

**13 October 2008**

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## **Australian Government now guarantees deposits**

Wide Bay Australia is pleased to advise on 12<sup>th</sup> October 2008, the Prime Minister has announced that the Australian Government now guarantees all deposits held by our customers up until 12<sup>th</sup> October 2011.

Wide Bay Australia welcomes this move which will provide reassurance to our customers that their deposits are secure.

### **Background:**

At the present time, global financial markets are experiencing some of the most challenging conditions ever witnessed.

In recent days, as global financial conditions have deteriorated markedly, governments around the world have taken unprecedented steps to guarantee the liabilities of their financial systems.

The Australian financial system is demonstrating its resilience to the international financial market turbulence. Australia's banking institutions remain sound, well-capitalised and profitable with high asset quality.

### **Guarantee on deposits**

However, in response to these developments the Australian Government will now guarantee all deposits of Australian banks, building societies (such as Wide Bay Australia) and credit unions and Australian subsidiaries of foreign-owned banks.

This guarantee will operate for a period of three years. This is similar to action that has been taken in a number of countries.

The guarantee will be legislated as part of the Financial Claims Scheme (FCS). For the first three years of its operation, there will be no cap. The guarantee will apply immediately, and remain in place for three years. This means from today, there will be no limit on the deposits covered by the Financial Claims Scheme. At the end of the three-year period, the Government will review the cap on the guarantee.

New measures to enhance the powers of the Australian Prudential Regulation Authority (APRA) will be legislated.

### **Deposits covered**

The guarantee applies, from today, to all deposits held in Australian-owned banks, Australian subsidiaries of foreign-owned banks, building societies and credit unions. These institutions are authorised to accept deposits by APRA and are subject to prudential regulation to protect the safety of these deposits.

The guarantee applies to all types of deposits, regardless of the type of account through which the deposit is made. For example, it includes savings accounts, passbook accounts, cheque accounts, pensioner deeming accounts, term deposits, mortgage offset-accounts, farm management accounts, first home savers accounts and retirement savings accounts. Both retail and wholesale deposits are covered by the guarantee.

The guarantee applies to deposits held by all types of legal entities in Australia, including individuals (including joint accounts), partnerships, businesses, trusts and government entities.

The guarantee applies to deposits denominated in any currency.

The guarantee does not apply to deposits held in branches of foreign banks in Australia. These deposits are not subject to the depositor protection provisions of the Banking Act 1959.

For further information, please contact:

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