



Financial Claims Scheme for banks, building societies and credit unions

Key features of the Scheme

In the unlikely event that a bank, building society or credit union becomes insolvent, the Australian Government may activate the Financial Claims Scheme, which enables quick access to deposits that are protected under the Scheme. The Scheme is also referred to as the Australian Government guarantee on deposits.

Under the Scheme, certain deposits are protected up to a limit of \$250,000 for each account-holder at any bank, building society or credit union that is authorised by the Australian Prudential Regulation Authority (APRA). These institutions are known as authorised deposit-taking institutions (ADIs).

The Australian Parliament passed laws in 2008 to establish the Financial Claims Scheme and, if activated by the Australian Government, the Scheme would be administered by APRA. APRA would aim to pay the majority of account-holders their protected deposits under the Scheme in seven calendar days.

The Scheme can only be activated by the Australian Government and it would only be done so when a bank, building society or credit union is insolvent and a decision had been made to wind it up.

The Scheme applies only to deposit accounts denominated in Australian dollars.

The Scheme covers those ADIs incorporated in Australia that are:



A list of the above authorised institutions can be found on APRA's website at: www.apra.gov.au/adi/Pages/adilist.aspx.

The Scheme does NOT apply to:

- branches of foreign banks in Australia;
- foreign branches of Australian ADIs;
- Specialist Credit Card Institutions and Providers of Purchased Payment Facilities; and
- finance companies and other institutions that are not authorised by APRA.

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Types of deposit accounts that are protected

The Scheme applies to a wide range of deposits accounts held with banks, building societies and credit unions, including the following:

- savings accounts;
- call accounts;
- term deposits;
- current accounts;
- cheque accounts;
- debit card accounts;
- transactions accounts;
- personal basic accounts;
- cash management accounts;
- farm management deposits;
- pensioner deeming accounts;
- mortgage offset accounts, either 100 per cent or partial offset, that are separate deposit accounts;
- trustee accounts;
- retirement savings accounts; and
- first home saver accounts.

Types of accounts that are not protected

The Scheme does not apply to the following accounts:

- accounts kept at a foreign branches of Australian banks, building societies and credit unions;
- credit balances on credit card facilities or other loans;
- pre-paid card facilities or similar products;
- purchased payment facilities;
- accounts with a Specialist Credit Card Institution; and
- nostro accounts and vostro accounts of foreign corporations that carry on banking business or otherwise provide financial services in a foreign country.

Treatment of multiple accounts

The Financial Claims Scheme is applied on an aggregated basis across all eligible deposit accounts held by an account-holder with the same authorised bank, building society or credit union.

For example, if an account-holder has three deposit accounts with the same authorised bank each containing \$100,000, they will have a total amount of \$300,000. However, the Scheme protects the total amount of deposits up to \$250,000 per account-holder per authorised bank, building society or credit union. Therefore, in this example there will be a remaining \$50,000 that is not protected under the Scheme, and this will need to be claimed through the subsequent liquidation process. Note that any account-holder with balances above the Scheme's limit will receive priority over the majority of creditors in the liquidation claims process.

Treatment of deposits at ADIs with multiple brands

Some ADIs operate a number of different brands and offer deposit accounts under more than one brand name. Note that the Financial Claims Scheme covers deposits per bank, building society or credit union that is authorised by APRA, not per brand name. So if you have multiple deposit accounts with brands that are owned by the same ADI, the Scheme will only apply to \$250,000 of these funds in total (that is, per account-holder, per authorised institution).

For example, if an account-holder has two deposit accounts each worth \$200,000 and they are with different banking brands of the same ADI, the total amount of \$400,000 will not be fully covered under the Scheme. Rather, the limit of \$250,000 will be covered, and the remaining \$150,000 will need to be claimed through the liquidation process. Note that any account-holders with balances above the Scheme's limit will receive priority over the majority of creditors in the liquidation claims process.

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Treatment of joint accounts

In the case of joint accounts, where individual account-holders can be identified, each account-holder's equal share of the joint account will be added to other protected deposits held in their name, and the Scheme limit will be applied to the aggregated amount for each account-holder. Each account-holder is entitled to an individual guarantee up to the Scheme limit of \$250,000.

Definition of 'account-holder'

The Scheme applies to an 'account-holder' of a bank, building society or credit union that is incorporated in Australia and authorised by APRA. An account-holder covered under the Scheme is defined in the Income Tax Assessment Act as the following:

- an individual;
- a body corporate;
- a body politic;
- a partnership;
- any other unincorporated association or body of persons;
- a trust;
- a superannuation fund (including a self-managed superannuation fund); and
- an approved deposit fund.

Who provides the money to make payments under the Scheme

The Australian Government initially provides funds to make payments under the Scheme. Money paid under the Scheme is subsequently recovered in the liquidation process and there is also provision to make up any subsequent shortfall by imposing a levy on the banking sector.

How payments will be made under the Scheme

As administrator of the Scheme, APRA is responsible for determining the amounts payable to each eligible account-holder, and arranging for payments to be made. The means of payment will be determined according to the circumstances of the affected institution and/or the particular deposit account. Options include, but are not limited to:

- payment by cheque; or
- electronic funds transfer (EFT) into an alternative account.

When payments will be made available

APRA aims to make payments under the Scheme as quickly as possible. For most deposit accounts – particularly transaction and at-call accounts – it is intended account-holders will receive or be able to access their protected funds within seven calendar days of the Scheme being activated by the Government. Some other accounts may take longer.

Financial Claims Scheme seal

Banks, building societies and credit unions may display this seal (right) on information relating to particular deposit accounts, to show that these accounts are covered by the Financial Claims Scheme (or Australian Government guarantee on deposits). Because ADIs do not have to use or display this seal, account-holders should ask their financial institution whether their accounts are covered under the Scheme.



Further information

For further information on the Financial Claims Scheme call APRAinfo on 1300 55 88 49, or visit the Australian Securities and Investments Commission's (ASIC) [MoneySmart](#) website.