



Committee Secretary  
Senate Standing Committee on Legal and Constitutional Affairs  
Department of the Senate  
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Parliament House  
Canberra ACT 2600

**Submission to Senate Legal and Constitutional Affairs Committee Inquiry into  
The Personal Property Securities Bill 2008 [Exposure Draft]**

**Submitted by Veda Advantage Limited**

Veda Advantage welcomes the opportunity to comment on the Personal Property Securities Reform and the current Bill before the Senate Standing Committee on Constitutional and Legal Affairs. Veda Advantage has a strong interest in a successful transition to a new Personal Property Securities Register (PPSR) regime and is keen to ensure improvements are manifest for our customer's diverse information demands.

*Individual Identity Elements retained on the PPSR*

Veda Advantage has made prior submission on the identity elements proposed to be captured under the PPSR regulations. These observations will be restated here.

The proposal to only capture name and date of birth to verify the identity of individual security grantors is inadequate and will lead to misidentification and open the PPSR to fraudulent misuse.

Veda Advantage's experience in resolving identity across a broad range of source data suggests that a minimum of three identity elements are necessary to minimise the incidence of false matches and gain greater confidence in search outputs. The collection of name and date of birth on the register will leave secured parties uncertain about the status of their interest in secured assets and undermine the PPSR's main objective.

The critical reliance on the ability to accurately identify the grantor of a security – especially in the case of an individual granting a security over non-serially numbered consumer goods – highlights the requirement to balance the privacy interest of the individual with the objective of the register and secured financiers relying on its outputs.

**Recommendation:** The PPSR must capture the residential address of the grantor in instances where the grantor will be the subject of a search. This is consistent with the proposed regulation under the PPS Act suggesting that the number one source of data for grantor detail to be entered onto the PPS Register as being "Existing data held by the secured party pursuant to the AML-CTF Act" The minimum individual information to be held under the AML /CTF Act is full name, date of birth, and residential address.

To alleviate individual privacy concerns, the address detail should not be returned within a search output - rather a data match strength mechanism should be applied. Similar application of a data matching framework could be applied to Drivers Licence numbers to

further enhance the accuracy of the registers matching capability without exposing individual grantors to substantial privacy risk.

*Access to aggregated and historical register data*

The value of the PPS Register should not be limited in its application to single transactional events. Substantial benefit to businesses operating in the information economy will be derived through the statistical analysis of the information contained in the register and the impact that register activity and behaviour has on the risk of underlying business transactions.

The identification of behavioural characteristics which add value to business processes will only become evident upon analysis of the complete register dataset and its history. PPS Register activity may indicate fraud characteristics or financial risk indicators. When analysed with other datasets and behaviour may provide far greater public benefit than simple property security notation. Veda Advantage remains concerned that current arrangements for the PPS Register could prevent innovative bundling of register data and inhibit the capacity to develop predictive analytical tools.

The legislation appears predicated on an inquiry-response model; in reality predictive analytics is based on the ability to analyse aggregate trends and exposures; using those aggregates, statistical models and trends to model behaviour. These models, in turn, allow for much greater insight into broad population risk and financial behaviours, critical to business confidence and their appetite to lend at appropriate rates.

In developing Victoria's Information Privacy Act, the Victorian Privacy Commissioner noted the potential of bulk release of public register data to enable the updating of records, aid law enforcement functions or facilitate provision of educational or industry related materials.

*"Bulk release of public register data has several well recognised beneficial uses – both in the public and private sectors. Lubrication of commerce is perhaps the most common example. Having access to electronic databases enables fast and efficient searching. As people become more mobile and, accordingly, difficult to find, increased accessibility to information is needed."*<sup>1</sup>

Future use of public register information in changing economic and social times cannot be predicted. Nor does it need to be. The regulation of public registers does need to maintain the flexibility to accommodate change and ensure that access and use is not prevented where clear public benefit is identified.

A recent example was the introduction of the Anti Money Laundering and Counter Terrorism Financing Act in 2006. AML/CTF focussed businesses on their requirement to identify their customers. One of the most efficient, effective and streamlined methods to achieve this is through electronic reference to external data registers validating an individuals interaction with society - such as registering to vote (The Electoral Roll) , applying for credit (credit bureaus), or connecting a phone line.(the phone book). These datasets offer clear benefits in

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<sup>1</sup> Office of the Victorian Privacy Commissioner, *Public Registers and Privacy : Building Permit Data* Issues Paper (Jan 2002) Report (August 2002)

the validation of identity for AML/CTF purpose – something that was never contemplated when these data registers were created.

**Recommendation:** Periodic bulk access to the PPSR should be enabled via an authorised or accredited user process. The process would provide for an entity to apply to the registrar to become an accredited user of all or part of the PPSR dataset, with the registrar able to impose appropriate conditions and safeguards.

#### *Access rights to the PPS Register*

The Bill establishes a table of PPS register access rights and access purpose under Section 227 of the Bill. The Bill attempts to identify a comprehensive list of persons who can search the register and the purpose under which they can use the register. Prescribing the use and access restrictions offers additional certainty and protection for the Register and its contents, however suffers when a new use or access group is identified.

Significantly, it is mandated within the Bill that personal information will be purposefully limited on the PPS Register and that no individual grantor detail will be held where collateral is serially numbered.

**Recommendation:** The Registrar must be given specific power to alter the affect of the authorised access persons and permitted access purpose within the Bill, for all or part of the PPS Register, by executing an instrument in writing or other similar provision.

#### *Information Broker access rights to the PPS Register*

Veda Advantage remain concerned that the information broker relationship has not been effectively recognised within the Bill and the table of authorised access groups permitted to search and use the PPS register.<sup>2</sup>

Under Item 1 of this table, the person who may search the register is defined as “a person, (the first person), or another person with that persons consent”. They may search the register “To disclose any registration in which the first person is registered as a grantor or a secured party”

This item allows an agent (with consent of the first person) to search the PPSR for registrations relating to the first person as grantor or secured party. It does not accommodate the scenario where a third party is seeking to search the register on behalf of a potential secured party to determine whether or not to provide credit to or obtain a guarantee or an indemnity from a person named in the search application.

The other reference in the table of authorised access groups to third parties is Item 21. This access group permits a person to access the register “To advise another person in connection with any of the purposes referred to in this table”

Under an information broker agreement, the information broker would search the PPS register and provide the output to an end user with an authorised purpose. The provision of

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<sup>2</sup> Section 227

register information by the broker may involve integration with other data sources such as ASIC data, scoring and interpretation of data received from the PPS Register, or may simply involve a straight pass through of register data. The provision of PPS register information from a search may attach no advice in relation to the access purpose and would therefore not fit within the scope of this access group.

**Recommendation:** Item 21 of the Authorised Access and Use table under Section 227 should be amended to recognise 3<sup>rd</sup> party information broker arrangements, noting that the access to the register is conducted under an information provision arrangement and that the provision of advice is not necessary for this access.

#### *Access for maintenance of a credit arrangement*

Item 7 enables a person to access the PPS Register “To establish whether to provide credit to, or obtain a guarantee or an indemnity from, a person named in the search application or a person with an interest in the personal property described in the application.”

A credit provider therefore has an access right to the register at *the establishment* of a secured transaction. Subsequent access to the register would not be permitted.

**Recommendation:** Item 7 of the Authorised Access and Use table under Section 227 of the Bill should be amended - “To establish whether to provide, or **maintain** credit to, or obtain or **maintain** a guarantee or indemnity from a person named in the search application....”

#### *Data Quality*

The legislation provides the registrar with the authority to periodically validate the data input on the register, through potential reference to other datasets such as the Australian Register of Companies.

It is not clear from the Bill how the registrar is to resolve data anomalies that may be discovered. Whilst the Registrar is granted the powers to both remove and restore security interests (Section 215 and 217), any significant use of these powers will lower confidence in the register and place any security holders registered in the interim period in a disadvantaged position.

It is also unclear what the appropriate response from the Registrar would be if a written off or stolen vehicle’s VIN became newly listed as collateral on the PPSR, or an invalid VIN was registered.

Veda Advantage recommends that clear obligations are placed on the Registrar to maintain data quality on the PPSR and that strict operational process is applied at the point of data entry to validate source data.

**The importance of confidence in the Personal Property Securities Register is paramount. A weakening of the dataset, or its usability, will result in its failure.**

**Should the ease of use or access be unnecessarily restrictive or complex, financiers will chose to avoid the register due to its low return on investment.**

Veda Advantage welcomes the continued focus from the Government on ensuring the Personal Properties Securities Register is effective in achieving its objectives and participants within the finance sector benefit from its establishment and operation. Veda is pleased to be part of the Technical Users Group and remains committed to ongoing consultation on industry information needs in this area.

**Yours sincerely,**

A handwritten signature in black ink, appearing to read 'Chris Gratton', written in a cursive style.

**Chris Gratton  
Head of External Relations  
Veda Advantage Limited**