

## Government deposit guarantee revised to \$250,000

On 11 September 2011, the Treasurer, Wayne Swan released the much awaited details on the revised Government guarantee on deposits (officially called the Financial Claims Scheme or FCS). Details of the statement are [available here](#).

**From 1 February 2012, the new deposit guarantee “permanent cap” will be \$250,000 and will continue to apply per person per Authorised Deposit-taking Institution (ADI).**

The FCS has been confirmed as a permanent feature of the Australian banking system. This was announced in the Government’s banking competition package released back in December 2010. The announcement yesterday now provides a “permanent cap” of \$250,000 (effective from 1 February 2012).

In October 2008 the Government brought in the automatic deposit guarantee capped at \$1m. The guarantee was set to expire on 11 October 2011. In yesterday’s announcement, the Government has extended the \$1m limit until 31 January 2012.

However, there was one transitional concession provided in yesterday’s announcement. **Term deposits already in existence as at 10 September 2011 will continue to be covered up to \$1m until the earlier of the scheduled maturity date or 31 December 2012.**

Accordingly, the following guarantee cap applies to the various scenarios:

- **New or existing deposits that mature on or before 31 January 2012** will continue to be guaranteed up to \$1m.
- **Existing deposits that have a scheduled maturity after 31 January 2012** will receive transitional relief and are covered up to \$1m until the earlier of the scheduled maturity date or 31 December 2012. Such deposits must have been entered into on or prior to 10 September 2011 and investors will not be able to roll over term deposits that mature prior to 31 January 2012 to avail themselves of the transitional relief.
- **New deposits made from 11 September 2011 onwards that mature after 31 January 2012** will be guaranteed to \$1m until 31 January 2012 and then revert to the new cap of \$250,000 from 1 February 2012.

The Government also announced some minor legislative changes it intends to make to the FCS framework. In essence the Government will remove the deposit guarantee for deposits made by foreign branches of Australian-incorporated ADIs. The charter of the Banking Act and APRA is to protect Australian depositors (and hence not foreign depositors in Australian ADIs offshore).

There will also be some amendments to improve flexibility for operating the FCS in the unlikely event an ADI is expected to fail. APRA will have the ability to transfer deposits to a new institution and the Treasurer will be able to activate the FCS before an ADI has formally reached the point of winding-up.

**For more information please contact our term deposit specialists directly on:  
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