

Costello to guarantee bank deposits

- Savings protected from collapses
- Banks attack 'regulation overkill'

Mark Davis

Political correspondent

The federal government is planning to introduce a deposit protection scheme to ensure that customers of financial institutions are not left out of pocket after the collapse of a bank, credit union or insurance company.

Treasurer Peter Costello has asked the Reserve Bank of Australia to negotiate with banks and insurers on the design of a scheme that would deliver payouts to retail depositors and insurance policy holders in the event of a major failure of a financial institution.

But the Australian Bankers Association strenuously rejected the proposal, branding it "a prime example of regulation overkill", which it said was at odds with the government's focus on reducing the costs of business regulation.

The proposed scheme would make immediate payouts to customers of troubled financial institutions. This is

POLITICAL MOVES

John Howard has announced a \$10bn plan to raise two new army infantry battallions by increasing the size of the army from 25,000 to nearly 30,000 troops.

— Geoffrey Barker, pages 10 & 11

- ◆ NSW's IR challenge, **page 3**
- ◆ Storm over water report, **page 6**
- ◆ Damning trade poll, **page 14**

designed to avoid the problems created in the HIH Insurance collapse in 2001 and the Pyramid Building Society and State Bank of Victoria cases in the 1990s, when customers faced delays and uncertainties in recovering their money.

Mr Costello told *The Australian Financial Review* yesterday he had made an in-principle decision to introduce a financial claims compensation scheme, as recommended by regulators last year.

Continued page 20