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Financial Claims Scheme

The purpose of the [Financial Claims Scheme](#) (FCS) is to protect depositors of authorised deposit-taking institutions (banks, building societies and credit unions) and policyholders of general insurance companies from potential loss due to the failure of these institutions. APRA is responsible for the administration of the Financial Claims Scheme.

The CFR played a key role in advising the Government on the development of the FCS, both at the time of its establishment in 2008 and in a subsequent review of the Scheme's structure in 2010. The CFR's advice informed the Government's revised arrangements for the FCS, which were finalised in September 2011 following a public consultation process.

Under the FCS, depositors in locally incorporated ADIs have their deposits guaranteed by the Australian Government up to \$250,000 per account-holder per ADI. The FCS protects depositors by providing them with certainty that they will recover their protected deposits quickly in the event that an ADI fails and the Scheme is activated.

For general insurers, the FCS provides compensation to eligible policyholders with valid claims against a failed general insurer. Insurance policies held by medium and large businesses will not be covered by the Scheme unless the claim is under \$5,000, in which case all policyholders with valid claims are covered.

If the FCS is activated by the Government, it would be administered by APRA, with the necessary payments being funded initially by the Government. When the FCS was introduced, the Government committed to reviewing a number of the Scheme's settings by October 2011. To support this review, the CFR undertook an assessment of whether the current structure of the FCS was suitable for the post-crisis environment and provided advice to the Government, which was the basis for certain changes to the FCS that were implemented in February 2012. More information on the FCS is available on the [APRA website](#).

A seal denoting the Australian Government's guarantee of deposits has been developed. ADIs can choose to display this seal to help customers easily understand that their deposits are protected under the FCS. Absence of the seal does not necessarily mean an ADI's deposits are not protected under the FCS. To view the seal and to find out more about it, visit [ASIC's MoneySmart website](#).

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