



Fiji

Fiji Islands, officially the Republic of the Fiji Islands, is an independent island nation in the southern Pacific Ocean, located approximately 3,100 km northeast of Sydney, Australia, and approximately 5,000 km southwest of Honolulu, Hawaii. Fiji consists of more than 800 islands and islets. The islands cover a total land area of 18,376 sq km. Suva is the country's capital. The population of Fiji (2007 Census) is 837,271, giving the country an overall population density of 46 persons per sq km. The official monetary unit is the Fiji dollar. The average Fiji/US dollar exchange rate stood at 1.8955 per US dollar as of 30 November 2009.

RESERVE BANK OF FIJI

Primary Objective and Responsibility	<p>The functions, powers, and responsibilities of the Bank are specified in the Reserve Bank of Fiji (RBF) Act, 1983.</p> <p>The principal purposes of the Bank as stated in Part II, Section 4 of the Reserve Bank Act are as follows:</p> <ul style="list-style-type: none">• To regulate the issue of currency, and the supply, availability and international exchange of money;• To promote monetary stability;• To promote a sound financial structure; and• To foster credit and exchange conditions conducive to the orderly and balanced economic development of the country.
Policy-Making Body	<p>The Economics Group of the RBF is responsible for formulating monetary policy. It monitors the performance of various key economic variables and assessment of their impact on inflation and foreign reserves are made to the Policy Coordinating Committee (PCC). The proposed monetary policy stance of the PCC is submitted to the Monetary Policy Committee (MPC). Members of the MPC comprise the Governor, Deputy Governor, Senior Advisor and the Chief Managers of the six Groups. Upon agreement of the MPC, the monetary policy stance is taken to the RBF Board. The Board, which determines the appropriate monetary policy, comprises seven directors – the Governor of RBF (Chairperson), Permanent Secretary of the Ministry of Finance and five community representatives.</p>
Frequency of Meeting	<p>RBF Board meetings are held monthly while the MPC meets one week before the RBF Board meeting. The dates of the Board meeting are published on the Reserve Bank of Fiji's website at http://www.rbf.gov.fj</p>
Release of Policy Information	<p>Changes in monetary policy stance are conveyed to the public via press releases. These press releases are also posted on the Bank's website.</p>

MONETARY POLICY IMPLEMENTATION

The Financial Markets Group implements monetary policy. The Group conducts open market operations (OMO) using Reserve Bank of Fiji Notes. Apart from OMO, the Bank also uses the Statutory Reserve Deposit (SRD) and its lending facilities. Credit controls were imposed on commercial banks in December 2006. OMO was suspended in June 2007. In 2009, direct credit controls on lending, weighted average lending rates and interest rate spreads were imposed. Banks are also required to have microfinance facilities in place by 1 January 2010. The Bank is currently reviewing its monetary policy framework with a view to use market based instruments to conduct monetary policy as direct controls have now been removed.

Policy Signals

The policy indicator rate establishes the RBF's operating objective for monetary policy implementation. In this regard, the RBF uses the 91-day RBF Notes rate as a benchmark to signal its policy intentions.

With the suspension of OMO, the Bank re-set all interest rates on its lending facilities based on the latest overnight interbank rate. However, in the review of the monetary policy framework, the Bank is assessing the appropriateness of the RBF Note rate as the policy indicator rate.

Recently, the Bank has also used exchange controls, credit ceiling, statutory reserve deposits, and commercial banks' use of Reserve Bank of Fiji facilities as well.

Policy Instruments

The primary instrument for conducting monetary policy is open market operations (OMO) using RBF Notes. The RBF sells the Notes through a weekly auction.

For the last two years, the quantity of credit has been the main policy instrument. As OMO was suspended. Moving forward, market based instruments and the SRD would be the main monetary policy instruments.

FINANCIAL STABILITY

Authorities Responsible for Financial Stability and Institutional Coverage

The RBF supervises licensed financial institutions and the Fiji National Provident Fund.

The institutional coverage of RBF include the following:

Licensed Financial Institutions:

Commercial Banks (5), Credit Institutions (3), Life Insurers (2), General Insurers, (7), Insurance Brokers (4), Restricted Foreign Exchange Dealers (7), Money Changers (3) and Insurance Agents (342)

Supervised through Amendment to the Insurance Act (2003):

Fiji National Provident Fund

Supervised through Liquidation:

Asset Management Bank, FAI Insurance Limited, Insurance Trust of Fiji

Strategy for Supervision and Monitoring of Financial Stability

The Reserve Bank of Fiji is developing its risk based framework to supervision. It has recently incorporated some form of risk assessments when conducting onsite examinations of licensed financial institutions. The Bank continues to receive technical assistance on conducting risk based supervision and developing a risk based framework. Separate strategies currently exist for the different types of industries supervised. The Governor also has one-on-one meetings with all the licensed institutions and the Fiji National Provident Fund on an annual basis. Onsite examinations are conducted according to a planned schedule and also as and when the need arises. Ongoing liaison continues with the external auditors through trilateral meetings.

The licensed commercial banks and credit institutions are also supervised using the CAMEL approach for offsite monitoring. Prudential returns have been developed under the different components of CAMEL and these are required to be completed by these institutions on specific periodical basis for offsite monitoring.

Since the FSAP in 2006, the Reserve Bank of Fiji has carried out stress testing to supplement its offsite monitoring of the banking system. This has been conducted on a limited basis when the need arises and mainly on credit risk and liquidity risk. The Bank also complies quarterly Financial Soundness Indicators on an industry wide basis.

Life and general insurers including insurance brokers are supervised via on-site monitoring and offsite examination. A combination of a CARAMELS and a preliminary risk-based approach to insurance supervision are employed as part of offsite supervision. A formal risk-based approach to supervision is being developed. Prudential returns for insurance supervision are required on a quarterly basis for offsite monitoring. Onsite examinations are conducted to examine key areas of operations, particularly underwriting, claims, reinsurance and compliance with the Reserve Bank of Fiji's policies and existing legislation.

The Reserve Bank of Fiji undertakes the TRUST framework in its supervision for the Fiji National Provident Fund. Two supervisory guideline have been issued by the Reserve Bank for the FNPF.

Foreign exchange dealers and money changers are licensed annually under the Exchange Control Act and are required to comply with the requirements of the Operational Guidelines issued by the Reserve Bank. Spot Checks are conducted by the Reserve Bank on an annual basis or as and when required. They are also required to submit their balance sheet on a quarterly basis to the Reserve Bank of Fiji.

Plan and Progress for the Implementation of Basel II

The Reserve Bank of Fiji is not setting any immediate timeframe at this stage for the adoption of Basel II. Any implementation is not envisaged before 2010. The Reserve Bank continues to discuss with the commercial banks, as and when the need arises, their respective plans towards Basel II as prescribed by their home country supervisors.

AML Compliance The Financial Intelligence (FIU) Unit is responsible for the implementation and enforcement of Fiji's Financial Transactions Reporting (FTR) Act and the FTR Regulations. The FIU is currently based at the Reserve Bank of Fiji and the Director of the FIU is directly responsible to the Governors of the Reserve Bank of Fiji in the performance of functional responsibilities of the FIU. The FIU's website: address is <http://www.fjifiu.gov.fj>.

**CURRENT
MONETARY
OFFICIALS**
*(as of 23 December
2009)*

Governor	Mr. Sada Reddy
Deputy Governor	Mr. Barry Whiteside
Senior Advisor	Mr. Inia Naiyaga
Chief Managers	Ms Lorraine Seeto Corporate Planning and Assurance Mr. Jitendra Singh Economics Mr. Ariff Ali Financial Markets Mr. Esala Masitabua Currency and Corporate Services Mr. Filimone Waqabaca Financial System Development and Compliance Ms Vilimaina Dakai Financial Institutions (Acting capacity under further notice)
Director Financial Intelligence Unit	Mr. Razim Buksh
Secretary to the Bank and Advisor Corporate Affairs	Mr. Uday Singh

MINISTRY OF FINANCE

Prime Minister and Minister for Finance and National Planning and Sugar, Public Service, People's Charter for Change, Information, Provincial Development, Indigenous and Multi-Ethnic Affairs Commodore Josaia Voreqe Bainimarama

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