RESERVE BANK OF FIJI

Economics Group

Working Paper

Financial Sector Development in Fiji Post 2000

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EGWP 2017-01

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2017/01

December 2017

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Reserve Bank of Fiji (RBF)

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The views expressed herein are those of the author and do not necessarily reflect those of the Reserve Bank of Fiji. The author is thankful to Ms. Caroline Waqabaca, Mr. Petaia Tuimanu, Ms. Lanieta Rauqeuqe, Mr. Carl Miller, Mr. Devendra Narain and Ms. Seruwaia Cagilaba for their contributions towards the successful completion of the paper, as well as other colleagues in the Economics Group for their comments on earlier drafts.

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Abstract

This paper traces the evolution of Fiji's financial sector from 2000 to 2015, looking at the performance of various segments of the financial industry and institutional and market development. While the formal banking and some non-banking industries appear to be well developed, more work is needed to strengthening financial inclusion and creating an enabling environment to facilitate increased financial intermediation. As such, developing appropriate policies and carefully sequencing further liberalisation will be vital in the coming years.

1.0 Introduction

Assessing the impact of financial sector development on economic growth, and vice versa, requires the use of credible measures. Standard indicators such as the ratio of broad money to gross domestic product (GDP) or private sector credit to GDP, while useful starting points for measuring financial liquidity and depth, do not necessarily capture the structural and institutional changes that characterise financial sector development. Essentially, financial sector development is not limited to an expansion in monetary aggregates and the liberalisation of interest rates per se, but also relates to strengthening of institutional capacity; enhanced regulation and supervision; increasing financial openness; and competition and diversification of financial and market instruments that make up a country's financial system. In short, an assessment of the market structure, financial products and institutional environment represents analysis that go beyond standard quantitative indicators.

Therefore, focussing on the years 2000 to 2015, this paper provides a description of the evolution of the different industries within Fiji's financial system and the associated regulatory and supervisory developments. Section 2.0 reviews the theoretical literature on key aspects of financial sector development; Section 3.0 includes some broad measures for Fiji's financial system; Section 4.0 provides a detailed description of Fiji's financial sector performance; Section 5.0

describes policy, market and institutional developments and Section 6.0 concludes the paper.

2.0 Literature Review

An extensive review of existing literature reveals that a well-developed financial system is supportive of economic growth in allowing for the mobilisation of savings; identifying and financing of sound business opportunities; monitoring of investments; enabling trading, hedging and diversification of risks; and facilitating the exchange of goods and services (Al-Jarah et al., 2012). In other words, an appropriately developed financial system enhances financial intermediation via a reduction in transaction/enforcement, information and monitoring costs that ultimately facilitates economic activity and growth.

While the notion that financial sector developments is positively linked to levels of income and growth has been empirically proven, the issue of causality remains debatable. In Fiji's case, Waqabaca (2004) established a positive relationship between financial development and economic growth, with causality running predominantly from economic growth to financial development. This is consistent with the finding that as people's incomes rise, their demand for financial services increases and improvements to communication technology has often driven enhanced financial sector efficiency (Creane et al., 2004). Notably, it appears that the positive impact of financial sector deepening is more pronounced and persistent for developing countries than for developed economies (Asian Development Bank, 2003).

Additionally, there is broad agreement that macroeconomic stability is paramount for successful and sustainable financial sector development. Appropriate macroeconomic policies; supportive institutional and legal frameworks that encourage competition, protect debtors/creditors and allow for enforcement of contracts; plus supervisory and prudential regulations are all critical for effective financial sector development. The Global Financial Crisis (GFC) demonstrated that while financial innovation coupled with laxity on the regulatory front yielded financial deepening, these very developments also impaired financial stability. Given such market failures, ensuring effective financial regulation and supervisory practices to protect the interests of depositors, minimise fraud and maximise confidence in the financial sector are important features of sound financial system development.

3.0 Fiji's Financial System – Structure and Size

The Fijian economy maintained a steady pace of growth since 2000 despite external and domestic shocks, chief of which were political instability and natural disasters. Consequently, Fiji's financial sector has expanded in line with economic growth, evident in its increasing contribution to total GDP; from 5.9 percent in 2000 to 11.6 percent in 2010 and slightly[1] lower at 9.6 percent in 2015.

Fiji's financial system comprises the banking, insurance and foreign exchange industries, the Fiji National Provident Fund (FNPF), capital markets and other non-bank financial institutions (NBFIs).[2] The Reserve Bank of Fiji (RBF), the country's central bank, directly supervises and regulates all these players with the exception of some NBFIs - for which the Bank has an active monitoring role - and smaller market participants. Therefore, Fiji's financial system[3] can be divided into regulated and non-regulated financial entities.[4]

In terms of assessing *overall financial sector size*, the paper starts with an initial set of common indicators such as the ratio of broad money (M3) and private sector credit (PSC) to GDP. While absolute dollar values are informative, normalising financial assets to GDP allows for benchmarking of the state of financial development. Indicators listed in

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[1] This is due to changes in the base year from 2008 to 2011 which led to the decline in the relative weight of the sector.

[2] The public NBFIs include state-owned enterprises engaged in financial intermediation but which are not depository corporations, for example the FNPF. However, due to its market share, the FNPF is analysed separately in this paper. The private NBFIs includes privately owned and controlled corporations engaged in financial intermediation but which are not depository corporations, for example life insurers, non-life insurers, unit trusts, finance companies, pawn brokers, insurance brokers, restricted foreign exchange dealers and money changers.

[3] Around 96.0 percent of Fiji's financial system in regulated.

[4] Commercial banks, licensed credit institutions (LCIs), insurance companies and insurance brokers, a superannuation fund and capital market participants are regulated by the RBF. The non-regulated entities includes NBFIs such as the Housing Authority and the Fiji Development Bank (FDB), plus smaller market participants including credit unions, microfinance institutions, finance companies, private money lenders and pawn shops.

Table 1 points to notable overall financial sector growth in Fiji over the 2000 to 2015 period. This is aligned with a period of robust economic growth. As a percent of GDP, broad money and PSC recorded their strongest expansion in 2005, while narrow money (M1) expanded robustly in 2015. Notably, the high M1[5] to M3 ratio indicates that cash/substitutes are still the dominant financial instrument in Fiji.

Table 1: Common Indicators for Financial Sector Development in Fiji

Indicators (F$M)	2000	2005	2010	2015
Broad Money (M3)	1,513.9	2,968.8	4,075.0	7,199.4
Narrow Money (M1)	593.7	1,205.1	1,411.0	4,199.8
Private Sector Credit (PSC)	1,145.9	2,769.4	3,776.5	6,020.2
Nominal GDP	3,584.8	5,040.0	6,024.5	9,210.8
M3 to GDP (%)	42.2	58.9	67.6	78.2
M1 to GDP (%)	16.6	23.9	23.4	45.6
PSC to GDP (%)	32.0	54.9	62.7	65.4
M1 to M3 (%)	39.2	40.6	34.6	58.3

Source: Reserve Bank of Fiji

Over the past decade and a half (2000-2015), Fiji's financial system - as measured by total assets – almost tripled to total $16.4 billion in 2015 from $5.6 billion in 2000 [Figure 1]. In fact, the expansion in Fiji's financial system assets has been much faster than the growth in GDP, on a nominal basis.

[5] There was a reclassification of deposits in October 2013 which resulted in a significant increase in M1 in 2015 (Table 1).

Figure 1a: Gross Assets of Fiji's Financial System

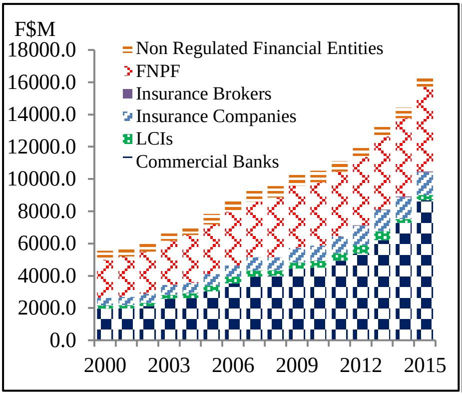
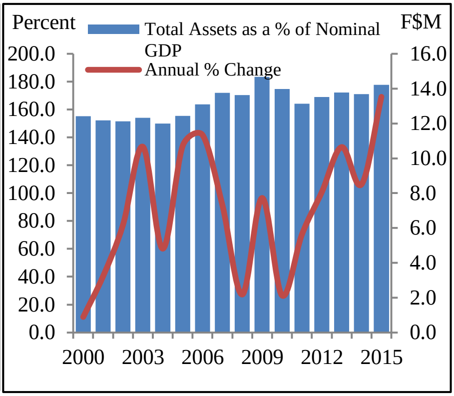


Figure 1b: Gross Assets: As a Percent of GDP



Source: Reserve Bank of Fiji

In order to get an accurate picture of Fiji's financial structure, it is useful to look at the relative composition of Fiji's financial system [Figure 1a, Table 2]. Waqabaca (2004) noted that from the 1970s to 1990s, the growth in commercial bank assets was relatively lower than that for other financial institutions[6] and their combined relative share had surpassed that of commercial banks.

Table 2: Gross Assets Breakdown in Fiji

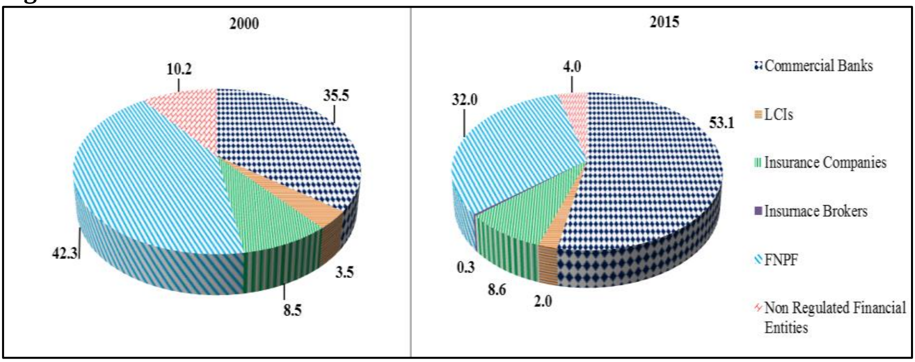
Breakdown of Assets (F$M)	2000	2005	2010	2015
Commercial Banks	1,973.0	3,043.0	4,514.0	8,687.7
LCIs	197.0	362.0	418.0	335.0
Insurance Companies	476.0	711.0	940.0	1,402.5
Insurance Brokers	-	-	-	52.3
FNPF	2,354.0	3,074.0	3,928.0	5,243.8
Non Regulated Financial Entities	568.0	647.0	726.0	654.2
Total Financial System Assets	5,568.0	7,837.0	10,526.0	16,375.5
Total Assets to GDP (%)	155.3	155.5	174.7	177.8

Source: Reserve Bank of Fiji

[6] Included FNPF, LCIs, and other NBFIs.

Since then, it is quite evident that commercial banks have grown to dominate Fiji's financial system, with assets reaching around $8.7 billion in 2015 (53.2 percent of total assets in system and a 35.4 percent increase since 2000). Other market players also showed positive growth in assets post-2000. LCIs' assets expanded by 70.4 percent to $0.3 billion, FNPF's assets grew by 122.8 percent to total $5.2 billion and insurance companies noted a 194.6 percent growth in its assets to $1.4 billion in the same period. All in all, there has been broad-based growth in Fiji's financial system during the review period.

Figure 2: Institutional Shares



Source : Reserve Bank of Fiji

Interestingly, on an institutional level, while there has been *nominal growth in assets for all sub-sectors of Fiji's financial system* over the past 15 years, the significant rise in commercial banks'[7] assets over the same period has resulted in its relatively more dominant place in the

[7] Commercial banks' relatively more dominant position in terms of total asset market share is due to new entrants in the market over the years.

economy when compared to smaller shares for non-bank institutions. In fact, commercial banks accounted for just over half of Fiji's financial system in 2015; quite different to the findings for the period 1970s to 1990s.

4.0 Financial Sector Performance

While commercial banks have strengthened their dominant position up to 2015, there continues to be growth in the non-bank space, especially for LCIs, the FNPF and insurance companies. During the same period, capital market activities including the equity market have gained some momentum. The relative composition analysis in the preceding section was a first-cut attempt at measuring financial system development. The savings/liabilities and financing/assets activities for banks and non-banks provide a useful measure of diversification, given commercial banks' deposits and loans are traditional forms of savings and credit in many economies. This section assesses the *structure, size, and efficiency* of the various sectors in Fiji's financial system.

4.1 The Banking Industry

In terms of structure, Fiji's banking industry comprises six commercial banks, one asset management bank and four licensed credit institutions. The six commercial banks include the Australia and New Zealand Banking (ANZ) Group, Bank of Baroda (BOB), Bank of South Pacific

Limited (BSP), BRED Bank (Fiji) Limited, Home Finance Company Bank (HFC) and the Westpac Banking Corporation (WBC).[8]

Table 3: Commercial Banks' Activities Indicators

Indicators ($FM)	**2000**	**2005**	**2010**	**2015**
Commercial Bank Assets	**1,973.1**	**3,043.0**	**4,514.0**	**8,687.7**
Loans & Advances	1,188.8	1,996.2	2,883.3	5,639.6
Corporates	662.8	1,266.4	1,940.0	3,951.0
Households	363.1	663.8	857.5	1,634.1
Total Liabilities	**1,973.1**	**3,043.0**	**4,514.0**	**8,687.7**
Total Deposits	**1,500.9**	**2,594.2**	**3,514.1**	**6,976.2**
Profitability				
Net Interest Income	94.7	117.0	159.8	234.0
Non-Interest Income	59.2	91.6	130.6	203.6
Net Profit Before Tax	57.2	102.7	125.0	192.7
Liquidity				
Liquid Asset Margin	118.8	197.9	357.6	397.6
Capital Adequacy Ratio (%)	12.7	12.0	19.3	14.9

Source: Reserve Bank of Fiji

Looking at key banking performance indicators, it is evident that Fiji's banking sector registered solid growth from 2000 to 2015. While there were some in-period variations, when loans and advances contracted in 2000 and slowed in 2007 due to political instability (December 2006 Coup), *total commercial banks' assets* grew by double digits in 2005 and 2010 and also noted double digit growth in 2015 as lending to both

[8] Two commercial banks are locally incorporated while four are branches of foreign-owned banks. The National Bank of Fiji Asset Management Bank (NBFAMB), is owned by the Fiji Government, and is focussed on the winding up of the remaining operations of the NBF.

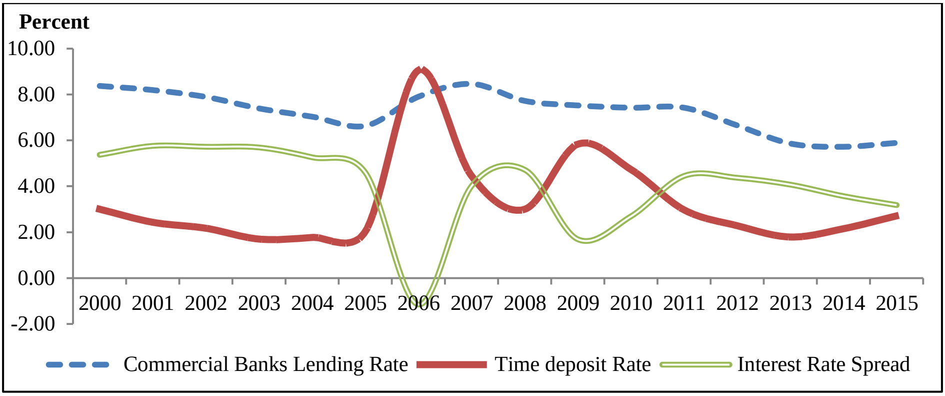
the corporate and household sectors expanded by similar magnitudes. Loans and advances, which on average accounted for 64.6 percent of total bank assets, drove the growth in commercial banks' assets in the review period.

From 2000 to 2015, bank credit grew by 374.4 percent ($4,450.8m) to total $5,639.6 million, underpinned by lending to NBFIs (599.1%), corporates (496.1%), households (350.0%) and Government (74.1%). In particular, retail lending and housing finance featured prominently in 2003 to 2006 and also in 2013 and 2014, consistent with elevated private and business sector confidence during these periods. The consequent rise in demand for consumer durables and housing supported economic growth and diversified, to some extent, commercial banks' asset bases.

Commercial banks' deposits, which account for the lion's share (80.0%) of commercial banks' liabilities, expanded in a similar manner to credit [Table 3].

The *commercial banks' combined interest rate spread* narrowed to 3.18 percent in 2015 from 5.37 percent in 2000 [Figure 3], due to the decline in yield on earning assets relative to the rise in cost of funds over the same period. The narrowing of the interest rate spread over the review period is also indicative of the increased level of competition for funds in the market.

Figure 3: Commercial Banks Interest rate Spread[9]



Source: Reserve Bank of Fiji

The solid balance sheet growth that corresponded with the increasing economic activity over the review period, resulted in stronger *profitability/efficiency* of banks, evident in the strong expansion in both interest and non-interest incomes from 2000 to 2015.

In terms of supervisory developments, the minimum capital requirement for commercial banks is currently 12.0 percent.[10] From 2000 to 2015, commercial banks have maintained capital adequacy ratios of 12.7 percent up to 14.9 percent, indicative of solid liquidity positions. In

[9] The marked narrowing of interest rate spread in 2006 and 2009 was due to the significant increase in time deposit rates in both years. In 2006, constrained banking liquidity levels and political uncertainty towards the end of the year influenced banks to raise their deposit rates. In 2009, the increase in deposit rate was also underpinned by relatively low liquidity levels which led to the devaluation of the Fiji dollar in April the same year.

[10] Regulatory capital is the amount of capital a bank or other financial institutions have to hold as required by its financial regulator. In Fiji, the minimum capital requirement was 8 percent from 2000 to 2009 which was increased to 12 percent from 2010.

terms of Statutory Reserve Requirement (SRD)[11] where banks are required to place 10.0 percent of their total deposits and similar liabilities with the RBF, all banks have consistently complied with these conditions.

Overall, while Fiji's banks are relatively more developed than those in neighbouring Pacific island countries, the range of banking products on offer are still considered 'vanilla' (The Commonwealth Secretariat, 2016).

4.1.1 Licensed Credit Institutions

LCIs offer loans and term/time deposit services only, differing slightly from commercial banks as they are not permitted to accept demand deposits withdrawable by cheque. LCIs in Fiji include the Credit Corporation Fiji Limited (CCFL), Merchant Finance Limited (MFL), BSP Finance (BSPF) and Kontiki Finance Limited (KFL).[12] The four credit institutions have grown in importance over the years through their contribution to credit growth and financial sector development in Fiji.

[11] The SRD is a regulatory requirement for commercial banks to deposit a given percent of its total deposits and total liabilities with the RBF.

[12] One out of the total four LCIs is a locally incorporated subsidiary of a foreign institution; three are locally incorporated subsidiaries of domestic institutions. The LCIs market also had HFC which later became a licensed bank in 2014.

Table 4: LCIs Activity

Indicators (F$M)	2000	2005	2010	2015
Assets	**197.0**	**362.0**	**418.3**	**335.0**
Loans & Advances	156.6	312.7	337.9	262.2
Corporates	89.1	169.7	201.9	198.4
Households	67.5	142.3	135.7	63.4
Total liabilities	**197.0**	**362.0**	**418.3**	**335.0**
Total Deposits	**112.3**	**151.7**	**229.7**	**214.5**
Profitability				
Net Interest Income			28.2	27.7
Non-Interest Income			4.1	2.9
Net Profit Before Tax		11.6	19.7	17.6
Liquidity				
Capital Adequacy Ratio (%)	18.3	23.7	25.1	28.4
Non-Performing Loans	**14.3**		**32.8**	**27.6**

Source: Reserve Bank of Fiji

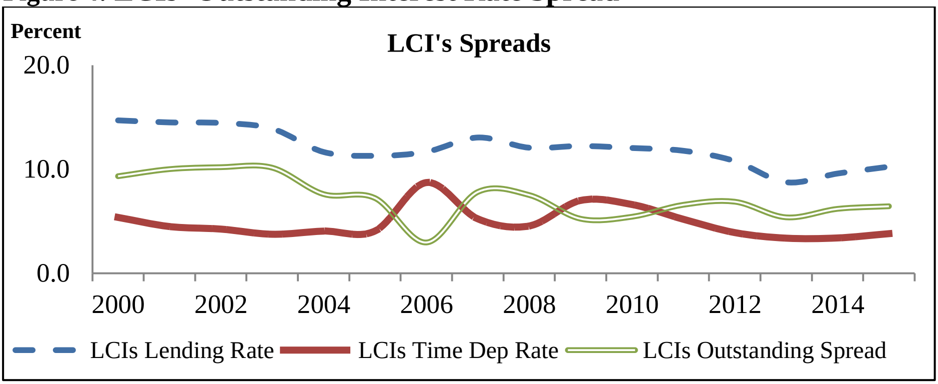
Although LCIs' relative share in total financial sector assets fell from 4.0 percent in 2000 to 2.0 percent in 2015, its gross assets rose in value terms (from $0.2b to $0.3b), especially from 2003 to 2006, underpinned by higher *gross loans and advances* to households, mainly for housing. A decline in lending in 2007 and 2008 underpinned the downturn in assets in these years, attributed partly to political uncertainty and caution by LCIs given the significant increase in classified exposures and past due accounts during this period. From 2010 onwards, LCIs' activity picked up, consistent with credit demand in the growing domestic economy. Thereafter, in-period variations were due to the

2014 exit of HFC which became a licensed commercial bank and the entries of two new LCIs, BSPF and KFL in 2014 and 2015, respectively. In summary, from 2000 to 2015, LCIs' loans and advances registered a growth of 67.4 percent ($105.6m) to total $262.2 million, led by increased lending to corporates.

Looking at *liabilities*, LCIs' deposits, on average, constituted the lion's share (55.0%) of total liabilities during the review period. Total LCIs' deposits grew by 91.0 percent ($102.2m) to $214.5 million from 2000 to 2015, attributed mainly to the expansions in deposits for corporates, households and public enterprises.

During the same period, the *combined LCIs' spread* fell by around 10 percent to 6.44 percent due to ample liquidity and increased competition in the market.

Figure 4: LCIs' Outstanding Interest Rate Spread[13]



Source: Reserve Bank of Fiji

[13] The significant movements in time deposit rates for LCIs' in 2006 and 2009 were consistent with those for commercial banks'.

Efficiency indicators suggested that LCIs remained profitable during the review period.[14] From 2005 to 2015, LCIs' net profit averaged around $13.1 million per annum, affected to some extent by the 2014 exit of HFC and decline in some investments.

In terms of supervision, LCIs are licensed and regulated by the RBF. The minimum capital requirement for LCIs' is 15.0 percent against which Fiji's LCIs' have maintained ratios exceeding the minimum requirement [Table 4]. The RBF also requires LCIs to maintain an unimpaired liquid asset ratio of 10.0 percent of deposits and similar liabilities to ensure that they are adequately liquid.

4.2 Insurance Industry

As per the Insurance Act of 1998, the RBF is responsible for the supervision of Fiji's insurance industry which comprises seven general insurers, two life insurers and four insurance brokers. Among these, life insurance companies (LICs) constitute the bulk (75%)[15] of total insurance industry assets. During the review period, the sturdy growth in domestic economic activity, coupled with the absence of major catastrophes pre-2016 have driven the strong performance recorded by the insurance industry.

[14] Actual profit figures are not available; however the RBF Annual Report states that LCIs' were profitable during the period.
[15] The other 25 percent is made up of General Insurance Companies (GICs).

Table 5: Insurance Activity

Indicators (F$M)	2000	2005	2010	2015
Total Assets	455.0	711.1	936.3	1,438
General Insurance Investments	70.0	135.8	183.8	220.0
Life Insurance Investments	242.8	350.6	503.1	912.8
Net Premium Income	104.0	157.5	176.2	247.0
Net Claims	68.3	76.4	108.6	129.1

Source: Reserve Bank of Fiji

Total assets of the industry grew by 216.0 percent to $1.4 billion in 2015, from $0.5 billion in 2000. Both GICs and LICs investments rose by more than three fold in the review period, led by increased investments in Government securities, commercial bank deposit holdings and to a lesser extent, debentures, shares and investments in land and building.

On *profitability* indicators, the net premium income of the industry over the 15 year review period rose by 137.5 percent ($143.0m) while net claims rose by 89.0 percent ($60.8m). Industry profitability improved over the years as net premium income more-than-offset net claims, attributed to improvements in investment as well as premium income by both LICs and GICs. Operating results improved on the back of declining operating expenses, reflected in the consecutive increases in after-tax revenue surplus for the industry. In particular in 2010, the after-tax revenue surplus of the industry increased by 20.5 percent to $42.9 million, which deteriorated thereafter given an increase in post-natural disaster claims.

4.3 Fiji National Provident Fund

During the early 2000s, the FNPF accounted for the largest share of gross financial system assets, at an average 42.0 percent (2000-2005) compared to the 36.0 percent share for commercial banks. Commercial banks now dominate Fiji's financial system, as a group; however the FNPF is still the largest single entity accounting for 32.0 percent of gross assets in 2015. From 2000 to 2015, the total assets of the Fund grew by around 145.0 percent ($2.9b) to $4.9 billion.

Table 6: FNPF[16] Activity

Indicator[17]	**2005**	**2010**	**2015**
Total Assets (F$B)	3.0	3.5	4.9
Net Surplus (F$M)	398.0	209.5	373.2
Benefits Paid Out (F$M)	216.9	277.5	300.5
Total Investment Income (F$M)	168.6	219.5	302.7
Return on Investment (%)	7.6	6.3	6.6
Interest Rate paid to members (%)	6.3	5.0	6.0
Interest credited to members (F$M)	112.0	121.5	213.2
Members Balance (F$B)	2.2	2.9	4.0
Fund Membership	316,791	282,144	403,316

Source: Reserve Bank of Fiji

From 2005 to 2010, the Fund noted a significant growth in its investment portfolio[18] which translated into increased investment income, totalling $302.7 million in 2015, up from $168.6 million in 2005. Interest payments to members rose from $112.0 million in 2005

[16] FNPF financial year end is June.
[17] Only total assets with no breakdown are available for 2000.
[18] Investments by the Fund are mainly in Fiji Government securities, and the Fund has begun to invest abroad following exchange control relaxations by the RBF over recent years.

to $213.2 million in 2015 while paid out benefits increased by 38.5 percent ($83.6m) to $300.5 million over the same period. Notably, the Fund continued to record net surpluses over the years and in 2015 recorded a net surplus of $373.2 million.

4.4 The Capital Market in Fiji

Fiji's capital market consists of equity and debt markets and the managed funds industry. The equities market comprises the stock exchange, the over-the-counter registry, public capital raising and private placement activities by commercial companies, while the debt market is largely made up of the bond market. The managed funds industry includes unit trusts and the property trusts. This section includes an analysis of measures for the *size*, *activity* and *efficiency* of the primary stock and bond markets.

Table 7: Composition of the Capital Market

(F$M)	2005	2010	2015
Equities[19]	1,021.0	778.0	1,074.0
Managed Funds[20]	162.0	115.0	2,015.0
Bonds[21]	2,510.0	3,212.0	3,087.0

Source: Reserve Bank of Fiji

[19] Based on market capitalisation in listed companies.
[20] Funds under management include UTOF, FHUT etc.
[21] Based on Outstanding Bonds.

4.4.1 Fiji's Stock Market

The size of the stock market (South Pacific Stock Exchange (SPSE) is an important indicator of its ability to channel capital effectively within the economy and enhance long term economic growth prospects. Stock market capitalisation as a percentage of GDP, a measure for *market size*, grew sharply from almost 5.0 percent in 2000 to 20.0 percent in 2005, but since then, has declined and remained below 15.0 percent (Table 8). In addition, the SPSE, listed only three additional companies between 2000-2011 to total 18 listed companies, which then declined to 16 in 2012 with no change since then.

Table 8: Stock Market Size Indicators

Year	Market capitalisation (F$M)	Growth in market capitalisation (%)	No. listed companies	Market cap/GDP (%)
2000	242.6	13.4	10	4.8
2005	1,023.8	16.1	16	20.1
2010	762.1	-15.5	16	12.3
2015	1,074.1	18.4	16	11.7

Source: South Pacfic Stock Exchange

Moreover, within an inactive market, regulatory arbitrage may arise whereby companies have listed primarily to benefit from tax concessions[22]. Thus, there is a need to examine trading activity and liquidity levels in the market as an important indicator for the development of the stock market.

[22] Currently, listed companies pay a lower corporate tax rate of 10.0 percent instead of the normal rate of 20.0 percent.

Table 9: Stock Market Activity and Efficiency Indicators

Year	Value traded/GDP (%)	Turnover ratio (%)
2000	0.2	3.3
2005	0.2	0.8
2010	0.0	0.3
2015	1.0	8.5

Source: South Pacfic Stock Exchange

A decline in the stock market total value traded to GDP ratio, shows a decrease in stock market *activity* from 2005 to 2010 (Table 9). Several factors that could account for this includes a highly concentrated market with only a few listed companies dominating the stock market activity. In addition, shareholders may not be willing to sell their shares on expectations they may have to re-purchase them at a higher price, indicative of a dominant buy-and-hold strategy rather than a speculative one. A lack of awareness and low financial literacy is a possible factor as savers are traditionally accustomed to placing their money in bank deposits for a sufficiently long period of time, which may apply to buying shares in Fiji as well.

The turnover ratio[23] an *efficiency* measure, showed mixed movements in the review period. While a more comprehensive measure which includes all costs associated with trading stocks would be preferable, unavailability of data on costs has limited the analysis.

[23] The total value of shares traded in relation to the size of the market.

4.4.2 Fiji's bond market

Fiji's domestic bond market is a major source of public sector financing, for the Government and statutory bodies. Activity on *Government bonds* are closely linked with the evolution of fiscal policy and recently linked with the increase in infrastructure development. This has seen a rapid growth in outstanding Government bonds over the review period. As a result, the total size of the Government bond (outstanding) market increased from F$1.2 billion at the end of 2000 to F$2.8 billion at the end of 2015. However, as a percentage of GDP, Government domestic bond stock fell to 30.8 percent in 2015 from 32.3 percent in 2000, as Fiji resorted to the international market for its first issue of a US-dollar denominated bond in 2006, which was re-issued in 2015, with a current outstanding value of US$200.0 million.

FNPF plays a dominant role in Fiji's primary bond market as the largest institutional investor, holding F$1.2 billion in Government bonds (53.4% of total investment portfolio) in 2000, which grew to F$2.0 billion (38.0%) in 2015. Commercial banks and insurance companies represent other major investors in the domestic bond market, whose shares in 2000 totalled 7.5 percent and 10.3 percent, respectively. These compare with a lower 4.9 percent in 2015 for commercial banks, partly due to tighter local sovereign exposure limits, and a higher 19.1 percent for insurance companies in the same year.

Fiji's domestic bond market is not as liquid as developed international bond markets, which creates difficulty in constructing a benchmark yield curve given that the maturity profile of bonds is not well distributed and the frequency of auctioning not consistent. As a result, the pricing of bonds in the secondary market is quite subjective and not entirely market driven.

4.4.3 Fiji's Unit Trust Market

The unit trust market consists of the Unit Trust of Fiji, Fijian Holdings Unit Trust and the Fijian Holdings Property Trust. Other managed funds available in Fiji include the Australian BT Investor Choice funds offered by Westpac and the Hunter Hall managed funds offered by Kontiki Stock Brokers. Though funds under management comprise a small share (4.7%) in the overall capital market, their total value has grown remarkably from just over $60.0 million in 2000 to around $205.0 million in 2015. Similarly, the number of unit holders has risen from just below 4,000 in 2000 to around 23,000 in 2015, of which around 65.0 percent are households and 35.0 percent are institutions and other groups. In terms of liquidity, unit holders can only sell their units back at the prevailing market price.

5.0 Policy, Market and Institutional Developments

Financial developments from 2000 to 2015 have included further market reforms, changes in RBF policies and the entry of new institutions, as the market responded to the changing financial landscape in the review period.

- ***Financial System Stability and Financial Inclusion Policies***

As the regulator and supervisor of Fiji's financial system, the RBF continued with efforts to improve its supervisory/regulatory responsibilities and align its policies to international standards while strengthening the institutional and legal frameworks for Fiji's financial system. In this vein, in 2006, the International Monetary Fund (IMF) and the World Bank jointly conducted a *financial sector assessment program* (FSAP) to evaluate the stability and risks within Fiji's financial system and ascertain development areas. Key recommendations of the FSAP included strengthening risk-based supervision; reform of the FNPF; strengthening access to finance, capital market development; and improving the legal framework and transparency within the financial system.

New entrants into the *banking* industry since 2000 included BSP in December 2006, BRED Bank (Fiji) Limited[24] in February 2012 and HFC[25] in November 2014. To ensure the stability of the financial

[24] BRED Bank (Fiji) Limited is part of the French banking group *BCPE*, the second largest banking group in France comprising 36 regional banks.
[25] Initially incorporated on 30 June 1962, HFC was licensed as a credit institution on 04 December 1995 and is a subsidiary of the FNPF. Over the last five decades, HFC has grown into a well-established local financier and has diversified from being solely a financier of homes to offering commercial and consumer loans, asset financing and export financing.

system, the RBF issued *banking supervision policy statements* on liquidity, market risk and operational risk management; disclosure of fees & charges and financial statement disclosure requirements; large credit and foreign exchange exposures; loan classification and provisioning and corporate governance; among others. The Bank also issued a policy on the appointment of heads of *licensed financial institutions and agent banking guidelines*. In March 2015, the RBF granted a credit institution licence to KFL.

The formal supervision of the *Fund* by the Reserve Bank took effect on 01 August 2003 via the Insurance (Amendment) Act. Through technical assistance from the IMF, the RBF developed a supervisory framework for the FNPF in 2004. From 2009 through to 2010, the Fund implemented internal reforms to protect the viability and sustainability of its pension scheme, apart from improvements to risk management, governance and investments. In 2014, the RBF commenced work on the Pension Supervision Act that made clear and explicit the supervisory objectives of the RBF, including provisions for allowing new entrants into the pension fund market and requirements for the appointment of a pension fund board and management. Regular prudential consultations and on-site visits are conducted by the RBF given the Fund's systemic importance to Fiji's financial system.

The RBF continued with its supervision of the *insurance industry* during the review period. Notably, the review of the 1998 Insurance

Act via consultations with various insurance and financial system stakeholders was only completed in 2014. Consequently, effective market disclosure requirements, actuarial assessments, and a risk-based solvency framework were incorporated into the Insurance Act. In addition, work commenced on the extension of insurance coverage to low income earners and informal sector workers as part of 'inclusive insurance' efforts.

As part of ongoing efforts to modernise Fiji's financial system and consistent with the 2006 FSAP recommendations, the RBF launched its real time gross settlement/payment system, FIJICLEAR, in 2007. Additionally, the future implementation of the National Payment System Act should provide the RBF with the administrative powers to regulate and manage the national payment system in Fiji.

Consistent with international standards, Fiji's Financial Intelligence Unit (FIU) continued to implement *anti-money laundering/counter-terrorist financing* (AML/CTF) policies to address the risk of money laundering and financing of terrorism from 2000 to 2015. The FIU was formally set up in 2006 to administer the Financial Transactions Reporting (FTR) Act and FTR Regulations that include measures for adoption by Fiji's financial institutions to help them identify and avoid money laundering and terrorist financing activities. The RBF assesses compliance by financial institutions to the FTR Act as part of its prudential supervision responsibilities, while the FIU ensures compliance by NBFIs, designated non-financial businesses and professions. In terms of reporting transactions, the FIU introduced an Online Information Management System in 2008 to further enhance Fiji's AML/CFT framework. In 2009, Fiji joined the Egmont Group – international group of FIUs to further strengthen information sharing with foreign FIUs.

On *capital markets* development, the administration of the Capital Market Development Authority (CMDA) – established in 1998 to govern, regulate and supervise the capital market – was transferred to the RBF in 2009 as part of the Government's review of financial services and reform of the public sector. In its expanded role, the RBF also supervises the operations of the SPSE apart from issuing licenses to investment advisers, brokers, dealers and unit trusts. During the review period, the Bank has continued to increase public awareness on investments, listing and raising capital via Fiji's capital market. The RBF continues to work with stakeholders on further expanding the capital markets industry in Fiji via the 'Capital Market Development Master Plan 2020' which aims to boost investor awareness, improve the legislative environment for capital markets and raise development initiatives.

In support of the FSAP recommendations on strengthening access to finance and moving the CMDA under the ambit of the RBF, the RBF set up a Financial Systems Development and Compliance Group in

2009 to focus on critical areas including *financial inclusion (microfinance; micro, small medium enterprises (MSME); rural banking, financial literacy),* complaints management and capital markets development. In December 2009, the RBF issued new guidelines for commercial banks to create micro-finance units, establish local advisory boards and complaints management mechanisms to support the MSME sector and to align their operations to both RBF supervisory requirements and national development goals for financial inclusion initiatives. A National Financial Inclusion Taskforce was set up in February 2010 to guide the strategy for financial inclusion. In 2014, the Taskforce reached its target of banking 150,000 'unbanked' adults and has since launched its revised '2016-20 National Financial Inclusion Strategic Plan'. Other notable achievements included the development of mobile money via mobile network operators, mobile and rural banking, and consumer complaints management. The implementation of the Personal Properties Act legislation that is currently being finalised, should strengthen the MSME sector's access to finance. The law will enable individuals/businesses to pledge movable assets for credit, thereby lowering the cost of borrowing. The legislation also facilitates the creation of a centralised registry of records of all security interests on personal properties in Fiji.

The RBF has taken decisive steps to strengthen consumer complaints management. In March 2011, the RBF imposed a requirement for commercial banks to publicly disclose any increases in interest rate spreads beyond the previously regulated limit of 4.0 percent for any given quarter, including the specific reasons, management's stance and justifications for the increase. This was to ensure banks were transparent and accountable for any increases in the interest rate spreads beyond the benchmark. The RBF also worked with banks to remove a number of banking fees [26] and charges in early 2012 that were considered penal in nature, unfair or anticompetitive.

The RBF recognises that regulatory restrictions and weak creditor information may prevent innovation and institutions from reaching out to new clientele. Hence, the establishment of a new credit bureau would be welcomed in this regard.[27]

- ***Monetary Policy***

The RBF continued to focus on achieving its twin monetary policy objectives of maintaining an adequate level of foreign reserves and price stability from 2000 to 2015, and including 2016. Pre-2000, the Bank increasingly moved away from using direct controls on interest rates and the level of commercial bank lending, towards more indirect and market-based measures, including open market operations (OMO) to influence liquidity conditions and ultimately impact interest rates.

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[26] The RBF approves any new or increase in existing fees & charges.

[27] Despite the important role that Data Bureau played in the Fijian financial sector, Government was concerned about the apparent lack of legal and financial supervision frameworks to guide the work of credit reporting institutions and ultimately the distribution and use of credit information in Fiji. To address this concern and protect the privacy of borrowers, the Government enacted the Fair Reporting of Credit Act (FRCA) 2016 which consequently led to the removal of Data Bureau in April 2016.

In May 2010, the Bank introduced a new monetary policy framework. Under the revised framework, the RBF sets its overnight policy rate (OPR, the key policy rate for signalling its monetary policy stance) and as necessary conducted OMO by buying/selling its own 14-day RBF Notes to add or withdraw money in the banking system. This is expected to align the overnight interbank rate (the rate of interest at which the commercial banks borrow amongst themselves) with the OPR. The revised framework also featured an interest rate corridor with the Repurchase/Repo Rate - the rate at which commercial banks can borrow from the RBF - positioned at 50 basis points above the OPR. At 50 basis points below the OPR is the Banks' Demand Deposit Rate, the rate at which banks earn interest on their deposits held with the RBF.

Since November 2011, the RBF has maintained its OPR at 0.5 percent, consistent with its accommodative policy stance of keeping interest rates low to support growth and investment in the economy. Effectively, the RBF has used a combination of both market-based and direct measures in meeting its monetary policy objectives from 2000 to 2016.

In response to the political events of 19 May 2000, the RBF tightened capital controls for a variety of transactions and rescinded delegations to commercial banks to approve certain foreign exchange transactions. The Bank also imposed a credit ceiling requiring all banks to maintain their outstanding loans and advances to the private sector at or below levels prevailing on 19 May 2000. In addition, the RBF raised both its policy indicator target interest rate (PIR) to 5.0 percent and interest rates charged to banks for the use of the RBF's lending facilities (the minimum lending rate (MLR), repurchase rate and discount rates) to 15.0 percent as the Bank moved to protect Fiji's foreign reserves position and curb excessive borrowing. With improved economic and financial conditions in July, the RBF reduced the interest rate that it charges for funds provided to commercial banks and the FDB under the Export Finance Facility (EFF) to 5.0 percent and further reduced this to 3.0 percent in the same year. By September, with the stable outlook for foreign reserves and inflation and to support the needed economic recovery, the RBF lowered the PIR to 4.0 percent and the MLR and repurchase and rediscount rates were reduced to 10.0 percent. Towards the end of 2000, the credit ceiling was removed and the PIR lowered further to 3.0 percent while the MLR, repurchase and rediscount rates were all reduced to 8.0 percent.

In April 2001, with the favourable domestic economic growth prospects and a firm outlook for the RBF's twin monetary policy objectives, there were further reductions in the PIR (to 2.0%), the MLR, repurchase and rediscount rates (to 6.0%) as well as the RBF's EFF rate for lending to commercial banks (to 2.0%). Additionally, the Bank announced the introduction of the Export Credit Ratio, requiring commercial banks to lend a minimum of 5 percent of their average deposits to eligible exporters of goods and services, effective from 1 August. To encourage demand, stimulate spending and support the recovery of the economy, the RBF further eased its monetary policy and reduced the PIR to 1.25 percent and set the MLR 50 basis points above the latest 91-day RBF Note rate in October.

The RBF continued its accommodative stance in 2002 and 2003 to support growth in the economy.

Following three consecutive years of growth after the contraction in 2000, credit was booming and boosted both consumption and import demand. The Bank was motivated to move the economy away from being consumption-driven to exports, and raised its official interest rate from 1.25 percent to 1.75 percent. Consumption, imports and credit, especially for housing, remained buoyant against underperforming exports for most of 2005 and 2006. Consequently, the PIR was raised to 2.25 percent in October 2005, 3.25 percent in February and 4.25 percent in June 2006. In September 2006, the Fiji Government raised its first US dollar denominated bond valued at US$150 million in the international bond market at an interest rate of 6.875 percent.

Immediately following the December 2006 coup, a credit ceiling on commercial banks loans and advances (to be held at or below the levels prevailing on 30 November 2006) was re-introduced together with a tightening of capital controls on various foreign exchange transactions, a departure from the relaxation trend of the previous years.

In 2007, the RBF announced a number of policy measures to help safeguard Fiji's balance of payments given the contracting economy, upward trend in inflation and declining foreign reserves. To support investment and economic activity, the RBF excluded all lending for investment projects, exports and small businesses from the credit ceiling. Foreign owned companies were encouraged to borrow offshore for their capital funding and locally for operational needs only. Furthermore, joint venture companies with locals were allowed to borrow in the domestic market in proportion to local equity. The RBF also reduced the SRD from 7.0 percent to 6.0 percent and suspended OMO.

In 2009, the RBF introduced further measures to revive growth and strengthen economic recovery post GFC and following the floods earlier in the year. In April 2009, the Fiji dollar (FJD) was devalued by 20.0 percent to bring the FJD in line with our major trading partners' currencies, for the benefit of exporters and provide a much needed boost to tourism. In the same month, the RBF established a $20.0 million Flood Rehabilitation Facility (FRF) to obtain concessional credit via commercial banks and the FDB by businesses affected by the floods. The SRD was further reduced to 5.0 percent in April and accompanied tighter exchange controls to supplement existing measures for supporting liquidity levels in Fiji's financial system. The Bank also removed the credit ceiling put in place on banks in December 2006[28]. These measures were introduced to cushion the combined negative effects from domestic factors and the GFC on the Fijian economy.

In April 2010, there were increases to the SRD (7.0% to 8.5% then later to 10.0%) and the minimum capital adequacy requirements for commercial banks (8% to 12%) and LCIs (10% to 15%). This was in line with the RBF's continuous efforts to strengthen the safety, soundness and resilience of the financial system, especially after the GFC. In May, the Bank introduced the import substitution facility (ISF) to assist large scale commercial agricultural businesses obtain credit at concessional rates of interest, supporting domestic agricultural production in efforts to reduce imports. The Reserve Bank further rationalised its EFF and ISF into a single Import Substitution and Export Finance Facility (ISEFF). In light of the subdued domestic economic activity and the favourable outlook for foreign reserves and inflation, the OPR was reduced to 2.50 percent in November 2010.

In 2011, given the weaker outlook on global and domestic growth, the RBF reduced its OPR from 2.50 percent to 2.00 percent in February, 1.50 percent in April and further to 0.50 percent in October. The consecutive reductions in the OPR was to provide further impetus for investment and private sector demand needed to support economic growth.

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[28] As foreign reserves improved to comfortable levels the Bank decided to remove the credit ceiling and assist with the recovery of the economy.

Furthermore, the RBF introduced the Agriculture and Renewable Energy Loans Ratios in February 2012, requiring commercial banks to lend 4.0 percent and 2.0 percent, of their deposits and similar liabilities to the agriculture (including fisheries and forestry) and renewable energy sectors, respectively. Another $40 million was approved for the ISEFF, increasing the total funds available under the Facility to $80 million. Additionally, in an effort to promote and develop local industries, improve private sector lending to small medium enterprises (SME) and stimulate growth, the Fiji Government allocated funds for the establishment of the SME Credit Guarantee Scheme in 2012. Government has provided a total allocation of $4.0 million to fund the Scheme, which is administered by the RBF. In 2012, the RBF approved a banking licence for BRED Bank Fiji Ltd.

In February 2013, the Bank modified its FRF to include businesses affected by natural disasters, including tropical cyclones, and renamed it the Natural Disaster Rehabilitation Facility (NDRF). Funding for the Facility was increased to $40 million from $20 million, with the maximum chargeable interest rate on all new loans reduced from 6.0 percent to 5.0 percent per annum. Later in the year, the Bank approved a reduction in the ISEFF and NDRF RBF advance rates for commercial banks, LCIs, and the FDB to 1.0 percent from 2.0 percent per annum. In November 2013, the RBF approved a banking licence for HFC[29].

Monetary policy remained accommodative from 2014 to 2016, in light of the prolonged period of weak global growth and the adverse weather related shocks that affected the domestic economy. At the same time, the RBF has managed to maintain the performance and outlook for its monetary policy objectives within comfortable ranges.

- ***Financial Data***

The compilation of financial data has also evolved over the years in Fiji, consistent with the various policy, market and institutional developments and in line with international standards and requirements. Data reported on the RBF and the commercial banks have significantly changed from the earlier simplified monetary survey forms to the current Standardised Report Forms (SRF). To align the country's monetary and financial statistics with international standards and to be consistent with the Monetary and Financial Statistics Manual (MFSM), Balance of Payments and International Investment Position Manual Sixth Edition (BPM6) and System of National Accounts (SNA), the IMF introduced a new reporting format in reporting monetary statistics based on the SRF. This was adopted by Fiji in 2012 and significantly

[29] Initially incorporated on 30 June 1962, HFC was licensed as a credit institution on 04 December 1995 and is a subsidiary of the Fiji National Provident Fund. Over the last five decades, HFC has grown into a well-established local financier and has diversified from being solely a financier of homes to offering commercial and consumer loans, asset financing and export financing.

improved coverage in that financial corporations' data currently includes the central bank, other depository corporations[30] as well as other financial corporations[31].

Furthermore, Fiji also adopted the IMF's standards for data dissemination in order to enhance transparency and openness of its economic and financial data. The RBF uploads all financial data on the IMF Integrated Correspondence System as and when data is available for dissemination[32] or upon request from the IMF. Overall, financial data volume, collection, reporting and quality have improved over the years, in line with international standards.

6.0 Conclusion

Successive reforms, policies and ongoing expansion and resilience in the domestic economy, including the recent solid pace of growth, have seen Fiji's financial sector progress further from 2000 to 2015, relative to previous decades. This has been generally evident in the improvements in *size, profitability and efficiency* indicators across various segments of Fiji's financial sector in the review period. While considerable competition exists in the banking industry, amongst commercial banks and LCIs, new entrants could still benefit the sector and improve the enabling environment for increased financial

[30] Includes Commercial banks', LCIs, Housing Authority and FDB

[31] Includes FNPF, Insurance Companies, Insurance Brokers and Unit Trusts.

[32] These include the general data dissemination system (GDDS) which is the statistical system for evaluating needs for data improvements and setting priorities which was replaced by the enhanced GDDS (e-GDDS) in 2015 to help address data gaps identified during the GFC.

intermediation. In that regard, the RBF will continue to support financial inclusion initiatives and reforms to strengthen the enabling environment for improved growth and performance for the financial industry. In particular, the finalisation of legislations relating to the National Switch and personal properties, in addition to establishing a data bureau, would be critical.

Monetary policy will continue to be geared towards supporting price and external stability while helping safeguard financial stability. Exchange control policies have been progressively relaxed through the years. The RBF will continue aligning its financial supervision policies to international practices and standards, and in response to AML and CTF initiatives. The GFC demonstrated that while financial innovation and regulatory leniency are supportive of financial deepening, these also can put financial system stability at risk. Given this and increased global financial integration, carefully calibrating the pace of further financial sector liberalisation in Fiji will become even more critical for the RBF and relevant stakeholders.

Nonetheless, using tried and tested and innovative policies, Fiji will continue to pursue financial system development and financial inclusion initiatives in keeping with the aim of making Fiji a regional financial hub while simultaneously protecting the country’s financial and macroeconomic stability.

7.0: Appendix Chronology of Important Monetary Events Post 2000

Year	Event
2000	As part of ongoing measures to further develop the foreign exchange market domestically, the RBF expanded the scope of foreign exchange contracts on offer by commercial banks to include options to provide importers and exporters with greater flexibility on the exchange rates they wish to transact with commercial banks (18 April)
	The RBF introduced a policy outlining its requirement for the disclosure of financial and other prudential information by licensed financial institutions
	The RBF tightened capital control across a variety of transactions (22 May)
	In addition, the Bank imposed a credit ceiling on banks' loans and advances to private sector which are required to be held at or below levels prevailing on 19 May 2000 (22 May)
	MLR increased to 15 % (22 May)
	Repurchase rate and rediscount rates increased to 15%.
	Policy Indicator target interest rate increased to 5 percent (22 May)
	The RBF announced that the interest rate that it changes for funds provided to commercial banks under the EFF will be reduced from 15 to 5 percent (17 July)
	RBF's policy target interest rate reduced by 1% to 4 % (1 September)
	Repurchase and rediscount rate reduced to 10% from 15 % (1 September)
	MLR reduced to 10 % (1 September)
	Repurchase and rediscount rate reduced to 10% from 15 % (1 September)
	The credit ceiling on bank lending is removed (26 October)

	PIR is reduced to 3% from 4 % (26 October) Rediscount rate and repurchase rate reduced from 10% to 8% (26 October). MLR reduced to 8% from 10 % (26 October) The Export Finance Facility rate for funding to commercial banks was reduced to 3% from 5 % (26 October) The forward foreign exchange facility is partially reinstated (26 October)
2001	The RBF further decided to ease exchange controls effective from 1 January 2001. Policy indicator rate reduced to 2% (30 March) MLR reduced to 6% (30 March) Repurchase rate and the rediscount rate reduced to 6% from 8 % (30 March) Export Finance Facility rate for lending to commercial banks from Reserve Bank reduced to 2% from 3 % (30 March) The Governor of the RBF announced the introduction of the Export Credit Ratio under the provision of Section 44 of the Reserve Bank Act to be effective from 1 August. Policy Indicator Rate (PIR) reduced by 0.75 percentage point to 1.25 percent. MLR to be 50 basis points above the latest 91-day RBF notes rate. RBF announces further relaxation of the exchange control policy to be effective from 1 January 2002. (8 November)

2002	New exchange control relaxation became effective. The Reserve Bank introduced a disclosure guideline outlining its requirements for the disclosure of fees and charges by financial institutions licensed under the Banking Act. (20 September) The RBF in a policy statement guided under section 3(2)(a) of the Insurance Act 1998 highlighted that under Section 17 of the Insurance Act directs that no person may place Fiji Insurance business with an unlicensed Insurer unless prior approval of the Reserve Bank has been obtained. The RBF further relaxed its exchange control policies effective from 1 January 2003. (8 November)
2003	RBF in association with the South Pacific Games 2003 organizing committee launched the 20 cents commemorative coins. The Ministry of Justice, The Reserve Bank of Fiji, The Director of Public Prosecution and the Fiji Police Force signed a MOA to establish an interim Financial Intelligence Unit.(14 July) The Minister for Finance and National Planning in the 2003 Budget announced that the RBF will undertake the prudential supervision of the Fiji National Provident Fund and the Superannuation industry as a whole.(24 September)
2004	The RBF issued a license to Unity Insurance Brokers (Fiji) Ltd to conduct broking business in Fiji effective from 1 January 2004 (3 February) FIU receives financial assistance from the Australian government for the purchase of a state of the art computer system to assist FIU. (8 April) Board of the RBF approved Fiji’s membership in the South East Research and Training Centre (SEACEN) commencing from 1 April 2004. (16 April)

	RBF announced further relaxation of exchange control to be effective from January 2005.
2005	RBF announces the new definition of official foreign reserves. Official foreign Reserves would now include foreign reserves held by other local institutions. The indicator rate was raised by 50 basis points from 1.75 percent to 2.25 percent (late October)
2006	The RBF was delegated with the responsibility to implement the new Financial Transactions Reporting Act (FTR) following a delegation of powers, functions and duties of the Minister for Justice, provided under the FTR Act, to the Governor of the RBF (13 February) RBF raised the official interest rate from 2.25% to 3.25% effective from May 2006 SRD is increased from 5% to 7% (effective 8 May). MLR 3.75% to 4.25% Banks around the country recalls old coins (2 May) The RBF released its first monetary policy booklet (May 25) FNPF declares a 6.50% interest to members (30 June) RBF further raised the official interest rate from 3.25% to 4.25% (30 June) MLR is further increased to 5.25% (30 June) RBF reviewed the lending rates and rediscount facility (11 October)

Following changes were made:

Repurchase Facility Rate: The latest weighted average overnight interbank rate plus 100 basis points

Secured Advances: The latest weighted average overnight interbank rate plus 150 basis points.

Unsecured Advances: The latest weighted average overnight interbank rate plus 500 basis points.

Rediscount facility was extended to include treasury bills.

The RBF tightened exchange controls to be effective from 6 November 2006 (13 November)

The RBF tightened its capital control on various foreign exchange transactions effective from 6 December 2006

Credit ceiling was introduced on commercial banks and advances to the private sector which must be held at or below levels prevailing on 30 November 2006.(6 December)

Interest rates charged to banks that use RBF lending facilities increased effective from 6 December.2006

The RBF issued a banking license to Bank of South Pacific Limited to conduct banking business in Fiji from 18 December 2006.(15 December)

Habib Bank Limited's ceased banking business on 15 December, 2006. (15 December)

Bank of South Pacific Limited acquired Habib Bank Limited's Fiji operation. (15 December)

Fiji government raised US$150 million in the international bond market. The debt of US$150 million will be settled in 2011.Interest rate of 7% will be paid annually.

2007 Policy Indicator Rate (PIR) is maintained at the rate of 4.25 percent.

Fiji's President, His Excellency Ratu Josefa Iloilovatu Uluivuda officially unveiled Fiji's $100 bank note in Suva. (9 March)

Non-resident companies and individuals are encouraged to borrow offshore. (30 March)

New foreign owned companies have been required to fund their capital expenditure from offshore while working capital requirement were allowed to be borrowed from domestic sources (30 March)

Local borrowings by non-resident individuals to purchase properties were withdrawn from January 2008 except to already approved projects.

SRD was reduced from 7 to 6 percent effective 1 May, 2007.

RBF suspended OMO (June)

RBF encourages relaxation to advance payments for imports' review of the earlier policy announced on 6 December 2006, has been decided that only applications for advance payments for imports greater than $15,000 will require RBF approvals.

RBF announces changes to exchange control policy .Foreign owned companies will now be allowed to borrow locally, based on their shareholding structure under the debt to equity ratio guideline of 3:1(4 September)

RBF officially launched Fiji's electronic payment system called FIJICLEAR (16 October)

The RBF announced changes to its Export Finance Facility to enable more exporters to have access to the facility (19 October)

The interest rate charged to banks for back-to-back financing will be aligned to 182 days treasury bills (T-bills) market rate with a cap of 2 percent

Local value added content requirement of 40 percent was removed.

Under the pre-shipment lump sum facility ,the loan eligibility amount was increased from 20 to 50 percent and based on LVAC instead of total exports value.

List of eligible exports were extended to include re-exports.

RBF relaxes exchange control policies (31 October)

Memorandum of Agreement signed between FIRCA and FIU. (28 November)

2008 The Reserve Bank of Fiji relaxes exchange control policy on local borrowing by non-resident controlled companies. (25 April)

RBF announces relaxation to the Forward Foreign Exchange Cover Facility. Commercial banks can now enter into foreign exchange contracts with local importers of rice, wheat, flour, edible oils and milk/milk powder, to hedge against future price increases.(14 May)

Under Fiji's new anti-money laundering law, the Financial Transaction reporting Act, any person who leaves or arrives in Fiji with FJ$10,000 or more in currency or negotiable bearer instruments (or it's equivalent in a foreign currency) is required to declare it to the Fiji Islands Revenue and Customs Authority.(16 May)

FIU signs a Memorandum of Agreement (MOA) with the Fiji Islands Trade and Investment Bureau. (23 June)

RBF relaxes the policy on local borrowing by non-resident individual. (23 June)

FIU signs Memorandum of Agreement with the Ministry of Justice (3 July)

Following government's amendment to the definition of a Fiji resident, the Reserve Bank stated that former Fiji residents

The RBF relaxed policy or repayment of $50,000 and over. Effective from 8 September 2008, importers can make payments up to $1.0million directly through their commercial banks and authorized dealers without prior approval from the Reserve Bank.

The RBF announces a further relaxation in exchange control policies including the increase in delegated limits in certain categories. (29 September)

The RBF ceased issuing the 1 and 2 cents coin to commercial banks on the 13th October 2008.

The RBF Governor, Mr. Savenaca Narube, unveiled Fiji's new coin series (Thursday 11 December) and marked the completion of banks currency review. (11 December)

Ministry of Finance announced the opening of Foreign Currency Accounts Scheme in Fiji for non-residents. The scheme offers tax-exemption on interest earned on term-deposits held with local banks and deposit taking institutions. This scheme is to be effective from 1 January 2009. (30 December)

2009 The Reserve Bank reduced its lending rates to commercial banks.

	Old Rate	New Rate
Overnight Repurchase Facility	6%	3%
Unsecure Advances	16%	13%

The RBF reduced the delegated limits on a few exchange controls (27 March)

The Reserve Bank of Fiji announced the introduction of the Flood Rehabilitation Facility (FRF) following devastating flood early in January 2009(3 April)

SRD ratio is cut back to 5.0% of deposit effective 7 April 2009 (3 April)

The RBF tightened exchange controls in line with one of the core objectives of safeguarding the foreign Reserves. (14 April)

The Fiji dollar was devalued by20%(15 April)

Lending rates of banks will be regulated as follows :(15 April)

The weighted average lending rates of banks and other lending institutions including FNPF will be kept at the level as at 31 December.

Interest rates spread of banks must be reduced to 4% or below by 31 December 2009.

Banks directed to set up specialized micro-finance service centers in all their branches by January 2010.

The RBF announced the setup of a Financial Systems and Compliance office (FSDC Group)

The RBF announced Foreign Exchange Presentation policies. (25 April)

ANZ announced reduction in its interest rates (16 May)

FIU was admitted on the 26th of May as the 116th member of the Egmont Group (27 May)

Westpac reduced its lending rates.

The RBF reviewed its policy on the placement of insurance business offshore effective from 1 July 2009.

RBF reviews the Flood Rehabilitation Facility Guidelines (23 July)

The Prime Minister and Minister for Finance; Commodore Voreqe Bainimarama announced that effective from 13 August,2009 the administration of the Capital Market Authority(CMDA) Act will transfer to the RBF.

New guidelines announced by the FIU on how to identify customers who conduct financial transactions in Fiji

Fiji got a boost from nearly F$165 million allocation made by the International Monetary Fund (IMF). (28 August)

Effective from 1st September 2009, the RBF removed the credit ceiling put in place on banks in December 2006(31 August)

Fiji gets another F$25 million as part of the global Financial Assistance due to the global economic and financial crisis. (9 September.

FIU signs MOA with the Land Transport Authority (LTA). (5 October)

The SRD which banks are required to maintain under Section 40 was increased from 5% to 7% effective 7 December 2009. (6 November)

License of Galaxy International Limited and its offices in Fiji was revoked. (23 November)

Specific Exchange Control Transactions were re-delegated to commercial banks and foreign exchange dealer with increased limits. This is to be effective from 1 January 2010. (27 November)

The lending rate and interest rate spread policies announced on the 15th of April 2009 was removed.

Standard and Poor's Rating for Fiji was revised. (16 December)

The RBF announced new guidelines for commercial banks to be effective from 1 January 2010:

- Minimum guidelines for the establishment of a Local Advisory Board.
- Policy guideline on Complaints Management and;
- Minimum requirements for commercial on Internal Micro-finance Division and Units.

2010	RBF announces the establishment of an interagency committee to guide the work of the export proceeds monitoring unit (15 January)
	RBF announces the establishment of the National Financial Inclusion Taskforce (15 February)
	RBF announces requirements for appointing heads of Licensed Financial Institutions (1 March).
	RBF declares 15 March a bank holiday due to adverse weather conditions (15 March)
	RBF declares 16 March a bank holiday for all of Fiji except the Western Division (16 March)
	RBF introduces concessional loan facility for businesses affected by Cyclone Tomas. Maximum interest charged to eligible customers under this facility was 6.00 percent per annum with minimum term of 6 months and a maximum term of 5 years. Total amount for this facility was $20 million.
	RBF relaxes policy on local borrowing for non-resident controlled companies and individuals provided a debt to equity ratio of 3:1 is satisfied (16 April)
	SRD ratio is increased from 7 percent to 8.5 percent effective from 7 June (29 April)
	Minimum capital adequacy requirement increased from 8 percent to 12 percent for banks and to 15 percent from 10 percent for licensed credit institutions (3 May)
	RBF issued minimum guidelines to licensed insures and FNPF on complaints management (3 May)
	RBF implements the New Monetary Policy Framework (17 May)

	RBF introduces import substitution policy. A total amount of \$20 million was allocated through this scheme at fixed rate of 6.00 percent per annum with a maximum term of 5 years (25 May)
	SRD ratio increase from 8.5 percent to 10 percent effective 4 July (28 May)
	E-Money Fiji Project launched (9 June)
	RBF rationalizes Import Substitution and Export Finance Facility (30 July)
	Public advised of the stolen \$1 million \$20 banknotes (15 September)
	New guideline for licensed insurance companies (14 October)
	RBF relaxes exchange control policies effective from 1 January 2011 (26 November)
	Overnight Policy Rate (OPR) reduced from 3.00 to 2.50 percent (26 November)
2011	OPR reduced from 2.50 percent to 2.00 percent (28 February)
	Banks required to publicly disclose any increase in interest rate spread beyond 4.00 percent for any given quarter. In addition, they are also required to disclose the actual interest rate spread, the reasons, management's stance and justification for the increase (17 March)
	EFTPOS interbank interchange takes shape (26 April)
	OPR reduced by 50 basis points to 1.50 percent (28 April)
	RBF releases new series of \$1 coin into circulation (11 October)
	New policy guidelines for licensed insurance companies to be effective from 1 November (19 October)
	OPR reduced from 1.50 percent to 0.50 percent (28 October)

RBF reforms disclosure requirements for interest rates, fees & charges of licensed banks in Fiji (1 September)

RBF relaxes exchange control policies to be effective from 1 January 2012 (25 November)

2012 Credit Card levy came into effect (1 January)

RBF confirmed the removal of certain bank penalty fees and charges effective from 1 January (1 January)

RBF reintroduces flood rehabilitation facility to assist businesses affected by floods (27 January)

RBF introduces agriculture (4%) and renewable energy loans (2%) ratio. To be effective from 29 February (10 February)

RBF issues new banking licenses to Bred Bank (Fiji) Limited. License to operate was approved by board in October 2011. (17 February)

RBF intervenes on the credit card surcharge issue (30 April)

Capital Foreign Exchange (Fiji) Ltd T/A CAMBIO and Natadola Tourism Holdings T/A Just Exchange ceased operation as a licensed restricted foreign exchange dealer (2 August).

RBF upholds no surcharge rule (13 September)

RBF issues a revised policy guideline on fees and charges of licensed credit institutions and urges banking public to make informed decisions (3 October)

Further relaxation in exchange control was announced in the 2013 National Budget which came into effect from 1 January (22 November)

RBF announces introduction of Flora and Fauna series of notes and coins (29 November)

RBF issued and agent banking guideline to support commercial banks in their delivery of financial services to unbanked communities. (14 December)

RBF increased the Import Substitution and Export Finance Facility Funding allocation from $40 million to $80 million (21 December)

2013 Flood Rehabilitation Facility renamed as Natural Disaster Rehabilitation Facility with funding increasing from $20.0 million to $40.0 million and interest rate reduced to 5.00 percent from 6.00 percent (1 February)

RBF reduces lending rate on its Import Substitution and Export Facility from 6.00 percent to 5.00 percent (1 March)

RBF signs memorandum of Understanding with Reserve Bank of India (5 March)

RBF releases new polymer $5 banknote (28 March)

The RBF reduced the advance rate in lending to the lending institution for the ISEFF and NDRF from 2 percent to 1 percent. This will result in the reduction in the maximum rate charged under these facilities from 6 percent to 5 percent (1 July)

RBF celebrated its 40th anniversary (1 July)

RBF wins the "Maya Declaration Award" at the 2013 Alliance for Financial Inclusion Global Policy Forum (10 September)

RBF launched the Iliesa Delana Commemorative 50 cents coin (18 September)

RBF wins the Best Regional Banknote of the Year Award (9 October)

	RBF withdrew its instructions to the commercial banks regarding the Credit Card “No Surcharge Rule”. (5 November) Further relaxation of exchange control announced in the National Budget which would come into effect from 1 January 2014 (8 November)
	RBF approves new banking license to Home Finance Company Limited after conditional approval was granted in November 2012 (8 November)
2014	RBF revoked Sandalwood Development Limited license to operate as a Foreign Exchange Money Changer (4 February) RBF signs MOU with Fiji Commerce Commission and Fiji Financial Institutions unit (17 April) RBF issues new $2 coin to replace the existing $2 coin (3 November) Further relaxation of exchange control announced in the National Budget which would come into effect from 1 January 2015 (21 November) The 29th South Pacific Governors meeting was held in Suva (2-5 December)
2015	RBF announces support for the amnesty on declaration of offshore assets (24 February) The RBF issues new credit institution license to Kontiki Finance Limited after granting a conditional approval in October 2014 (4 March)

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