



PRESS RELEASE

Press Release No. : 49/2009

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Date : 30 December 2009

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NEW POLICY GUIDELINES FOR COMMERCIAL BANKS

The Reserve Bank announced the issue of three new policy guidelines for licensed commercial banks following its final Board Meeting for the year on 17 December 2009. The new guidelines, disseminated to commercial banks on 22 December 2009, include the following: -

- Minimum Guidelines for the Establishment of a Local Advisory Board;
- Policy Guideline on Complaints Management; and
- Minimum Requirements for Commercial Banks on Internal Microfinance Divisions and Units.

The Reserve Bank issued these guidelines under its powers in the Reserve Bank of Fiji Act Rev. 1985 and the Banking Act 1995.

The Governor of the Reserve Bank, Mr. Sada Reddy indicated that the guidelines become effective from 1 January 2010 and would apply to existing and any new entrant into Fiji's banking industry. He elaborated that each guideline provides for the establishment of an enabling policy governance structure as well as lays down the minimum operational requirements.

Governor Reddy explained that these guidelines are targeted at promoting broad based economic development and greater financial inclusion. This includes extension of financial services to the informal sector of the economy and ensuring that commercial banks undertake development activities suitable to the needs of people in Fiji. He also emphasized that the Complaints Management guideline is aimed at improving the efficiency and effectiveness of resolution of customer complaints and consumerism issues by commercial banks as well as credit institutions.

On the Microfinance guideline, Governor Reddy stressed that commercial banks are required to establish internal microfinance divisions and units in existing branches. He added that towns and cities with more than one branch shall establish a single microfinance unit in any one branch which shall be complemented by a microfinance division established at the particular town or city's main branch.

Governor Reddy added that the Microfinance guideline requires commercial banks to innovatively and effectively extend sustainable banking services to Fiji's marginalized, poor communities and individuals as well as small and micro enterprises, and to empower them to participate in economy building and in the development of their welfare. He explained that the guideline encourages a greater role for commercial banks in promoting financial inclusion.

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The guideline on Local Advisory Board applies specifically to foreign bank operations. Governor Reddy said this guideline aims to assist the banks to better understand and align their strategies to Fiji's regulatory and supervisory environment as well as national development objectives, including those on the provision of financial services to the wider community.

He added that the guideline requires Local Advisory Board members to have sufficient knowledge and understanding of Fiji's business and socio-economic environment and the banking industry, as well as an awareness of the long term growth strategies of the Government. The guideline requires the members to meet Reserve Bank's fit and proper requirements.

In issuing the Complaints Management guideline, Governor Reddy said the aim was to ensure the customer complaints that commercial banks and licensed credit institutions receive are addressed efficiently and effectively. The guideline should provide customers with confidence that their complaints will be given due consideration.

Under the guideline, the Board of commercial banks and licensed credit institutions, or its proxy is required to approve the policy framework for complaints management, clearly defining the responsibilities for senior management and complaints handling staff. Governor Reddy stressed that it is imperative that clear delegation of authority for complaints handling is established and that adequate training is provided to complaints handling staff. All branches must keep a Complaints Register while a Master Register is kept at the head office. The banks and credit institutions are encouraged to undertake public awareness campaigns on their complaints management framework.

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