



## Information for Members

### Fact Sheet: Government deposit guarantee

#### **How are deposits at Australian credit unions, building societies and banks protected?**

- Australia has one of the strongest banking systems in the world. You can have confidence that all Australian banking institutions – credit unions, banks and building societies – must meet the toughest regulatory standards and protections, designed to protect you.

#### **What is the Financial Claims Scheme (the deposit guarantee)?**

- All banks, building societies and credit unions in Australia meet exceptional high standards and rules set by the Australian Prudential Regulation Authority (APRA). APRA also administers the Financial Claims Scheme, which is an additional protection for deposits.
- The Financial Claims Scheme ensures that depositors with credit unions, banks, and building societies will be guaranteed repayment of their funds in the extremely unlikely event that any banking institution faces stress. The Scheme includes a guarantee of \$250,000 per person per institution. Existing deposits in place at 10<sup>th</sup> September 2011 have a continuing \$1 million guarantee until December 2012.

#### **Why has the Financial Claims Scheme cap changed?**

- The initial \$1 million cap for the Financial Claims Scheme was an emergency response to the global financial crisis. It was introduced in 2008 for three years.
- Australia has the strongest banking sector in the world and the Government has decided this emergency response is no longer required, given our system's clear strength.
- The new cap brings Australia into line with similar guarantee schemes overseas.

#### **How does this affect my deposits?**

- The Scheme applies in exactly the same way to all credit unions, building societies and banks. From 1 February 2012, deposits will benefit from the \$250,000 guarantee.
- There are transitional arrangements in place for all term deposits made prior to 10<sup>th</sup> September, and new deposits between 10<sup>th</sup> September and 1 February 2012.

<b>My deposit with an Australian credit union, bank or building society</b>	<b>What Financial Claims Scheme cap applies?</b>
Deposits maturing <i>before February 2012</i> (including all new deposits made after 10 <sup>th</sup> September 2011 with this maturity).	\$1M guarantee until maturity. If the deposit is rolled over, the \$1M cap applies until 1 February 2012. The \$250,000 cap then applies.
Deposits (in place on 10/9/2011) maturing <i>between 1 February &amp; 31 December 2012</i> .	\$1M guarantee applies until maturity. If the deposit rolled over, the \$250,000 cap will apply from the roll-over date.
Deposits (in place 10/9/2011) that mature <i>after 31 December 2012</i> .	\$1M guarantee applies until 31 December 2012. The \$250,000 cap then applies.
All new deposits <i>made on or after 1 February 2012</i> .	The \$250,000 guarantee applies.

#### **Strict Australian regulation protects your deposits with mutuals**

- Credit unions, building societies and mutual banks meet the same strict standards as banks, under the *Banking Act* with strict oversight by APRA. APRA's rules on safety and capital apply to all banks, building societies and credit unions to the same high standards.
- As mutuals, we are owned by our members. Our focus is on your interests, and we are conservative and careful managers of our members' money.
- Credit unions and mutual building societies have the highest level of capital in the banking system providing exceptional stability. Collectively, mutuals have combined assets over \$80 billion, and over 4.5 million Australians as members.

To find out more about mutual banking, visit the Abacus website at [www.abacus.org.au](http://www.abacus.org.au)  
To find out more about Government guarantees, visit APRA's website at [www.apra.gov.au](http://www.apra.gov.au)