

MEDIA RELEASE

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Credit unions, building societies to review details of deposit guarantee scheme

Credit unions and mutual building societies have welcomed the move by the Government today to continue its guarantee of credit union, bank and building society retail deposits.

"This is a great sign of the stability of the banking system in Australia which includes all credit unions, banks and building societies" said Ms Louise Petschler, CEO of Abacus - Australian Mutuals.

The Government has announced that in addition to its 3 year guarantee of retail deposits, from 28 November 2008 a fee will be payable by Authorised Deposit-taking Institutions (ADIs) should those institutions wish to extend the Government guarantee to deposits of over \$1 million.

"While this retail deposit threshold covers the vast majority of household deposits in Australia, we think there are some issues with the model," said Ms Petschler.

Credit unions and mutual building societies are concerned at the longer term competitive impacts of the Government's proposed tiered levy based on credit ratings and Abacus will be reviewing the impact of the scheme in consultation with members.

"All regulated banking institutions - Australian banks, building societies and credit unions - meet the same regulatory requirements under APRA. In our view, regulation by APRA offers far better protection than the now frequently criticised international debt rating agencies."

"Those ratings are not relevant for most mutual banking institutions as we do not need to raise debt funding in wholesale markets." said Ms Petschler.

"It's ironic that the safe, mutual part of the banking system, which is not exposed to wholesale market turmoil, looks likely to be charged more than those who are in these markets."

"Of course, our members know they get not only safe and sound banking with us, but also great service and member focus, because we are member-owned."

Abacus - Australian Mutuals, the industry association for credit unions and mutual building societies will continue to engage with the Government to ensure that the scheme is right for their 4.5 million members.

"It is important that Australia gets the balance right between ensuring stability and retaining effective competition in the retail banking market."

Ms Petschler said Abacus would review the full details of the Government's plan over coming days to determine its impact.

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