

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates 2014
3 June to 5 June 2014

Department/ Agency: APRA

Question: BET 4

Topic: Deposit Guarantee Scheme Cap

Reference: Hansard page 108, 3 June 2014

Senator: Xenophon

Question:

4. **Senator XENOPHON:** But there is a cap through the deposit guarantee scheme on the amount of taxpayer funds that are at risk in the event of a failure, isn't there?

Dr Laker: Yes, it has a cap of \$250,000.

Senator XENOPHON: Overall, what sum has been allowed in the budget papers? Is there a limit to taxpayer funds that are at risk by virtue of this scheme?

Dr Laker: If I remember correctly, there has been a standing of appropriation of \$20 billion. But I can take that on notice.

Senator XENOPHON: That is all right. Take that on notice. I will move on. Residential investor lending makes up a substantial amount of DSIB's asset base. Is that a fair assumption?

Dr Laker: Residential mortgage lending?

Senator XENOPHON: Yes.

Dr Laker: Yes, it does—the majority.

Answer:

4. Under the Financial Claims Scheme (FCS) for authorised deposit-taking institutions (ADIs) the maximum amount payable is \$250,000 per account-holder per ADI. Payments under the FCS, and associated FCS expenses, are funded through Parliamentary appropriation. The appropriation is for a maximum amount of \$20 billion for payouts to account-holders at any one time and \$100 million for expenses relating to the administration of the FCS. FCS payments and expenses are recovered against the assets of the failed ADI during the liquidation process. If the assets of the ADI are insufficient to meet the amounts paid under the FCS, the Government is statutorily empowered to levy the ADI industry to recover the shortfall.