June 2024

# New investment limits for Term Deposits (effective 1 July 2024)

## Why are we applying investment limits for Term Deposits (TDs)?

Investment limits have been requested by our TD providers (NAB, ANZ and Bendigo & Adelaide Bank). Their decisions have been made based on guidance from APRA.

The investment limit only applies to certain entity types.

## Which products are impacted?

The following Investor Directed Portfolio Service (IDPS) is impacted (no limits apply to super products):

- Shadforth Portfolio Service – Investment.

## What's contained in the guidance from APRA and how does it impact TDs available in our products?

APRA released guidance on Prudential Standard APS 210 and Prudential Practice Guide APG 210 dealing with liquidity. This guidance provided further clarity around the liquidity treatment of deposits made by Personal Investment Entities (PIEs). Our TD providers across the industry have reviewed their definitions of PIEs based on this guidance. As a result, where our TD provider classifies an account to be a PIE, restrictions will be placed on how much that account can invest with that TD provider.

If an account is an entity type which is determined to be a PIE (PIE client), then a maximum deposit limit will apply to the account. The limit will be $1,999,999.99 in aggregate. This limit applies to new deposits, as well as those that will roll over on maturity.

The limit is effective from 1 July 2024.

## Which account entity types are considered PIEs?

| Entity type | Is a PIE? | Does the limit apply? |
|---|---|---|
| Individual (including super) | No | No limit |
| Joint accounts | No | No limit |
| SMSFs | No | No limit |
| Companies (including not-for-profits, charities) | Yes | Yes, limit applies |
| Trusts | Yes | Yes, limit applies |

## How is "aggregate" defined?

The investment limit applies to the aggregated amount deposited in multiple TDs. Aggregation ignores both when the deposits were made and the chosen maturity. Aggregation only happens when the deposits are made to a single TD provider. Where a PIE client has multiple accounts, they will not be aggregated. A PIE account that holds an active TD over the specified limit before 1 July 2024 will be able to retain the TD to maturity.

For example:

- If a PIE account already has an active $1m deposit in a 3-month TD with ABC Bank, and plans to invest another $1m deposit in a 6-month TD this week with the same bank, the second order will not be allowed as the aggregate amount here is $2m with ABC Bank.
- If a PIE account already has an active $1m deposit in a 3-month TD with ABC Bank, and plans to invest another $1m deposit in a 6-month TD this week with a different bank, the second order will be allowed as the two deposits won't be aggregated.
- If a PIE account already has an active $1m deposit in a 3-month TD with ABC Bank, and plans to invest another $1m deposit in a 3-month TD this week with the same bank but in a different account, the second order will be allowed as the two deposits won't be aggregated.

## What could happen if I invest in TDs for a PIE account exceeding the $1,999,999.99 investment limit in aggregate?

For PIE accounts, if you invest an aggregate amount of $2 million or more, then the latest TD order may be cancelled without any financial compensation. Please make sure you're considering existing TDs with each TD provider before proceeding with any transactions.

## Example scenarios

### Example 1

Account number
123000

(Deposit already in place)
**ABC Bank**
$1M, 3-month TD

(To be deposited)
**Same bank**
$1M, 6-month TD
✗

### Example 2

Account number
123000

(Deposit already in place)
**ABC Bank**
$1M, 3-month TD

(To be deposited)
**Different bank**
$1M, 6-month TD
✓

### Example 3

Account number
123000

(Deposit already in place)
**ABC Bank**
$1M, 3-month TD

**Different** account number

(To be deposited)
**Same bank**
$1M, 6-month TD
✓

### For more information contact us on 1800 501 204 or visit sfg.com.au





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