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Term deposit guarantee clarified

13 September 2011 6:33am

There was some head scratching among depositors and bankers yesterday as they tried to figure out a confusing reference in the Treasurer's statement outlining plans for a permanent Financial Claims Scheme.

The big news was that from February 1 next year permanent deposit protection of A\$250,000 per person, per institution will replace the temporary guarantee covering deposits up to \$1 million that was introduced in 2008.

The part that caused confusion was this section of the Treasurer's press release: "Existing term deposits continue to be covered at the current level until 31 December 2010 or until the deposit matures, whichever occurs sooner."

"This arrangement will apply to term deposits which existed on 10 September 2011. If such a term deposit matures before 1 February 2012 and is rolled over, then the new \$250,000 cap will apply from 1 February 2012. If such a term deposit matures after 1 February 2012 and is rolled over, then the new \$250,000 cap will apply from the rollover date."

What is not covered in this outline is the treatment that will apply to new term deposits taken out between September 11 and February 1.

Andrew Murray, a director of fixed-interest broker Curve Securities, said his advice was that such term deposits would be covered by the \$1 million guarantee until February 1 and would then be covered by the \$250,000 guarantee.

Murray said: "The Treasurer's statement was unclear on that point. We had a few of our large clients calling us about it."

Article By: [John Kavanagh](#)

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