RECIPROCITY &
DATA
EXCHANGE
ADMINISTRATOR

Final, 6 March 2024

INDEPENDENT REVIEW OF THE PRINCIPLES OF RECIPROCITY AND DATA EXCHANGE (PRDE) – TERMS OF REFERENCE

1. Context

The PRDE is a set of principles applicable to signatory credit providers and credit reporting bodies. It is intended to facilitate a standardised, open and transparent system for the exchange of comprehensive credit information between signatory credit reporting bodies and credit providers.

The PRDE requires that an independent review be carried out after the first 3 years of operation (completed in 2019) and subsequently every 5 years, with the second review due in 2024.

This Terms of Reference (TOR) covers the requirements for the second PRDE independent review.

2. Objective

The principal objective of the Independent Review is to consider the terms and operation of the PRDE as they relate to:

- achieving the intent of the PRDE, which is "to create a clear standard for the management, treatment and acceptance of credit related information among signatories".
- supporting industry participation in comprehensive credit reporting.
- encouraging broad participation in the exchange of credit reporting information.
- providing a clear and efficient dispute framework for compliance issues.

3. Inputs

The Independent Reviewer will be supported by the PRDE Administrator Entity (the Reciprocity and Data Exchange Administrator (RDEA)) and will be provided relevant information and documents as appropriate.

The Independent Reviewer will consult with the RDEA, current PRDE signatories and broader stakeholders as appropriate.

4. Scope

Broad TOR principles

The Independent Review should consider the principles of the PRDE, how they are given effect by the associated paragraphs of the PRDE and whether they achieve their intended effect and remain relevant. Where issues are identified, the Independent Review may also consider whether changes are required to the fundamental principles and/or the provisions in the PRDE to rectify these issues.

When reviewing the terms and operation of the PRDE, consideration should be given to:

- The extent to which the PRDE achieves the benefits identified by the Australian Competition and Consumer Commission (ACCC) in its authorisation of specific provisions of the PRDE and to what extent the PRDE operates to minimise any detriment associated with its operation (again aligned with the ACCC authorisation).
- Recent changes in the credit reporting landscape (such as the introduction of Mandatory CCR, Hardship Reporting), upcoming reforms (such as BNPL and soft enquiries framework), and recent/upcoming reviews (including the review of Part IIIA of the Privacy Act, which will be concurrent with the PRDE Independent Review).

The Independent Reviewer will identify and prioritise the relevant areas of focus for the review based on a preliminary consultation with key stakeholders.

Potential issues to address under TOR Principles

The RDEA has identified the following issues which we believe should be considered by the reviewer under the broad principles set out above:

- Fee structure (related to Principle 1 paragraphs 7 and 13): is the current fee structure appropriate to reflect the cost associated with the administration of the PRDE; do the fees properly reflect the extent to which signatories engage with (and benefit from) the PRDE framework; and would changes to the fee structure create a barrier to entry for new signatories?
- Default Information (Principle 1 paragraph 19(b) and 20): is the requirement to ensure default information is contributed 'within a reasonable timeframe' working properly? Is the formal guidance provided by the RDEA in relation to this principle appropriate? Should elements of that guidance be reflected in the PRDE (i.e. so that it is mandatory rather than guidance)?
- Current exceptions (Principle 1 paragraphs 29-33B, Schedule 1 and 2): are the current exceptions still relevant and appropriate, and should these be further amended, such as by removing redundant exceptions or adding new exceptions?
- Process for and timing of changes to the ACRDS (related to Principle 3 paragraph 52): are the requirements pertaining to the ACRDS Publication Timeframe appropriate and do they otherwise support the objectives of the PRDE data exchange?
- Transitional provisions of the PRDE (Principle 4), particularly those applicable to start-up entities (paragraphs 54 and 58): do these transitional provisions operate to facilitate participation by new entities in the PRDE framework and are the timeframes for transition appropriate?
- Compliance process (Principle 5): Does it work efficiently? Does the signatory-led compliance process work to provide sufficient confidence as an enforcement mechanism? Should the RDEA take a more proactive role?
- Process for reviewing and updating the PRDE (related to Principle 6 paragraph 111): is the process timely, effective and robust to ensure the ongoing efficient operation of the PRDE?
- What role does the PRDE play in facilitating data quality and consistency within the credit reporting system, and (dependent upon the role identified) do the current principles and paragraphs operate effectively to support that role? This would include consideration of whether the PRDE should require/allow for improved data reporting to enable the RDEA and signatories to understand the quality, consistency and comprehensive supply etc within the system (which would also assist with assessing whether the PRDE was meeting its purpose).

- Enquiry data has been excluded from the PRDE. Should this exclusion remain and, if not, how should the sharing of enquiry data be facilitated to address any issues which may arise?

The list of issues above is non-exhaustive – the Reviewer may identify and consider other issues after stakeholder consultation.

5. Excluded from Scope

The following items are excluded from the scope of this Independent Review

Drafting of any recommended PRDE revision
The Independent Reviewer's role is to review the operation of the PRDE and report on their findings. While these findings may include recommendations that call for revision or variation of the PRDE, the wording of any specific changes to the PRDE is outside of scope.

ACRDS
Compliance with the Australian Credit Reporting Data Standards (ACRDS) is a fundamental obligation under the PRDE. The review will consider the ACRDS obligations under the PRDE, and the operational effectiveness of these obligations, however the content of the ACRDS itself is outside of the scope for this review.

6. Output

The Independent Reviewer will deliver a final report on its review process, key areas of focus and findings. The RDEA will ensure the report is provided to all signatories.

- If the review recommends revision to any PRDE provisions as a response to its findings, the report will: Outline the rationale for any revision, including the benefits or other impacts on current and prospective PRDE signatories, and further the overall impact of any revision on the operation of the PRDE data exchange (which includes the impact on systems and processes used by current and potentially prospective signatories and other stakeholders)
- Identify the most critical/key recommendations, along with the reasons why those recommendations have that status.

In accordance with paragraph 106 of the PRDE, the RDEA will ensure any recommendations are adequately responded to.

7. Key Milestones

The Independent Reviewer will provide its Final Report to the RDEA by **31 August 2024.**