

# Introducing the Depositor Compensation Scheme (DCS)

## What is the Depositor Compensation Scheme?

The Depositor Compensation Scheme (DCS) covers you up to \$100,000 if your deposit taker fails, when your money is held in DCS-protected accounts.

The DCS is a government scheme that is funded by deposit takers and administered by the Reserve Bank of New Zealand – Te Pūtea Matua (RBNZ).

## Why is the DCS important?

If a New Zealand deposit taker fails, the DCS provides depositors with compensation of up to \$100,000.

The DCS gives depositors confidence that their money is protected, adding to the stability of New Zealand's financial system.

Many other parts of the world offer similar protection to depositors.



## What is a 'deposit taker'?

Deposit takers include banks, credit unions, building societies, and finance companies that take retail deposits.

## What is a 'depositor'?

Anyone who holds their money, or has their money held for them, in a DCS-protected account. This includes transaction, savings, notice, and term deposit accounts.

## When does the DCS come into effect?

The DCS comes into effect on 1 July 2025.

### **How do I know if my money is protected?**

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Your money is automatically protected if it is in a DCS-covered account, such as:

- Transaction accounts
- Savings accounts
- Notice accounts
- Term deposits

From 1 July 2025, your deposit taker is required to have a list of DCS-covered deposits on their website. Check with your deposit taker if you are unsure whether your money is protected.

Some depositors are not eligible for the DCS, including government agencies.

Find out more at [dcs.govt.nz](https://dcs.govt.nz)

### **What isn't covered by the DCS?**

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Some money is not protected by the DCS, including money held in:

- Bonds and other tradable products
- Managed investment schemes (including KiwiSaver and other superannuation schemes that are managed investment schemes)
- Foreign currency accounts

Speak with your deposit taker if you're unsure whether your money is protected by the DCS.

### **Do I need to pay for DCS protection?**

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There is no direct cost to you when you hold your money in DCS-protected accounts. The RBNZ will collect a levy from deposit takers to fund the DCS.

### **How do I sign up?**

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You don't need to do anything to be protected by the DCS if your money is held in DCS-protected accounts. Cover automatically comes into place on 1 July 2025.

### **Where can I find more information?**

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Speak with your deposit taker or visit [dcs.govt.nz](https://dcs.govt.nz)

## How much money is protected?

The following scenarios demonstrate how compensation would be calculated in the event of a deposit taker failure.

### Candice (single account)

Candice has \$2,500 in a transaction account with Bank A.

Candice has no other accounts with Bank A or any other deposit takers.

Candice would be compensated \$2,500 if Bank A were to fail.

### Tui (two accounts)

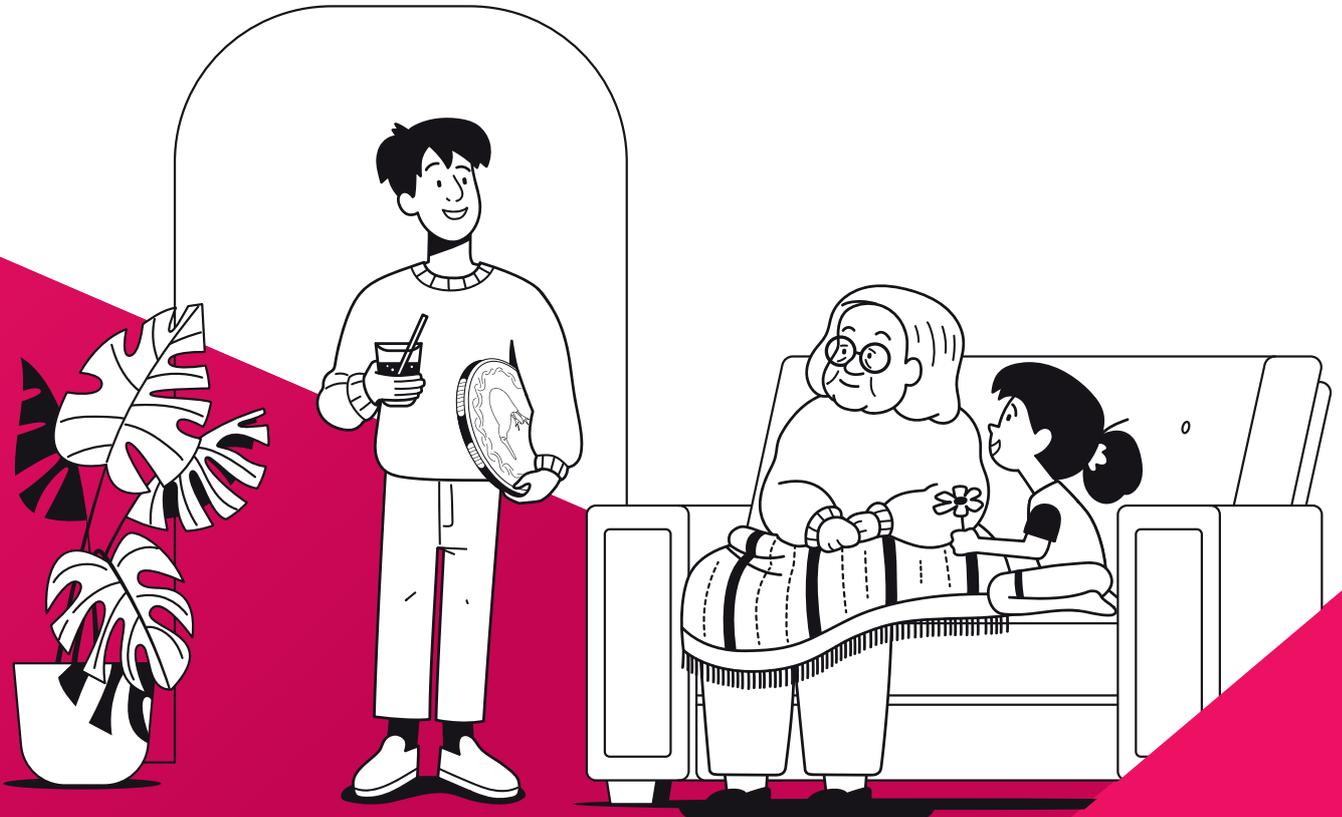
Tui has \$500 in a transaction account with Bank B.

Tui has \$3,000 in a term deposit with Bank B.

Tui would be compensated \$3,500 if Bank B were to fail.

\*Calculation:  $\$500 + \$3,000 = \$3,500$

\*DCS payments may include accrued interest. For simplicity, the calculations provided in these scenarios exclude accrued interest.



### **Rashmi & Aiden** (individual and joint accounts)

Rashmi has \$550 in a transaction account with Building Society B.

Aiden has \$8,000 in a savings account with Building Society B.

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Rashmi & Aiden have \$20,000 in a joint savings account with Building Society B.

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**Rashmi would be compensated \$10,550 if Building Society B were to fail.**

\*Calculation:  $\$550 + (\$20,000/2) = \$10,550$

**Aiden would be compensated \$18,000 if Building Society B were to fail.**

\*Calculation:  $\$8,000 + (\$20,000/2) = \$18,000$

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### **Rawhiri** (sole trader)

Rawhiri is a small business owner (the business is not incorporated as a company) who keeps \$10,000 in a business transaction account at Credit Union C.

Rawhiri also keeps \$5,000 in a personal savings account at Credit Union C.

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**Rawhiri would be compensated \$15,000 if Credit Union C were to fail.**

\*Calculation:  $\$10,000 + \$5,000 = \$15,000$

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