



ATTACHMENT

RESERVE BANK OF FIJI

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

1. Non- Resident Controlled Companies

Policy	Previous Policy	New Policy
Borrowing for working capital and capital expenditure	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 financing • 71% - 90% non-resident ownership - up to 75% local financing • 91% - 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 sub-ordinated interest bearing loans
	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: Applies to: <ul style="list-style-type: none"> • acquisition of vacant land; • acquisition of constructed unit/villa etc. 	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: <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.

Policy	Previous Policy	New Policy
b) Borrowing to finance construction of residences	<ul style="list-style-type: none"> • Allow 60% local borrowing • Debt to Equity ratio of 3:1 to be met • Equity to include amount invested from offshore in the acquisition of land if fully funded from offshore 	<ul style="list-style-type: none"> • Allow 100% financing, provided debt to equity is 3:1; • 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"> • Up to \$100,000 per applicant per annum (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 vacant 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% local financing of total cost of residence • n/a • n/a

Reserve Bank of Fiji
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