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ROGERSON KENNY

BUSINESS ACCOUNTANTS



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Technical Update

Guarantee Scheme for Large Deposits and Wholesale Funding

The Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding (the Guarantee Scheme) was formally commenced by the Government on 28 November 2008. The Guarantee Scheme closed for new liabilities at the end of March 2010.

The arrangements were designed to promote financial system stability in Australia, by supporting confidence and assisting eligible authorised deposit-taking institutions (ADIs) to continue to access funding at a time of considerable turbulence. They were also designed to ensure that Australian institutions were not placed at a disadvantage compared to their international competitors that could access similar government guarantees on bank debt.

Large deposits and wholesale liabilities guaranteed under the Scheme as at 31 March 2010 will remain guaranteed, for a fee, for the relevant term. Separate arrangements will continue to apply for deposit balances totalling up to and including \$1million per customer per institution and changing to \$250,000 from 1 February 2012. Such deposits are guaranteed without charge.

Up until 11 September 2011, deposits up to and including \$1million in eligible ADIs, were guaranteed by the Australian Government without charge under the Financial Claims Scheme. For customers with total deposit balances over \$1million, at a single ADI, a guarantee was available on that portion of their balances over \$1million under the Guarantee Scheme subject to an approval process and other conditions including payment of a monthly fee by the ADI on the amounts guaranteed. The \$1million amount applied even if the deposits were spread across multiple accounts in the same institution.

The Guarantee Scheme closed to new liabilities on 31 March 2010. Existing liabilities will remain covered until maturity (in the case of term deposits) or until October 2015 (in case of at call deposits).

The Treasurer announced a new permanent cap of \$250,000 per person per institution on deposits guaranteed under the Financial Claims Scheme which will take effect from 1 February 2012. All deposits will be guaranteed at the old cap of \$1million per person, per ADI until 1 February 2012.

“ACCOUNTANTS
YOU CAN TALK
TO...”

ADDRESS:
SUITE 13,
241 BLACKBURN ROAD
MOUNT WAVERLEY, VIC

CORRESPONDENCE:
PO Box 323
MOUNT WAVERLEY VIC 3149

T (03) 9802 2533
F (03) 9802 0590

MAIL@ROGERSONKENNY.COM.AU
WWW.ROGERSONKENNY.COM.AU

For term deposits that exist on 10 September 2011, the \$1million cap will apply until:

- 1 February 2012, for term deposits which mature on or before this date;
- The maturity date, for term deposits which mature between 1 February 2012 and 31 December 2012; and
- 31 December 2012, for term deposits which mature on or after this date

Depositors whose deposit balances are less than \$1million, and less than \$250,000 from 1 February 2012 are automatically covered by the Financial Claims Scheme. Depositors with total deposit balances above \$1million at a single institution should contact their ADI for more information on the arrangements the ADI has made regarding the Guarantee of large deposits.