

RESERVE BANK OF FIJI



**Opening Address by
Acting Deputy Governor of the Reserve Bank of Fiji
Mr. Inia Naiyaga, at the
Capital Markets & Listing Seminar
Friday 3rd September, 2010 at Tanoa Hotel, Nadi**

Ladies and Gentlemen, Ni sa Bula Vinaka and a very warm welcome to this afternoon's Capital Markets & Listing Seminar. This is the second of a series of seminars that will be organised as part of our efforts to increase activity in the capital markets. The first one was held in Suva on 18 August, 2010.

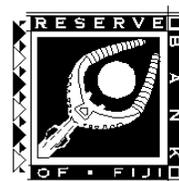
Let me thank you all for accepting the invitation by the Reserve Bank of Fiji (RBF) and the South Pacific Stock Exchange (SPSE) to be part of today's seminar on the topic "*Grow your company, grow the economy: have you considered the capital markets?*" Like most of you and your businesses, we want to see the economy grow. As the economy grows, so does the size of the pie that can be shared by all.

Your businesses are critical players in this growth objective. The economy will be as strong as your active investment and expansion. And the capital markets can help facilitate this.

Before I proceed further, let me say that developments in the capital markets have come a long way but there is still a lot of ground to be covered in order to fully develop this market. Most of you may be aware that on 19 August, 2009, the administration of the Capital Markets Development Authority (CMDA) was transferred to the RBF under the Capital Markets Decree 2009. The Capital Markets Unit has successfully integrated into Team Reserve Bank and has added a different dimension and skills-set to the Bank.

Having said this, I wish to emphasise here that the work on capital markets is nothing new for the RBF since the initial planning, legislative and policy development of the capital markets in Fiji was birthed and housed in the RBF before it was decided to establish a separate institution to carry on the task once it took shape. This led to the establishment of the CMDA.

RESERVE BANK OF FIJI



Ironically, work in this area has now taken a full circle and returned to the RBF again. We can expect some major activities and events for the capital markets in the future. Since being given this added responsibility, the RBF is determined to developing the capital markets further and in partnership with relevant stakeholders such as the SPSE.

Now very briefly, let me discuss with you some recent updates on Fiji's economy.

The global economy is recovering markedly and this should augur well for our exports and tourism industries, which are supporting the domestic economic recovery. On the sectoral performance, aside from the sugar industry, which continues to show low performance, recent data indicate continued strong growth in visitor arrivals and improvements for the gold and fish sectors. There is also some indication of modest increases in consumption activity with consumer spending aided by improvements in the labour market, increased lending and higher inward personal remittances.

Inflation declined further to 5.4 percent in July from 5.5 percent in June and is expected to further decrease to around 5.0 percent by the end of the year. On the external sector, the trade deficit narrowed in the first five months of this year, thus keeping the foreign reserves at adequate levels. Consequently, bank liquidity remains at high levels.

Overall, the domestic economy is showing sign of improvements however, the speed of recovery is slow. Given the need to support economic activity and kickstart the economy, the Reserve Bank decided to maintain the Overnight Policy Rate (OPR) at 3.00 percent during the August Board meeting.

Capital Markets in Fiji

Ladies and Gentlemen, let me brief you on some of the work that we are doing to develop the capital markets to another level. At the outset, I wish to state that a partnership approach will help progress this faster.

As I mentioned earlier, two weeks ago we had a similar seminar in Suva and I am happy to say that it was a great success. The RBF had also organised 2

RESERVE BANK OF FIJI



Microfinance Expos – one in Ba and the recent one last week during the Hibiscus Festival. Financial literacy sessions by financial institutions, SPSE and some players in the capital markets were also carried out during these events. It was encouraging to see the general public at these two venues expressing interest and wanting to know more about the capital markets.

In March this year, the Reserve Bank formed the Capital Markets Development Taskforce. The membership of the Taskforce is mainly from the private sector with Governor Sada Reddy as the Chair. It was the RBF's intention that the private sector involvement in the development of the capital market, similar to the CMDA days, continued hence the formation of the Taskforce.

The Taskforce will assist the RBF in strategising on how to tackle some of the longstanding challenges that have hindered the development of capital markets in Fiji.

"Grow your company, grow the economy: have you considered the Capital Markets?" – What can be done?

Our role is to see that we create the regulatory and business environment in the capital market that is conducive and supportive of private sector development such that they become the engine of growth in the economy. We hope that by having this seminar in the West and inviting some prominent companies listed on the SPSE to share their experiences, businesses in the community will be better informed and encouraged to use the capital market given its associated benefits.

I assure you that the Reserve Bank will do whatever it can to ensure the development of the capital markets, and will play a pivotal role in public education and investor awareness programs to foster confidence in the markets. We will also spearhead initiatives in partnership with other agencies including Government to develop the capital market. Similarly, we will dialogue with fellow regulators and find amicable solutions to areas that are deemed restrictive to the capital markets realising its full potential.

Our commitment to creating an enabling environment for businesses in the capital markets is evident in the reduced corporate tax of 20% incentive for

RESERVE BANK OF FIJI



companies that list on SPSE and with minimum 40 percent local equity shareholding.

I wish to mention that following Cabinet approval, reviews are currently underway to amend the Capital Markets and Unit Trust legislations. This we hope will facilitate economic development and improve the governance structures of companies.

Ladies and gentlemen, today we are fortunate that we have with us those that have experienced what it is like to be listed on the SPSE. They will share with us their experiences pre and post listing. It is my sincere hope that this seminar will demystify some of the concerns that surround this industry and that in the process we would see more activities in the SPSE and capital markets going forward.

I urge you all to make best use of this opportunity to hear from them and also network with our licensed intermediaries who can assist and answer questions that you may have relating to capital raising in the capital markets and listing on the stock exchange.

Thank you again for your time and I wish you all a very good evening.
VINAKA.