

ARCA CREDIT DATA FACT BASE

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HIGHLIGHTS

CCR data is now being reported in 'public' mode for 39% of credit accounts

Credit providers currently reporting publicly will bring another 26% of accounts within 12 months

Critical mass in CCR data has been achieved

BACKGROUND

ARCA identified that government, regulators and industry needed clearer indicators to track the progress of implementing 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 fifth published set of data from the Credit Reporting Fact Base, and is based on information as at September 2018.

Data covered 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 category.
- De-duplicated and consolidated volumes of accounts for CCR data being reported in either production-ready or public mode.
- A market level forecast for how the volume of CCR data will grow from now until the end of 2019. The forecast is based on actual or intended participation in CCR, as advised to ARCA by credit providers who account for the majority of data in the system.
- A breakdown of participation in CCR by product category.

METHODOLOGY

The methodology used to create this report involves a combination of publicly available information which contributes to assessing the overall size of the market, combined with actual data (and participation intentions) supplied by individual Credit Providers (CPs) directly to ARCA, or supplied indirectly to ARCA via Credit Reporting Bodies (CRBs) with the permission of CPs¹.

¹ See Appendix for more detail.

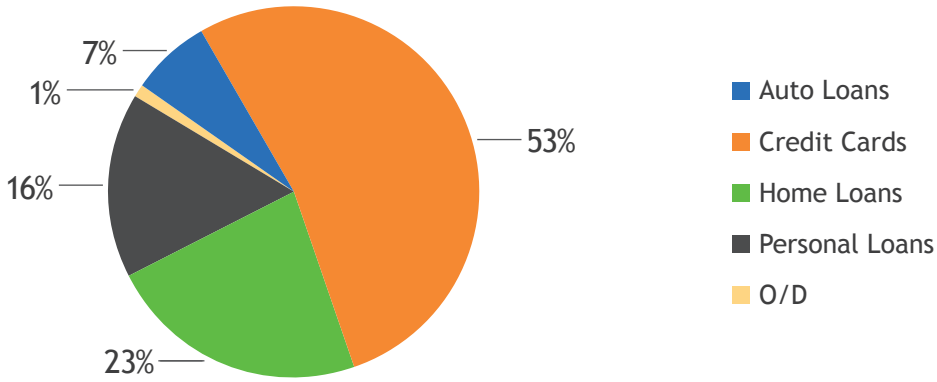
TRANSITION MILESTONES

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

Milestone	Description	Comments
1	Decision to participate in CCR.	Most large CPs made this decision some years ago.
2	Commencement of active projects to enable CCR.	Most large CPs have each spent millions of dollars on enabling projects. Several CPs including some majors are at or near technical readiness.
3	CCR or positive data is production-ready following testing and quality assurance at CRB.	CCR data is considered to be at Milestone 3 if it is in a cycle of regular loading and lodgment to a CRB once it has passed testing. Milestone 3 data is stored by the CRB in their data environment in a form that is production-ready without further data manipulation or testing. This definition excludes test data that has passed testing but is not stored in a production-ready state.
4	Internal 'go-live' approval and target date decision point.	Most large CPs have already determined a 'go-live' date or window.
5	Becoming a signatory to the Principles of Reciprocity and Data Exchange (PRDE).	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.	As at September 2018, the ANZ, CBA, Citibank, HSBC, NAB, and Westpac are all currently sharing CCR data in public mode under the PRDE.

MARKET SIZE DATA

Fig 1: All open active credit accounts by product category | Total 30.3M accounts



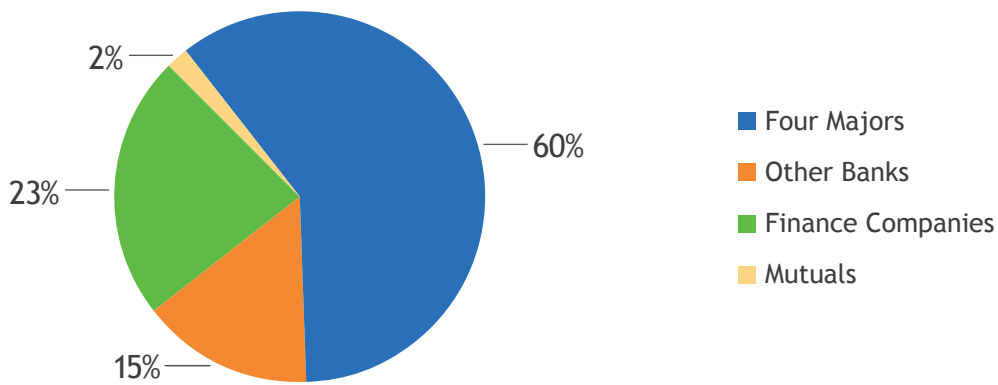
ARCA estimates that there are 30.3M open and active credit accounts in the credit reporting system. The estimate only includes credit providers offering financial service products, i.e. credit providers from other sectors such as telecommunications and utilities are excluded.

Of the 30.3M credit accounts, over half are Credit Cards, with the next largest product type being Home Loans.

Looking at the same data from an industry sector perspective, Figure 2 shows that Australian Prudential Regulation Authority (APRA) regulated banks account for 75% of the estimated 30.3M credit accounts. The four major banks, who will be subject to the mandatory CCR legislation currently before the Australian federal parliament, account for 60% of accounts.

Outside the major banks, finance companies account for 23% of accounts. The finance company sector is broad, including specialist consumer finance providers, specialist lenders offering car loans, and fintechs.

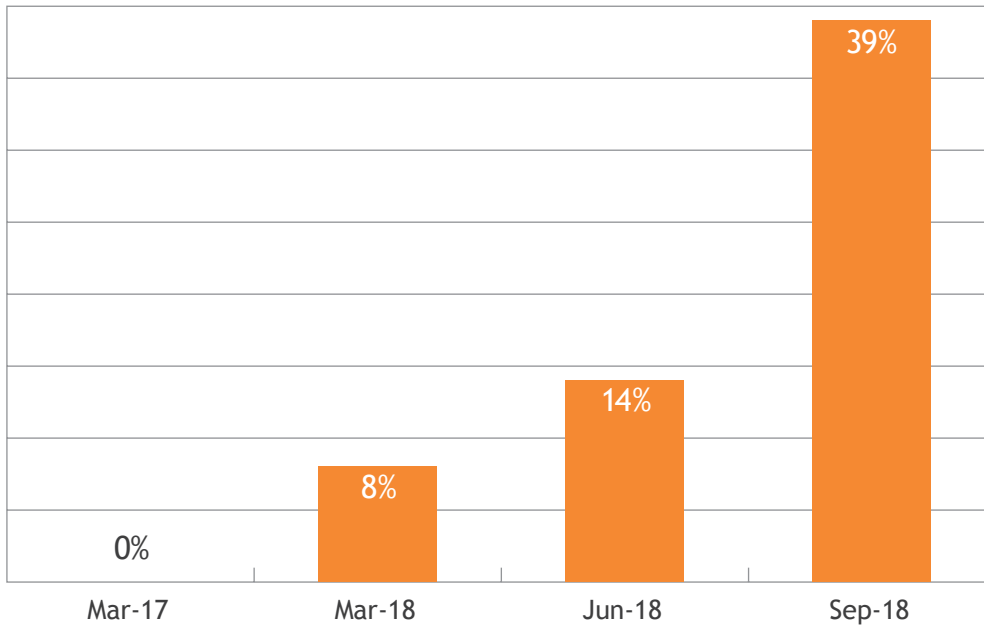
Fig 2: All open active credit accounts by industry sector | Total 30.3M accounts



PROGRESS WITH CCR

This fifth report of the ARCA Credit Data Fact Base shows that, as at the end of September 2018, the volume of positive or CCR accounts being reported at Milestone 6, or in 'public' mode, is 11.9 M or 39% of all open and active credit accounts. This is a significant increase from March 2018 when only 8% of accounts were in public mode. Importantly, from September 2018, it can be said that CCR for a 'critical mass' of accounts is now being reported.

Fig 3: Percentage of CCR Accounts Reported Publicly



That 'critical mass' has been achieved is reinforced by Figure 4 which summarises how CCR reporting is expected to progress from September 2018. Figure 4 shows that as at September 2018, the credit providers responsible for the 39% of accounts in public mode, will also report publicly another 26% of all accounts within 12 months. In other words, credit providers already reporting publicly are now committed to report 66% of all accounts. It should also be noted that the projection in Figure 4 assumes that the remaining accounts from credit providers already reporting publicly will be released into public reporting on the anniversary of their initial participation. Our understanding is that many of these credit providers will likely complete reporting prior to that date - hence the projection in Figure 4 is conservative.

Figure 4 also reveals that another group of credit providers accounting for around 15% of all accounts are currently preparing accounts for public reporting. It is likely a significant proportion of these accounts will be released from private into public reporting in the final quarter of 2018.

By the end of September 2019, nearly 80% of all accounts are projected to be reporting CCR publicly.

Fig 4: Credit Providers CCR rollout timeline

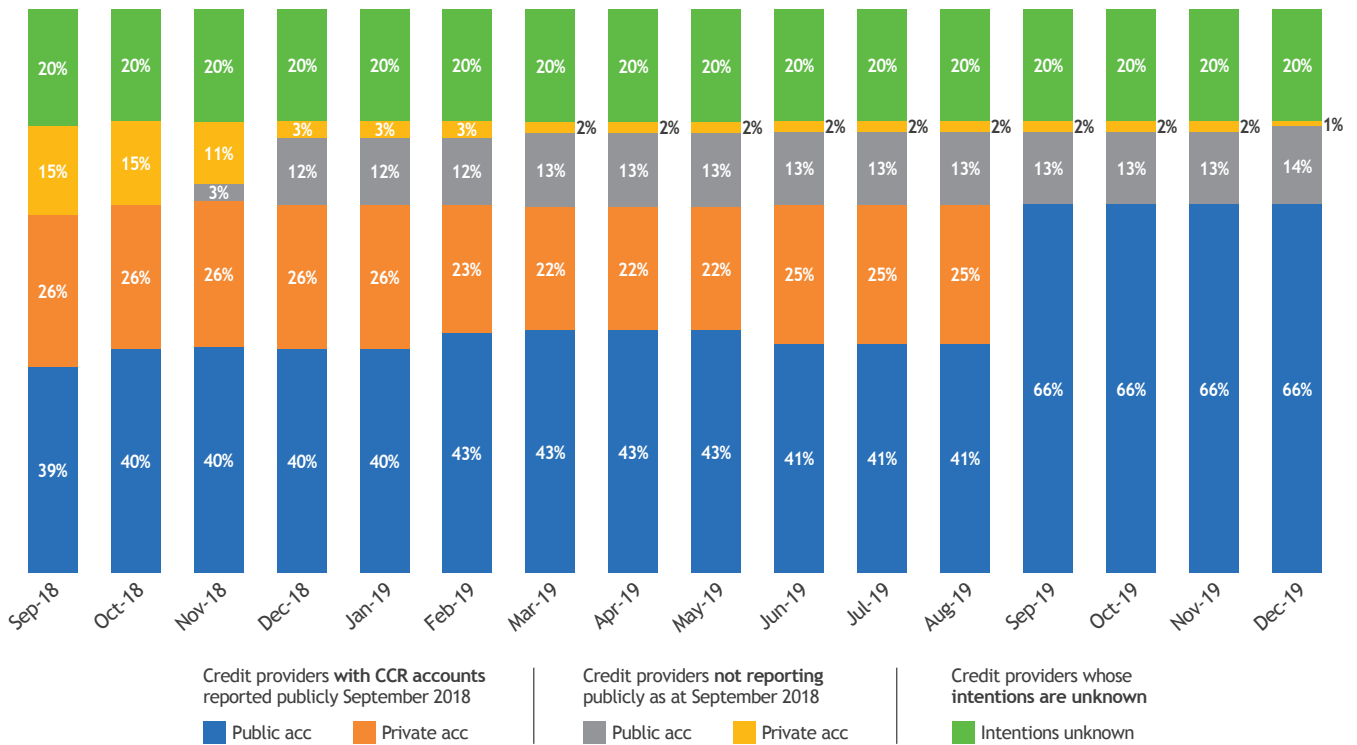
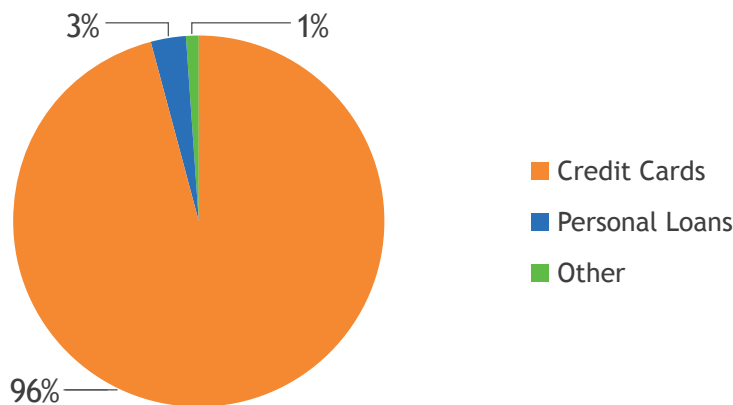


Figure 5 breaks down the CCR accounts being reported publicly into product type. Credit cards make up 96% of accounts currently being reported publicly, while personal loans make up 3%, and all other types of accounts only 1%.

It is not surprising that credit providers have focused on credit cards initially - they are the largest single portfolio in many credit providers overall portfolio of accounts, and as an unsecured product the value of CCR is significant. Overall, it is estimated that nearly 70% of all credit card accounts now have CCR publicly reported. Over the next 12 months, it is expected that most of the residual credit card and personal loan accounts will be reported, as well as the bulk of all home loans.

Fig 5: CCR Accounts Reported Publicly by Product Type



APPENDIX - DETAILED METHODOLOGY

There is no publicly available point of reference that quantifies 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 and individual CP financial reports submitted to ASIC, in order to generate estimated credit account volumes by lender by product category.

Some individual credit providers have also validated and returned their actual account volumes by product category.

Actual data held in the credit reporting system is obtained from the Credit Reporting Bodies (CRBs). Each of the 3 major CRBs, using a standard file template, provides an extract showing the number of CCR credit accounts on the bureau by Credit Provider (CP) and by product category (CP level data provided with the permission of the CP). The data supplied by each of the CRBs is de-duplicated and consolidated in order to derive a single overall view of CCR status across industry. Data in this report relates to September 2018.

This data is then compared to the total size of the credit market across all financial institutions.

It is important to note that whereas many CPs have assisted us to refine our estimate of the overall size of the credit market by validating the number of credit accounts by portfolio applicable to their institution, not all CPs have reverted with validated data. Thus the denominator figure is still subject to some variability.

For more information on this report and the methodology,
please contact **MIKE LAING** > mlaing@arca.asn.au
or **GERALDINE CREMIN** > gcremin@arca.asn.au