

How can meeting your NCCP obligations help you grow your business?

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National Consumer
Credit Protection
(NCCP) Reforms



Introduction

Is your business ready for Credit Reform? And if it is, how are you leveraging your efforts to make the business compliant with the National Consumer Credit Protection (NCCP) regime in order to grow?

In these times of increased regulatory scrutiny, the difference between business success and failure can come down to efficient and effective compliance. All the more so when regulatory change is as significant and wide-ranging as NCCP. So, how can you ensure the efforts undertaken to implement the new requirements are embedded sustainably and actually help you to improve your business?

PricewaterhouseCoopers (PwC) is pleased to provide this document, which outlines some of the opportunities for businesses to build on the work already being done to meet the mandatory requirements associated with Credit Reform so as to also gain tangible business benefits.

Background

The NCCP regime regulated by the Australian Securities and Investments Commission (ASIC) introduces requirements for organisations engaging in credit activities to obtain an Australian Credit Licence (ACL) and to establish ongoing standards of conduct in order to maintain their licence. The regime also makes the credit component of margin lending loans subject to new legislation and regulation.

NCCP will impact a diverse range of participants within the credit industry, including credit providers, finance brokers, aggregators, other intermediaries and mortgage managers. The requirements of NCCP will commence on 1 January 2011.

The focus on complying with NCCP is increasing, ASIC are planning to undertake surveillance visits and have openly stated that their mandate is to ensure compliance with the requirements is being met.

Particular areas of focus in the next 12 months will be responsible lending, credit card verification, early termination fees, and home loan financing.

Realising the benefits of complying with the NCCP Reforms

Grow your operational effectiveness

Implementing the NCCP requirements provides an opportunity for you to have a fresh look at your processes, procedures and systems. Now is the time to improve internal processes and streamline IT applications to better integrate with backoffice functions, while servicing customers and meeting your compliance requirements.

What you need to do now...

To ensure you get the tangible benefits from implementing NCCP in your processes, procedures and systems, you need to:

- review your front office and back office processes and systems to assess if they are meeting the NCCP requirements;
- identify inefficiencies that have not been appropriately addressed;
- design processes and system changes to interface smoothly, rather than creating manual workarounds; and
- test and assess the effectiveness of your NCCP implementation.

Take the opportunity through the NCCP reforms to streamline and automate your credit processes to create better service for your customers and an integrated back office experience for your staff.

Grow your customer loyalty

The spirit of the NCCP reforms is about making sure the credit products offered to retail customers are appropriate for their needs and personal situation. Complying with the NCCP obligations therefore allows you to strengthen your customer relationships by showing that you put your customers' interests first. By leveraging the information provided by customers to suggest products that are best suited to your customer's needs, you can both grow customer loyalty and decrease the risk of default.

What you need to do now...

To ensure you get the tangible benefits from implementing NCCP in your customer interaction, you need to:

- identify all current points of customer interaction;
- understand what drives customer satisfaction for your business;
- assess whether your point of sale interaction provides you with all the information you need;
- review whether your process to assess the customer's suitability requirements is as rigorous as it needs to be;
- design and implement processes that better identify potential client hardship issues;
- identify opportunities to improve how you obtain and use the information provided to best meet client needs (eg. by offering highly relevant products); and
- emphasise to your customers how the work undertaken in light of NCCP benefits them.

Realising the benefits of complying with the NCCP Reforms continued

Grow confidence in intermediaries

Intermediaries such as brokers and referrers* are now required to hold an ACL. This creates deeper understanding of the compliance requirements. It also provides an opportunity to strengthen relationships between product providers and intermediaries by improving the mutual understanding of what information needs to be collected and how compliance with the requirements should be monitored.

Intermediaries who utilise this knowledge well can adapt how they engage with their product providers to become a preferred intermediary.

What you need to do now...

As a product provider you need to:

- Know who all your intermediaries are;
- understand the licencing and conduct requirements that apply to them;
- understand the frequency with which you review their compliance arrangements;
- evaluate whether your intermediaries have adequate skills and competencies to comply with the licence requirements and to provide your customers with appropriate assistance in choosing the right product.

Intermediaries need to:

- apply for an ACL (if you haven't already);
- comply with the requirements under the ACL;
- proactively engage product providers and understand what the product providers need you to tell them to be comfortable you engage with their customers appropriately.

*ie. a person or business whose business practice involves referring a client to a particular financial product or product provider

Grow your relationship with the regulator

In 2008, we conducted a benchmarking survey of regulator relationships in the financial services industry. It showed that with regulators an open relationship equates to a good one. ASIC want to know about challenges that you may have in interpreting legislation, or if you have a particular issue, and want to hear your feedback.

The NCCP reform gives you the opportunity to grow your relationship with ASIC and get off to a good start.

What you need to do now...

In order to grow and sustain a great relationship with your regulators, you need to:

- understand your current regulatory relationships;
- assess how often you engage with your regulator(s);
- ensure that you have a policy and communication plan in place to engage with relevant regulators, and ASIC in particular;
- assign responsibilities for relationship management; and
- take measures to pro-actively engage relevant regulators.

How can we help

About PwC

PwC is the leading provider of innovative and practical governance, compliance and risk management services and thought leadership. We have significant practical design and implementation experience in relation to Consumer Credit Reform.

How we can help...

To help you understand whether you are reaping the rewards from your NCCP implementation efforts, we can assist you through a range of activities. A few examples are:

Providing **licensing and compliance** advice to ensure your licence application and the underlying processes meet ASIC's requirements ("Health Check"). We can also provide expertise on how to best structure your NCCP licences (eg. within a Group of entities) to minimise compliance costs.

Conducting a **Mystery Shopping** exercise to determine the effectiveness of your implementation of NCCP requirements into processes, procedures and systems, and providing you with advice on industry best practices;

Conducting a **Mock ASIC** visit and review, which could focus on select elements of a visit or the full process from announcement to documentation request, to interviews (including post-interview coaching) and debrief.

To help you understand whether you are reaping the rewards from your NCCP implementation efforts, we can assist you through a range of activities.



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