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Australian Government
Guarantee Scheme for Large Deposits and Wholesale Funding

Questions & Answers about the Guarantee on Deposits

1. Why did the Australian Government introduce the Guarantee Scheme for Large Deposits and Wholesale Funding?

On 12 October 2008, the Australian Government announced temporary arrangements to enable the provision of a guarantee for the deposits and wholesale funding of Australian deposit-taking institutions.

In the lead up to this announcement, developments in international wholesale funding markets were restricting the ability of financial institutions both here and overseas to access funding, with potentially serious implications for liquidity and lending activity.

To address these pressures, the Government guarantee arrangements were designed to promote financial system stability in Australia, by supporting confidence and assisting authorised deposit-taking institutions (ADIs) – banks, building societies and credit unions - to continue to access funding at a time of considerable turbulence. They were also designed to ensure that Australian institutions are not placed at a disadvantage compared to their international competitors that could access similar government guarantees on their wholesale funding.

2. What were the arrangements up until 1 February 2012?

Up until 1 February 2012, deposits up to and including $1 million in eligible ADIs – including banks, buildings societies and credit unions – were guaranteed by the Australian Government without charge under the Financial Claims Scheme.

For customers with total deposit balances over $1 million, at a single ADI, a guarantee was available on that portion of their balances over $1 million under the Guarantee Scheme subject to an approval process and other conditions, including the payment of a monthly fee by the ADI on the amounts guaranteed. The $1 million 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 the case of at call deposits) – see the Guarantee Scheme Closure Q&A.

3. What are the new arrangements from 1 February 2012?

A new permanent cap of $250,000 per person per institution on deposits guaranteed under the Financial Claims Scheme took effect from 1 February 2012. This new cap was announced by the Treasurer on 11 September 2011.

A grandfathering provision has been put in place for term deposits that existed on 10 September 2011. For these deposits, the $1 million cap will apply until the earlier of either:

- the maturity date – for term deposits which mature between 1 February 2012 and 31 December 2012; or
- 31 December 2012 – for term deposits which mature on or after this date.

The new $250,000 cap will then apply.

For term deposits opened or rolled over after 10 September 2011, the $250,000 cap applies from the 1 February 2012. If a term deposit rolls over, the rollover date is taken to be the maturity date for the purpose of the FCS.

The Financial Claims Scheme is administered by the Australian Prudential Regulation Authority, so inquiries should be directed to their hotline on 1300 558 849. APRA has also provided a questions and answers summary of the Financial Claims Scheme on their website.

- Financial Claims Scheme Questions and Answers - PDF

The rules for the Guarantee Scheme for Large Deposits and Wholesale Funding have not changed. Only amounts over $1 million are included as guaranteed liabilities. Amounts between $250,000 and $1 million that are no longer guaranteed under the Financial Claims Scheme from 1 February 2012 will not be covered under the Guarantee Scheme.

4. How did the guarantee for large deposits work?

Under the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding, eligible ADIs could apply to the Scheme Administrator to be able to offer guaranteed large deposits. It was up to individual ADIs whether they chose to apply for this approval to offer guaranteed large deposits.

Having received the necessary approval, an eligible ADI could then offer guaranteed deposits to its customers whose total deposit balances exceeded $1 million. Customers were under no obligation to have the guarantee apply to that portion of their total deposit balances over $1 million, should the ADI holding their account offer a guarantee.

The ADI is obliged to pay the Scheme Administrator a fee based on the value of deposits it has covered by the guarantee. The fee only applies to the amount of each customer's total deposits above $1 million that is guaranteed.

5. What deposits and institutions were covered?

Only deposit products provided by ADIs supervised by APRA were eligible to be covered. A listing of eligible institutions is at Schedule 1 of the Scheme Rules. Separate arrangements applied for deposits with foreign bank branches – see Foreign Bank Branches.

Deposit products included all conventional deposits, including on-line savings accounts, call accounts and term deposits. For a non-exhaustive list of sample accounts – see Sample Accounts. ADIs had to apply to have specific deposit products covered under the Guarantee Scheme.

Further information on the coverage of the guarantee is in the Scheme Rules.

6. What is the level of the fee?

The same fee schedule currently applies to an ADI's large deposits as to its wholesale funding.

The fee depends on the credit rating of the ADI, with higher rated institutions paying a lower fee to access the Government guarantee.

The same fee applies regardless of the term of the deposit.

Credit Rating	Fee per annum
AAA to AA-	70 basis points (0.7 per cent)
A+ to A-	100 basis points (1.0 per cent)
BBB+ and below and Unrated	150 basis points (1.5 per cent)

7. Who pays the fee?

The fee is payable by the ADI, based on the value of deposits that are subject to the guarantee. It is only payable on that portion of a customer's total deposit balance over $1 million that is subject to the guarantee.

While it is up to each ADI to determine the arrangements it makes with its customers, including whether and to what extent it passes the fee on to customers, it is expected that where an institution offers both guaranteed and non-guaranteed deposits, the difference in interest paid to the customer will reflect the guarantee fee it must pay.

8. What is the timing of the fee?

The fee applies from 28 November 2008 and is paid by the ADI monthly in arrears.

9. Who should depositors contact for more information?

Depositors whose deposit balances are $250,000 or less or with grandfathering arrangements for term deposits as set out at (3) are automatically covered by the Financial Claims Scheme.

Depositors with total deposit balances above $1 million at a single institution should contact their ADI for more information on the arrangements the ADI has made regarding the Guarantee of large deposits. The arrangements for depositors after 31 March 2010 are set out at the Guarantee Scheme Closure Q&A.

- About the Scheme
- Deed of Guarantee
- Scheme Rules
- Guaranteed Liabilities
- Application Documentation
- Reporting Documentation
- About Australia