

RESERVE BANK OF FIJI



PRESS RELEASE

Press Release No. : 12/2010

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Date : 16 April 2010

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RBF RELAXES POLICY ON LOCAL BORROWING FOR NON-RESIDENT CONTROLLED COMPANIES AND INDIVIDUALS

The Reserve Bank of Fiji has reviewed its Local Borrowing Policy for Non-Resident Controlled Companies and Non-Resident Individuals. Effective immediately, non-resident controlled companies and individuals will be eligible to borrow up to 100 percent of funding requirements from local financial institutions provided a debt to equity ratio of 3:1 is satisfied.

Governor of the Reserve Bank of Fiji, Mr. Sada Reddy said that the relaxation in the borrowing policy “would greatly encourage investment in the tourism sector as well as assist in the recovery of the building and construction industry.”

Further clarification of these measures can be obtained from the Reserve Bank of Fiji.

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ATTACHMENT 1

Reserve Bank of Fiji

Changes to Local Borrowing Guidelines for Non-Resident Controlled Companies and Non-Resident Individuals

1. Non-Resident Companies

Policy	Previous Policy	New Policy
Borrowing for working capital and capital expenditure	<ol style="list-style-type: none">Non-resident controlled companies are allowed to borrow locally up to a certain percentage of their total borrowings based on their shareholding structure under the debt to equity ratio guideline of 3:1. This applies to all new borrowing.<ul style="list-style-type: none">51% - 70% non-resident ownership - up to 85% local financing71% - 90% non-resident ownership - up to 75% local financing91% - 100% non-resident ownership - up to 60% local financing	<ul style="list-style-type: none">Allow non-resident controlled companies to borrow locally up to any amount, provided the 3:1 total debt to equity ratio is maintained.The total debt will cover local and offshore borrowings;Equity will include paid up capital, shareholders' non-interest bearing loans, retained earnings and subordinated interest bearing loans
	<ol style="list-style-type: none">The policy will not apply to total new borrowing up to \$500,000	<ul style="list-style-type: none">The 3:1 debt to equity ratio will now apply.

2. Non-Resident Individuals

Policy	Previous Policy	New Policy
a. Borrowing to purchase properties in tourism projects	<p>Non-resident controlled companies may now apply for exempted status which would allow non-resident individuals investing in their projects to borrow up to 75% locally under the following conditions:</p> <ul style="list-style-type: none">Project would have been 25% completed when the lending policy was implemented in January 2008;Documentary evidence of completion to be verified by a Chartered Accountant;Only stage of project in progress at that time of policy change will be exempted.	<ul style="list-style-type: none">Remove requirement for companies to apply for exempted status;Allow non-residents to borrow up to the full amount provided the 3:1 ratio is met;Settlement of property purchases to be held onshore.
b. Borrowing to finance construction of residences	<ul style="list-style-type: none">Allow 60% local borrowingDebt to Equity ratio of 3:1 to be met	<ul style="list-style-type: none">Allow 100% financing, provided debt to equity is 3:1;

	<ul style="list-style-type: none"> Equity to include amount invested from offshore in the acquisition of land if fully funded from offshore 	<ul style="list-style-type: none"> Equity to include amount invested from offshore in the acquisition of land
c. Borrowing to finance house maintenance and repairs	<ul style="list-style-type: none"> Local borrowing allowed up to \$100,000 No outflows in the form of imports 	<ul style="list-style-type: none"> Local borrowing up to \$200,000 provided debt to equity is 3:1; Equity to include amount invested from offshore in the acquisition of property.
d. Personal Loans	<ul style="list-style-type: none"> Up to \$100,000 per applicant per annum Funds are to be utilised in Fiji and not to be remitted offshore 	<ul style="list-style-type: none"> No change Funds can be remitted offshore in the case of medical, education and travel
e. Borrowing to finance property acquisition Applies to: <ul style="list-style-type: none"> acquisition of land with no future plans for development acquisition of an existing residence tourism projects that are not in the exempted list 2nd tier purchases for companies in exempted list 	<ul style="list-style-type: none"> 100% financing from offshore 	<ul style="list-style-type: none"> No change 50% financing, provided debt to equity of 3:1 is met n/a n/a

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