

AUSTRALASIAN
RETAIL
CREDIT
ASSOCIATION

Credit Reporting Framework Forum




BACKGROUND

- ALRC inquiry
- Enhanced credit reporting - subject to privacy protections
- Privacy Amendment Bill
- Significant role for Privacy Credit Reporting Code of Conduct
- Industry to develop

- ARCA involved in reform process for 7 years
- ARCA members settled views through 2011 Issues Paper
- ARCA submissions to
 - the ALRC
 - Senate Hearing (2)
 - House of Representatives (1)
- Dialogue and presentations to Govt and department.
- OAIC to formally ask ARCA to draft CR Code of Conduct

GUIDING PRINCIPLES FOR AN EFFECTIVE AND EFFICIENT CREDIT REPORTING FRAMEWORK

Guiding Principles

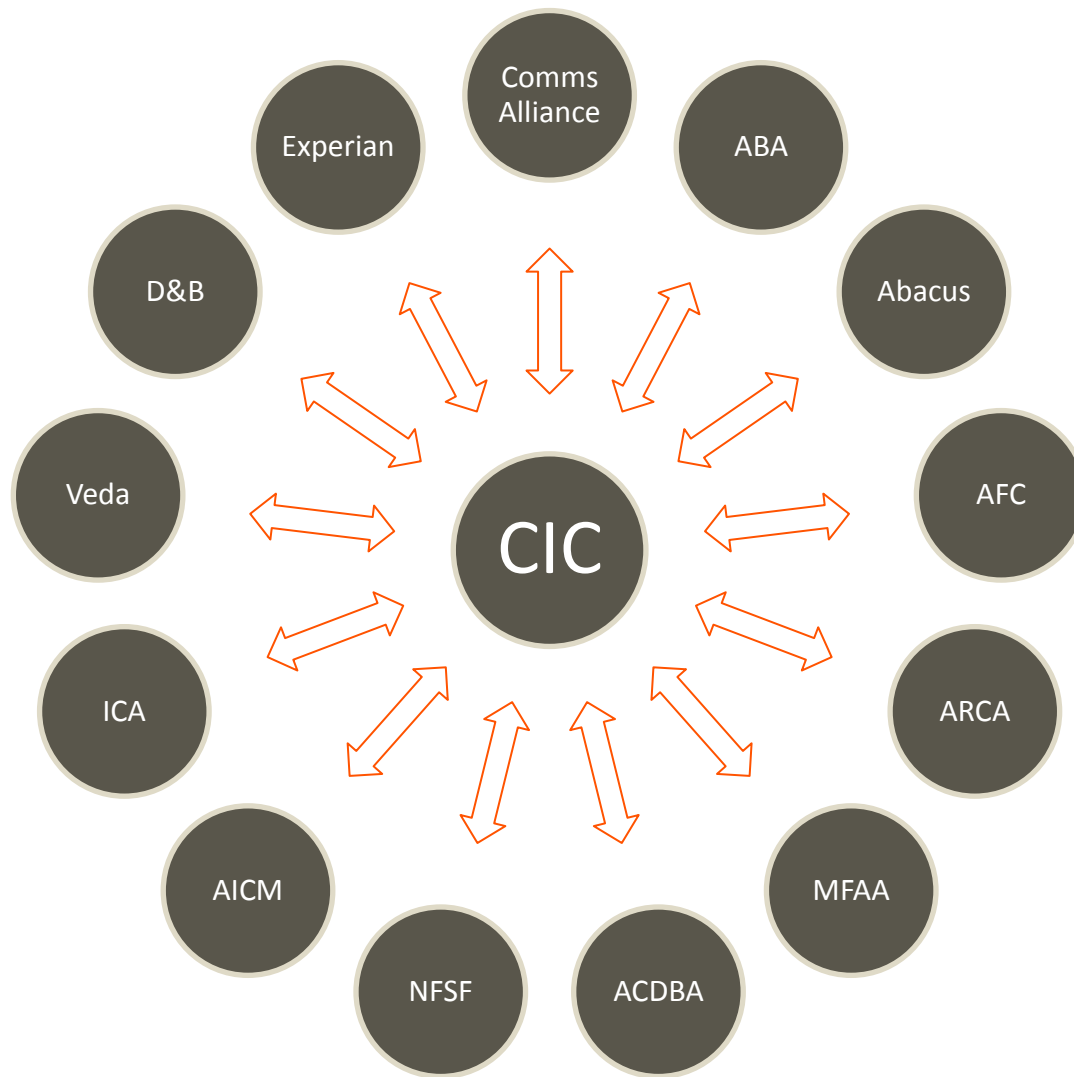
- | | | |
|---|---|----------------------|
| 1. Promote Responsible Credit |  | Data Standard |
| 2. Prohibit marketing usage of comprehensive data | | |
| 3. Prevent Consumer 'harm' | | |
| 4. Maximise participation in data sharing |  | Reciprocity |
| 5. Maximise implementation and education | | |
| 6. Promote electronic access to data |  | Oversight |
| 7. Resolve consumer complaints and disputes | | |
| 8. Continually improve data quality | | |
| 9. Maintain data security | | |
| 10. Build trust and confidence in data sharing | | |

ARCA Principles Endorsed by ARCA Members June 2007

STRUCTURE AND ROLES

- ARCA
- Code Industry Council
- Independent Reviewer
- Code developers – Cameronralph Navigator

CODE INDUSTRY COUNCIL



ARCA has convened the Code Industry Council (CIC) which consists of 10 key industry associations and representatives from three credit reporting bodies, to ensure all relevant industry stakeholders involved in credit reporting have an opportunity to participate in the CR Code development process

OBJECTIVES

- Obtain feedback from industry and community on proposed Code.

RESPONSIBILITIES

- Engage with key stakeholders to obtain feedback on approach and output of CR Code development process

ACTIVITIES

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

CR CODE OBJECTIVES:

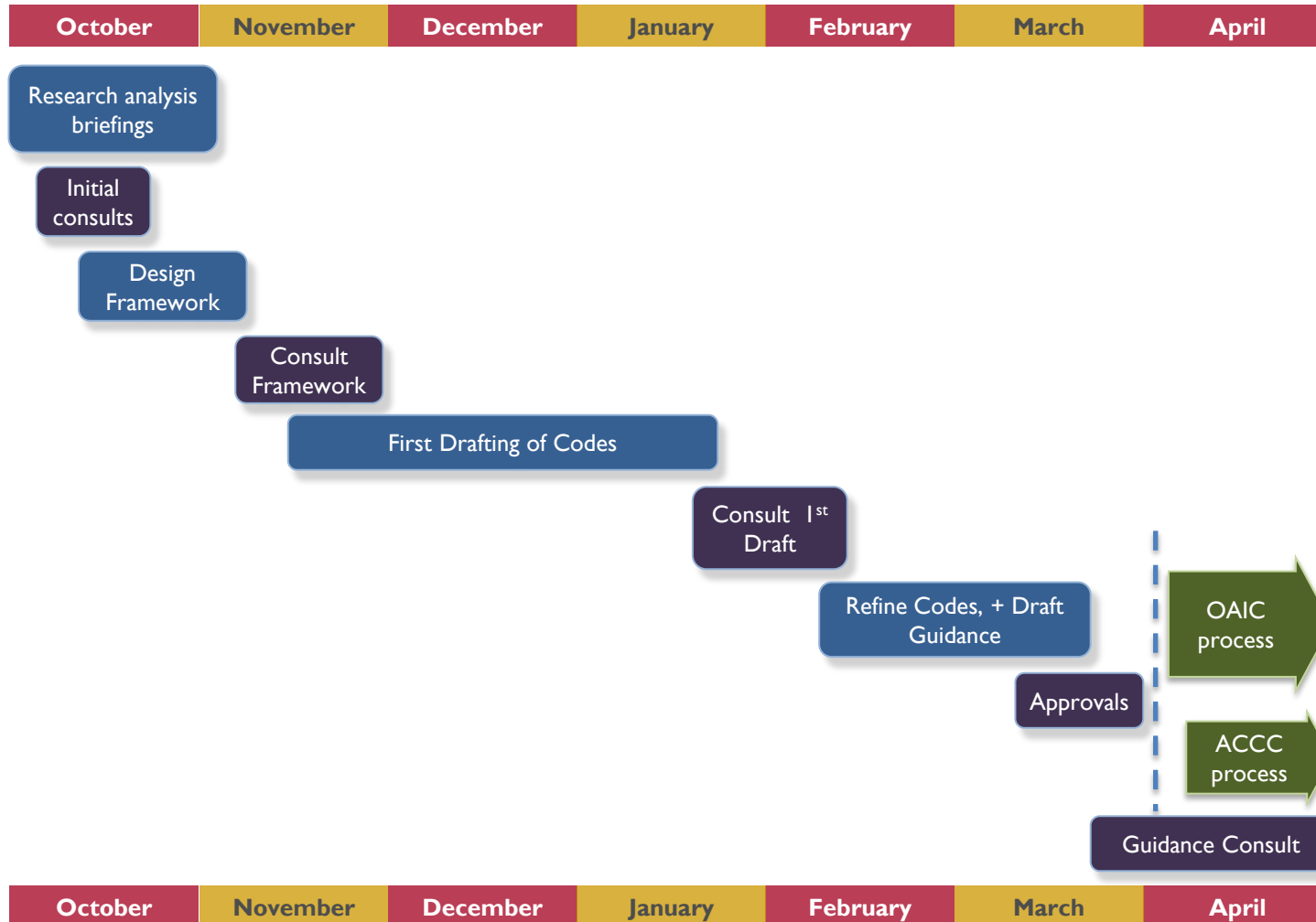
THE PROCESS - OBJECTIVES

- Credible front to govt, regulators, consumer activists and media
- Demonstrate maturity and cohesion – despite differences
- A well-reasoned, credible, Draft Code, on time!
- Where any matters unresolved, a persuasive, realistic pathway to resolution

THE CODE FRAMEWORK – OBJECTIVES

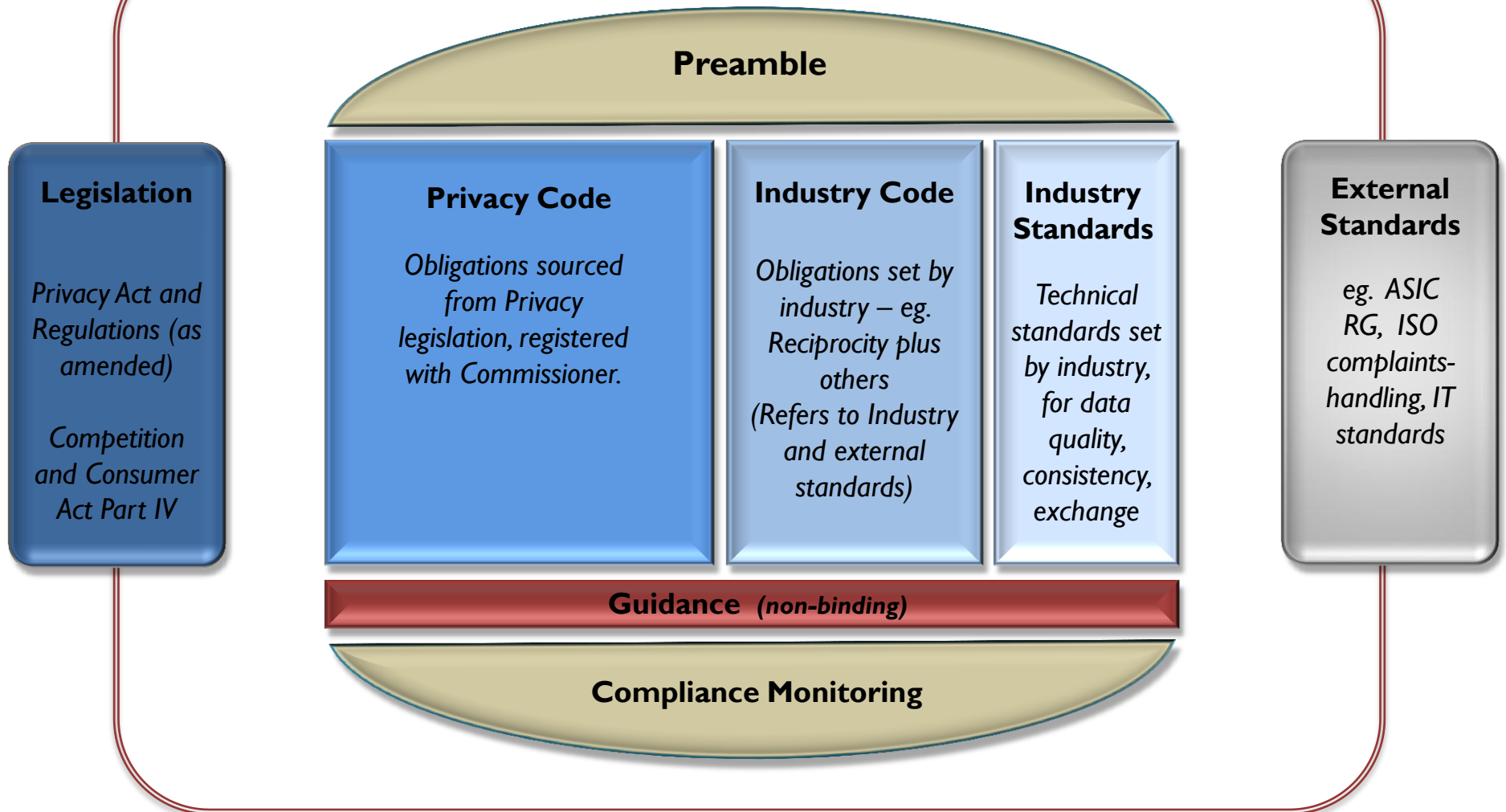
- Improve economic effectiveness of credit reporting
- Ensure privacy of enhanced credit reporting information
- Improve transparency in credit reporting processes
- Set standards of conduct for industry participation in the credit reporting system
- Credible monitoring (and enforcement) of compliance

Process



- Meet govt expectations
- Outward looking
- Outcome focus
- Scope discipline
- Brief
- Consistency
- Compliance integral

Credit Reporting Code Framework



Privacy Code Outline

- Focus is ‘protections’ – promises to consumers
- The drivers of content:
 - Privacy law
 - Privacy Commissioner requirements of Code
 - Industry practicality
- Design tensions include:
 - Credible consumer protections v. cost/practicality
 - Credible compliance v. cost/practicality
 - Best home in Privacy or Industry Code? Standards?

ATTACHMENT A - CREDIT REPORTING (PRIVACY) CODE OF CONDUCT

Illustrative draft of proposed design format

Please note that, to the extent that the text of possible Code obligations is set out, these ideas are very early ones and are illustrative only of a possible approach. Because this is at a concept stage, we have not yet refined language or defined terms etc.

Privacy Act Framework	1	Introduction <p>The Privacy Act places restrictions on the types of credit information that may be collected and reported to Credit Reporting Bodies (CRBs) and then made available to Credit Providers (CPs) and Affected Information Recipients (AIRs) for the purposes of assessing a person's credit worthiness and other permitted purposes. The Act contemplates that a Credit Reporting Code of Conduct (Code) will further define CRBs', CPs' and AIRs' obligations. Code obligations are binding - a breach of the Code is a breach of the Privacy Act. The Code is approved and overseen by the Privacy Commissioner.</p>	Source Notes
[Incorporate definitions used in Privacy Act and set out other required definitions]			
Privacy Act Framework	2	Credit reporting system integrity <p>The Privacy Act requires CRBs to enter into written contracts with CPs that require CPs to ensure that credit information that they disclose to CRBs is accurate up-to-date and complete and credit reporting information provided by CRBs to CPs is properly protected. CRBs must ensure that CPs are regularly audited by an independent person to determine whether CPs are complying with those contractual obligations.</p>	
Code Obligations	2.1	A CRB/ CP agreement must oblige the CP to comply with the Act and the Code.	Sec 20N and 20Q.
	2.2	[Obligation to train staff about Act and Code]	Para 4.1 of current Code

Industry Code Outline

- Focus is ‘operations’ – promises to participants
- The drivers of content:
 - Economic purpose of reform
 - Competition Law
 - Industry practicality
- Design tensions include:
 - Maximise information v. cost/practicality
 - Shared obligation v. cost/practicality for different participants
 - Best home in Privacy or Industry Code? Standards?

ATTACHMENT B - CREDIT REPORTING (INDUSTRY) CODE OF CONDUCT

Illustrative draft of proposed design

Please note that, to the extent that the text of possible Code obligations is set out, these ideas are very early ones and are illustrative only of a possible approach. Because this is at a concept stage, we have not yet refined language or defined terms etc. The content is incomplete.

		Comments/source
Credit Reporting Framework Preamble	<p>The Credit Reporting Framework aims to provide a more effective, economically efficient and fair credit industry for Australia. By improving the information available to credit providers, the Framework will enable more effective provision of credit to recipients (improve access to those who are able to repay and support responsible lending to those whose ability to repay is limited).</p> <p>The following objectives must be met:</p> <ol style="list-style-type: none"> 1. Confidence that strong protective measures are in place covering data integrity, security and individual's right to privacy, including their ability to detect and address inaccuracy or any misuse of their credit reporting information. 2. Standardised, reliable and timely exchange and use of allowable credit risk information – through reciprocal information exchange and commercial arrangements and through data and information exchange standards 3. Confidence that both government-regulated and industry-regulated areas of conduct have a sound regime for monitoring compliance with the range of obligations in place – and consequences for non-compliance. <p>The Credit Reporting Framework comprises:</p> <ol style="list-style-type: none"> 1. Privacy protections set out in the Privacy Act and Regulations and the Credit Reporting (Privacy) Code; 2. Industry obligations set out in the Credit Reporting (Industry) Code; 3. Industry Standards for technical detail of information exchange, referenced in the Industry Code, set by industry consensus and adjusted from time to time; 	<p>Nb. This text is intended to act as the preamble to the whole Credit Reporting framework – incorporating the three elements: Privacy Code, Industry Code and Industry Standards.</p> <p>Note that for the time being we have nominated ARCA as 'maintainers' of the Code – in the absence of any other obvious candidate. There will also need to be some owner of the compliance and monitoring function – but it will need to be either some new entity or if it is an existing one it would have to be significantly transformed to perform the function.</p>

“This is about equity, fairness, access and control, in order to build trust and confidence in retail credit decisions”