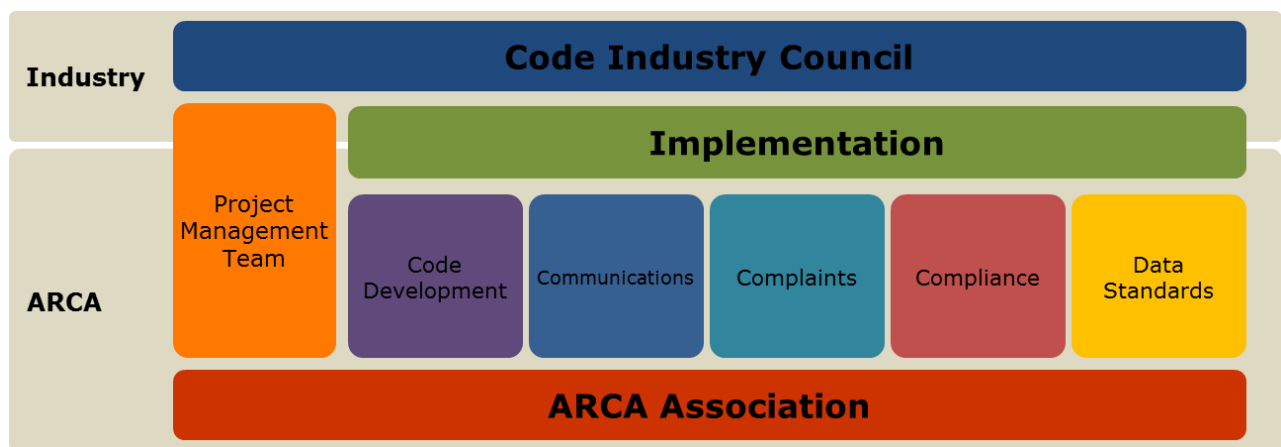
When a unanimous position cannot be reached among members of a Work Group, alternative proposals are documented. Where consensus cannot be established by the Work Group, then considered options are referred to the ARCA Association for resolution.

The following diagram details the current ARCA Project Work Group structure:



13.2 PROPOSED CONSULTATION STRUCTURE

The following diagram displays the consultation structure that is proposed to be implemented for effective engagement and endorsement of the reform process:



14. WORK BREAK-DOWN STRUCTURE

Following is the work break-down structure (WBS) for the Industry CR Code Development process:



This WBS enables definition, implementation, improvement and feedback throughout the Industry CR Code Development process, and also supports the Independent Review and CR Code consultation process that will be conducted as a separate programme of work aligned to these activities.

Further activities will be identified and detailed by the CDWG within the Code Development Project plan.

15. KEY DELIVERABLES AND TIMELINE

15.1 KEY DELIVERABLES & MILESTONES

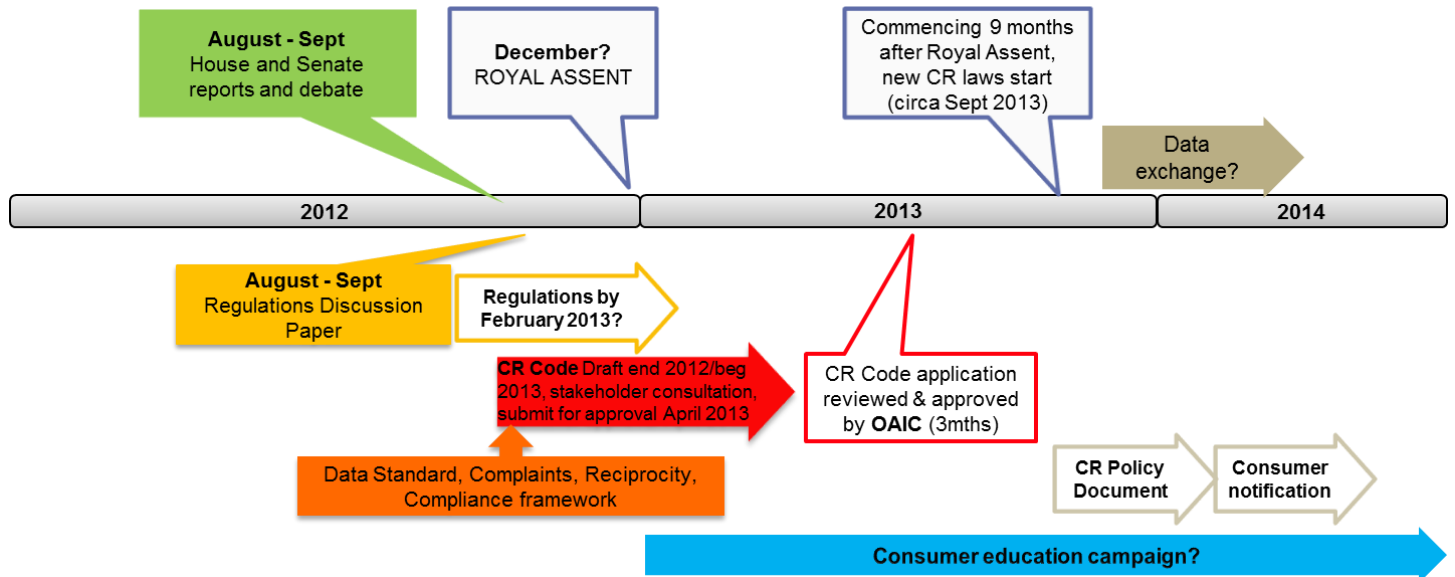
The following are key deliverables associated with the Code Development Project:

#	Deliverables/ Milestones	Owner
1	Terms of Reference for CDWG – developed and endorsed	ARCA
2	Issues Paper – un-endorsed issues worked through by Work Groups	ARCA
3	Issues Paper - settled and approved by ARCA	ARCA
4	Industry Code Development proposal – developed and endorsed	ARCA

5	Independent Reviewer agreement - developed and endorsed	ARCA
6	Independent Reviewer schedule of activities – developed and endorsed	CIC
7	Independent Reviewer–Terms of Reference – developed and endorsed	ARCA
8	Issues Paper converted into Consultation Paper	ARCA
9	Consultation Paper – settled and approved by ARCA	ARCA
10	Consultation Paper released to industry for endorsement	CIC
11	Independent Reviewer reviews Consultation Paper with stakeholders	Ind Reviewer
12	Report on Consultation Paper received from Independent Reviewer, and assessed for impact	CIC
13	Industry consideration and response to Independent Reviewer Consultation Paper report	CIC
14	Draft Code written	Code Drafters
15	Draft Code released to ARCA & CIC review/ feedback	ARCA & CIC
16	Code Drafters undertake draft CR Code consultation	Code Drafters
17	Report on draft CR Code consultation received from Code Drafters, and assessed for impact.	ARCA/CIC
18	Final CR Code prepared.	Code Drafters
19	Application prepared and submitted to OAIC for CR Code approval.	ARCA

15.2 TIMELINE

Following is the **current legislative timeline**, based on the best case scenario, as ascertained at this time. The Industry Code Development process needs to ensure all activities and tasks are aligned to this timeline:



Where the legislative timeline shifts, all interdependencies will be assessed and impact analysis completed, as soon as practical.