

# Credit unions and mutual building societies

## Fact Sheet on the “Financial Claims Scheme”



### What is the new Government deposit guarantee?

- The Prime Minister announced on 12 October 2008 a new scheme to guarantee all deposits held in credit unions, building societies and banks in Australia.
- The new Scheme ensures that depositors with Australian credit unions, banks, and building societies will be guaranteed repayment of their funds in the extremely unlikely event that any banking institution faces stress.
- There is no cap on the guarantee. However, after 28 November 2008, financial institutions will have to pay a fee to guarantee deposits in excess of \$1 million.
- The scheme is a response to the global economic conditions currently being experienced in global financial markets, and is an extra confidence measure for the already strong Australian banking system.
- The Government guarantee will apply for at least three years.

### How does this affect credit unions and building societies?

- Australian credit unions and mutual building societies are safe and secure. The same measures of protections and laws that apply to the banks also apply in full to credit unions and mutual building societies.
- The new Government deposit guarantee applies in exactly the same way to deposits with credit unions, banks and building societies – all are fully covered by the backing of the Australian Government.
- Savings with a credit union or mutual building society are now backed not only by our strong performance and member-focus, but also by a Government guarantee.

### Strict Australian regulation protects your deposits.

- Credit unions and building societies meet the same strict, legally-enforceable standards as banks, under the Banking Act and strict oversight by the Australian Prudential Regulation Authority (APRA).
- The Australian prudential regulatory regime is designed to ensure that depositors do not lose money. APRA's strict rules on safety and capital continue to apply to all banks, building societies and credit unions to the same high standards.

### Credit unions and mutual building societies – a safe haven

- As mutuals, we are owned by our members. Our focus is on your interests, and we are conservative and careful managers of our members' money.
- Credit unions and mutual building societies have the highest level of capital in the banking system: 16.5% on average for credit unions and 14.5% for building societies, compared to the already high 10.6% of banks.
- We fund more than 80% of our lending from household deposits, and therefore have very little exposure to the uncertain wholesale markets.
- Collectively, credit unions and mutual building societies have combined assets over \$65 billion, and more than four and a half million members nation-wide.
- This demonstrates our scale and strength in the Australian banking system, and our focus on conservative, prudent management of our members' money.