

# **FINANCIAL SECTOR DEVELOPMENT AND REFORM IN FIJI**

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## **Abstract**

Since the early 1980s, Fiji has undergone a gradual process of financial system reform. This paper provides a brief description of Fiji's financial sector and describes chronologically the financial sector reform process.

Today, Fiji's financial system is reasonably well-developed. Progression towards a more developed financial system is inevitable in light of continuing developments domestically and internationally. Within this context, an important challenge is to properly integrate these financial system changes. This underscores the call to pursue an efficient and effective financial sector.

## 1.0 Introduction

Financial sector liberalisation can be defined as a set of reforms and policy measures designed to deregulate and transform the financial system and its structure with a view to achieving a liberalised market-oriented system within an appropriate regulatory framework. The success of financial sector reform throughout the world has seen the introduction of market-based procedures for monetary control, the promotion of competition in the financial sector, and the relaxation of restrictions on capital flows.

Specifically, the move away from a tightly controlled financial sector to a deregulated one results in greater flexibility in interest rates, enhancement of the role of markets in credit and foreign exchange allocation, increased autonomy for commercial banks, greater depth of money, securities, and foreign exchange markets, and a significant increase in cross-border capital flows.

The objective of bringing about these changes to the financial system is to create more efficient and stable systems, which will facilitate better performance in the economy. This means providing a foundation for implementing effective stabilization policies and successfully mobilizing capital and putting it to efficient use, which leads to achieving higher rates of economic growth.<sup>1</sup>

Studies have been done to analyse the extent of financial intermediation in an economy as an important determinant of its real growth rate. Empirical results for a large sample of countries confirm that

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<sup>1</sup> Johnston R. B. and Sundararajan V. "Managing Financial Sector Liberalisation: An overview". p1

financial variables have an important impact on economic growth. Many countries have experienced successful financial sector reforms which have been accompanied by improvements in economic growth and efficiency while other countries have faced financial crisis and disruptions to economic growth.

Starting in the early 1980s, Fiji's financial system began to be deregulated and by the mid-1980s, substantial changes had taken place in the system structure. Consistent with trends in other developing countries, institutions and markets are growing and developing, leading to an increasing role being played by the financial system in the development of Fiji's economy.

This paper provides a description of the financial system in Fiji and an outline of reforms that have been undertaken and some concluding comments. Section 2 of the paper provides a brief description of financial institutions in Fiji. Section 3 gives an account of financial sector reform in Fiji. Section 4 concludes the paper. An appendix provides a chronology of financial sector events.

## **2.0 The Financial System in Fiji**

Fiji's financial system has continued to grow over the years and plays a vital role in the economy by mobilising financial savings and channeling these into productive investments.

Development in the financial sector during the past 1/2 decades has been clearly evident in the growth in total assets of financial institutions. Combined assets of the financial sector in 1982, were \$0.8 billion

compared with over \$5.0 billion in 1998, a tremendous growth of over 500 percent.

The financial system today (excluding the Reserve Bank of Fiji) comprises Licensed Financial Institutions (LFIs) and other Non-Bank Financial Institutions (NBFIs), accounting for 47 percent and 53 percent respectively of total financial sector assets.

LFIs include 7 banks, 3 credit institutions and 14 insurance companies while Other NBFIs comprise the Fiji National Provident Fund (FNPF), the Fiji Development Bank (FDB), Housing Authority (HA), Unit Trust of Fiji (UTOF) and National MBf Finance (Fiji) Limited (MBf).

Activities of banks and insurance companies are regulated under the Banking Act and the Insurance Act respectively. NBFIs authorised to accept deposits from the public are also supervised under the Banking Act – these institutions are termed credit institutions.

Bank activity in Fiji is dominated by two major banks, the Australia and New Zealand Banking Group Limited and the Westpac Banking Corporation, both branches of foreign banks. These 2 banks have been in existence in Fiji throughout the reform period. Two other banks are fairly recent – Habib Bank Limited and Bank of Hawaii began banking business in the country in 1991 and 1993 respectively. Other banks include the Bank of Baroda, which has its headquarters in India, the Asset Management Bank and the Colonial National Bank. The two latter banks were formerly together as the National Bank of Fiji (NBF) prior to its split into 2 separate entities in 1997.

Growth in total gross assets of the banking sector has been tremendous from \$400m in the early 1980s to \$1,841m in 1998. This

continues to be reflected in the profitability levels maintained by banks and their success in containing operating expenses. Recent reductions in bank costs have been attributed to the rationalisation of branch networks, centralising back office functions and the implementation of electronic banking.

Credit institutions have also gained growing importance in the country's financial system with their percentage share in total financial sector assets increasing to 3.2 percent (\$160m) of the total in 1998 from only 2.8 percent in 1995. These licensed institutions also accept deposits from the public but differ from banks in that they are not authorised to accept demand deposits withdrawable by cheque. Credit institutions in this sector include the Merchant Bank of Fiji, which was granted a license to operate in 1992 and is in the business of mostly financing purchases of machinery, equipment and vehicles. Credit Corporation (Fiji) Limited is another licensed credit institution which has almost 70 percent foreign ownership by Credit Corporation (PNG) Limited, specialising in short-term equipment and vehicle finance. Home Finance Company Limited was established in 1961 to provide housing loans to middle and upper income groups and became a credit institution in 1995.

Currently, there are 14 insurance companies and brokers licensed under the provisions of the Insurance Act of 1998, which came into effect on 1 January 1999. Of this total, there are 8 general insurers, 2 life insurers and 4 insurance brokers. Assets of insurance companies have also grown substantially, increasing by over 150 percent from around \$170 million in the mid-1980s to around \$440 million in 1999. The bulk of insurance assets belong to life insurers who accounted for around \$329 million or

around 74 percent of total assets in 1999 while the remainder belonged to general insurers.

NBFIs play a vital role in the mobilisation of financial savings and are important institutional investors. These institutions engage in specialised activities and most are not supervised by the RBF, as they do not accept deposits from the public and hence are not considered to be doing banking business. Growth in gross assets of these institutions, which are governed by their own statutes, has been significant. At the end of 1998, total assets of NBFIs were estimated at around \$2,672m, an increase of 95 percent from around \$1,373m in the early 90s.

Among the NBFIs, the FNPF is the largest institution accounting for 77 percent of total NBFI assets and 41 percent of total financial sector assets. The FNPF was established in 1966, with the objective of providing a universal provident fund for all employees in Fiji. It is financed by means of a percentage levy on income contributed by both employees and employers and so far, it has been the largest domestic source of long-term funds for other financial institutions. Investments by the Fund which are mainly in Fiji Government securities have also extended overseas following various exchange control relaxations by the RBF for NBFI offshore investment.

The FDB commenced operations in 1967 after it absorbed the Agriculture and Industrial Loans Board. Since its start of operations, the FDB has been the principal source of long-term finance for development of agriculture and industry. The FDB provides long-term finance to the private sector and derives its resources from equity capital provided by the government, loans from international organisations and from the sale of

domestic bonds and notes. Currently, total assets of the bank stand at \$400m of which \$353m are in outstanding loans.

The HA was established in 1955 to develop land and build homes for sale and provide financing of these properties to middle and low income earners. Total assets of the Authority are around \$166m accounting for 6 percent of NBF1 assets. In 1990, the Public Rental Board, a non-financial public enterprise, was established to take over the rental operations of the Housing Authority. This left the Authority's functions to the financing and development of houses, land and other projects.

The UTOF was set up by an Act of Parliament in 1976 and launched in April 1978 with the main objective of promoting participation of local investors in particular, individuals in the ownership and earnings of profitable companies in Fiji and abroad. Its total assets are around \$27m.

The National MBf Finance (Fiji) Limited was established in March 1991 as a joint venture merchant bank between the National Bank of Fiji (51%) and the MBf Holdings Berhad of Malaysia (49%). Its principal activities included lease financing, credit card management and the provision of financing management services. Total gross assets of the company are around \$5.3m.

### **3.0 Financial Sector Reform in Fiji<sup>2</sup>**

#### **3.1 Market Development**

Developments in 1981 began to show signs of transition away from regulation with changes made to interest rates. In December of 1981, the

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<sup>2</sup> See Appendix for Calender of Monetary Events.

then Central Monetary Authority (CMA) removed the ceiling on interest rates paid on deposits of \$250,000 and over provided these funds were kept with banks for at least one month. This encouraged greater competition in the market and institutionalising of savings. The change was in line with the economic strategy of the Government's Eighth Development Plan.

The strengthening and deepening of the financial structure was an important focus of the CMA in the years ahead. Major activity centered on the introduction of new instruments and orientation of public debt policy towards a more flexible and market determined regime. The promotion of a competitive financial environment was an important policy goal. Development of the financial system was predicated on the planned development of the economy. With this in mind, a number of innovations were introduced in the financial sector in 1982.

In April, the Fiji Sugar Corporation (FSC) and the Fiji Electricity (FEA) issued their own Promissory Notes (P/Ns). The rates of interest secured under this new mechanism closely reflected the demand and availability of funds in the market place. The floatation of P/Ns was encouraged by the CMA, which felt that the tendering for these issues by the public would increase the competitiveness of the domestic market thus enhancing its efficiency.

The sale of Treasury Bills under a tender system was also introduced in March of 1982, a scheme which worked well, providing a valuable indication of the development in Fiji's money market.

Later in the same year, the FDB successfully issued a series of bonds utilizing the tender system for the first time. These developments not only

led to greater competition and a wider choice for investment in the financial market, but also provided additional market-based instruments.

Towards the mid-1980s, further steps were taken by the authorities to develop and broaden the financial markets. In 1983, the Reserve Bank introduced facilities to provide official backing to the commercial banks for the rediscount of export bills and forward exchange cover in A\$ and NZ\$. In the following year, the Bank extended this facility to cover non-traditional exports to EEC countries under the LOME/ACP arrangements.

From the mid-1980s, the Reserve Bank continued its non-regulatory approach to interest rate management, away from formal controls and administrative price setting policies of the past. The Reserve Bank through its innovations in financial instruments and policies focussed on allocating resources through market forces and increasing competition among the financial institutions.

The move towards a more market-based system of control resulted in the introduction by the Reserve Bank of a new monetary instrument called the ULAR (Unimpaired Liquid Assets Ratio) in 1984, which replaced the former LAR (Liquid Assets Ratio). As with the LAR, the ULAR was set in relation to banks' deposit and similar liabilities, except that it was a legal requirement and substantial penalties would have been imposed for non-compliance. Initially, the ULAR was set at 12 1/2 percent (the same as the former LAR) but was subsequently increased to 15 percent in June 1984 and then 18 percent in September of the same year. The new instrument greatly enhanced the effectiveness of monetary policy as changes in the statutory reserve deposit rates could impact quickly on the lending operations of banks.

In September 1986, the Bank made amendments to the ULAR regulation and incorporated a change, which permitted the banks to include unimpaired securities held at the RBF in the calculation of the ULAR, a change done to allow banks greater flexibility in managing their securities investment portfolio.

During 1986, the Bank introduced changes to its interest rate regulations to encourage greater competition among the banks and to offer depositors short-term surplus funds with an investment avenue in the banking system. Some of these changes included permitting the commercial banks to compound interest rates payable on savings and term deposits. Further to this, permission was also given for payment of interest on deposits for a period of 7 days to less than one month. In line with the fall in interest rates, the Bank announced a drop in interest rates on the Export Finance facility (EFF).

The EFF was introduced by the Reserve Bank in 1983 to assist exporters of “non-traditional” products to obtain credit at concessional rates of interest to help improve international competitiveness and also to ensure the availability of credit to the export sector. There are two types of facilities covered under the EFF. The Pre-Shipment Facility includes a 90-day facility and a lump sum facility. In the case of the 90-day facility, where exports take place on firm export orders, an exporter may borrow to the full amount of the export order subject to the drawdown rules. Under the lump sum facility, the exporter is entitled to borrow up to 20 percent of the total value of his exports. The Post-Shipment Facility allows eligible exporters to discount export bills with banks at concessional rates.

With the reduction in interest rates on the EFF, the Reserve Bank also extended the use of the facility, although on an experimental basis, to exporters of professional services and maritime salvage. In addition, banks were also allowed to self-finance new facilities and pre-pay existing ones. The minimum requirement of \$5,000 per application was removed from the scheme.

In 1986, further reductions to the Statutory Reserve Deposit (SRD) and ULAR requirements were made by the Reserve Bank. The SRD requirement came into effect with the CMA Act in 1973, which required banks to hold with the CMA a SRD equal to 1.5 percent of their trading and savings deposits and similar liabilities. In line with market deregulation, the RBF's re-discount policy was made discretionary from late June of the same year which meant that banks no longer had automatic access to the RBF's rediscount facility. Ceilings on bank lending rates and deposit rates were removed in 1987. This move was to complement other policy measures put in place to alleviate the monetary situation facing the country at that time.

In keeping with developments in other developing countries, the Reserve Bank introduced for the first time in March of 1989 its own "Reserve Bank of Fiji Notes". The purpose of issuing its own short-term debt was to address the excess liquidity situation in the banking system at that time. To date, the Reserve Bank continues with the issue of its own notes in open market-like operations for the purpose of managing liquidity to achieve its monetary policy objectives.

The Reserve Bank also offered a buy-back facility in June 1991, applicable to RBF Notes only, which would enable Note holders to encash

their Notes prior to maturity either for liquidity or for conversion into long-term investments.

In the foreign exchange market, the Forward Foreign Exchange Facility was re-introduced in early 1997 after being withdrawn in 1995. Commercial banks were also allowed to hold net open foreign currency to encourage their usage of the facility. To stimulate competition in the foreign exchange market, the RBF recently extended transactions carried out by Money Changers and Restricted Foreign Exchange Dealers to include trade-related ones in addition to travel-related transactions only.<sup>3</sup>

There has been increased activity in the foreign exchange market with the issue of licenses to new entrants Exchange and Finance Pty (Fiji) Limited, Deak International Limited and Advantage Travel System Limited allowing them to deal in foreign currencies relating to travel transactions only. However, Advantage Travel System Limited is now no longer in operation while Exchange and Finance Pty. Ltd now has wider functions.

During 1997, the Reserve Bank undertook a review of its monetary policy framework. In line with market deregulation, the new framework is focused on interest rates as the policy instrument and the main channel of transmitting monetary policy changes. In particular, open market operations are conducted to change short-term interest rates, not target liquidity. Changes in short-term interest rates affect other interest rates, output and inflation. The previous framework consisted of monetary targeting as the main channel for conducting monetary policy.

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<sup>3</sup> Travel & Trade-related functions: Exchange & Finance Pty Ltd., Lodhias Travel Services Ltd., Sita World Travel, Thomas Cook Travel Financial Services Ltd. Travel-related functions only: Deak Int'l Ltd, South Pacific Travel & Tours Ltd, Oxbow Holdings Ltd.

In line with the changes made to the monetary policy framework, the Reserve Bank made adjustments to facilitate the effectiveness of interest rates in transmitting monetary policy changes. These included (1) adopting the 91 day RBF Note rate as the operational target for the Reserve Bank's open market operations, (2) linking the Reserve Bank's minimum lending rate (MLR) to market interest rates, in particular to the 91 RBF Note rate plus 50 basis points.

In 1998, the SRD and ULAR requirements were further reduced to 5 percent and 10 percent respectively. This was followed by a total removal of ULAR in January 1999 as part of the Reserve Bank's ongoing efforts to liberalise the financial system and encourage market development.

Another development in the near future will be the setting up of an automated clearing system for the banks. This would allow commercial banks to transact amongst themselves and the Reserve Bank electronically, bringing about increased efficiency in the country's payments system.

In the move to liberalise the domestic financial market, the Reserve Bank has been gradually removing restrictions on exchange controls each year. The latest relaxations include streamlining investment procedures by increasing limits under which various capital account transactions can be made. Further delegation of authority has been given to commercial banks, the Suva Stock Exchange and authorised dealers and lenders for approving various transactions. Various documentary requirements have also been reduced. Investment requirements for licensed insurance companies under the Insurance Act 1998 were removed, with a view to allowing insurers the opportunity to earn higher investment earnings, which would lead to a higher national savings rates. This move would allow for further

participation in selected public enterprises that may ultimately contribute towards employment creation. It is envisaged that these changes should assist investors and contribute to the further deepening of Fiji's financial system.

### **3.2 Institutional Developments**

A major development in Fiji's financial structure in 1984 was the transformation of the then CMA into the Reserve Bank of Fiji (RBF), a change which widened the scope of the Bank's functions and gave it greater powers. Since then, there has not been much change in the structure which basically comprises the Reserve Bank, the FNPF which is the largest market player and other players including the banks and other credit and insurance institutions. Over the years however, a few new institutions have entered the market.

Measures to strengthen competition in the banking system continued to be an important focus of the Reserve Bank. In 1984, a new and only local commercial bank the National Bank of Fiji (NBF), began operations but faced financial difficulties in the early to mid 90s. This ultimately resulted in the recapitalisation of the Bank. The NBF was restructured into 2 separate entities: (1) the Asset Management Bank responsible for the winding down operation for the commercial and non-performing loans and (2) the National Bank (NB) to operate as a personal bank. In 1998, Colonial Limited acquired 51% of the bank's total shareholding to become the major shareholder in the company. The NB is now called the Colonial National Bank and has the most number of branches and agencies throughout the country.

The banking system further expanded with the opening of two branches of overseas banks. Habib Bank Limited, a branch of a Pakistani Bank opened a branch in Suva in 1991. Two years later, a Bank of Hawaii (BOH) opened business in Suva. The BOH has since opened other branches in Nadi and Lautoka and operates ATMs in most urban centers. The 2 major banks, Westpac and ANZ, together account for around 70 percent of total bank lending.

Developments in the non-bank financial sector have also seen new institutions enter the market. In the early 90s, the National MBf Finance (Fiji) Limited was set up as a joint venture between the then NBF and a Malaysian Borneo Finance (MBf) Holdings Berhad (BHD). Licenses were issued to the Merchant Bank of Fiji Limited, Pacific Finance Limited and Credit Corporation (Fiji) Limited to operate as credit institutions. In the Insurance sector, the RBF granted FAI Insurance (Fiji) Limited and Heath (Fiji) Limited licenses to operate general insurance business and broking business respectively. At the same time, the RBF granted a credit license to Home Finance Limited.

In a move to restructure its only development bank, the government facilitated an Asian Development Bank (ADB) review of the FDB in 1983, which resulted in a reorganisation of the institution into management groups. An equity investment unit was created to seek sound investment opportunities and supervise FDB's investments in private companies. Another was the introduction of a special loan scheme for joint ventures between Fijians and non-Fijians aimed at enhancing Fijian participation in commerce and industry.

In its Year 2000 Budget Statement, the government announced its commitment to pursue the development of the FDB, which plays a vital role in facilitating the needs of small and new entrepreneurs. The ADB has agreed to undertake a review of the objectives of the organisation and make suggestions to the government on ways to make it effective. At the same time, the review is to provide the government with advise on the appropriateness of having separate facilities for agricultural lending.

A key policy development during 1993 was the introduction of the RBF's approach to the internationally endorsed Basle Supervisors Committee's capital adequacy standards and agreement on voluntary compliance by banks. On 1 July 1996, the Bank implemented two policies: a risk-based capital adequacy policy and a guideline for loan classification and provisioning for impaired assets.

Joint work by the RBF and the ADB on developing Fiji's Capital Markets resulted in the passing of the Capital Market Development Authority Act in August of 1996, which provided the regulatory framework for the capital market and guidelines for future developments. The restructuring of the Suva Stock Exchange was a key focus in the development of the capital markets. The Exchange was recapitalised to effect a wider ownership structure to include private sector participation. Changes were made to listing rules – the rules were simplified without sacrificing integrity to encourage new listings on the Exchange. On 1 July 1996, the Suva Stock Exchange (SSE) commenced its Call Market Trading. These weekly sessions involve the auctioning of short and long term debt instruments as well as equity shares of companies listed on the Exchange.

Future developments of the CMDA include developing market intermediaries to increase the supply of debt and equity securities for investment and also to increase investor demand for these securities. In addition, the government also plans to float part of its shares in selected public enterprises listed on the Exchange as one way of ensuring a wide distribution of profits across the nation.

In 1996, changes in bank legislation resulted in the passing of a new Banking Act of 1996. Recently in 1998, a new Insurance Act was also passed by Parliament.

#### **4.0 Conclusion**

Fiji's financial system has developed a long way from its infancy stages in the early 1980s when markets were poorly developed and highly regulated to a reasonably well developed and deregulated financial system.

In the financial markets, there has been growing sophistication in the money and capital markets. Interest rates are market-determined. The Reserve Bank has also started to promote secondary trading of government bonds. Among the banks, competition and increasing customer demands have encouraged the provision of more comprehensive banking services. For example, banks are now offering more convenient ways of banking such as EFTPOS and ATMs. Progress is also being made on the payment system by way of an automated clearing system.

The RBF exercises close supervision of the financial system and is committed towards adopting international best practices in the supervision and regulation of the financial system (Basle Committee on Banking Supervision) and the insurance industry (International Association of

Insurance). Prudential supervision has been brought into line with international norms through the introduction of the capital adequacy guidelines. There is also rigorous off-site supervision through the analysis of financial and other prudential reports, and through on-site inspections.

In terms of monetary policy, the monetary operations of the Reserve Bank are now in line with the deregulated environment. Open market operations have replaced most direct controls such as bank reserve requirements. The Reserve Bank issues its own securities to control liquidity conditions and to maintain short-term interest rates at desired levels. Other operational facilities such as rediscount and repurchase facilities are now in operation.

The Reserve Bank disseminates the latest information on the economy through its regular publications and regular briefings to the government, industry groups and to the public. Policy changes are announced publicly. Banks on the other hand, are required to disclose banking fees, charges and other information effective from December 1999. This is expected to provide improved information to depositors and other investors to help them select the services of individual banks and credit institutions.

On the external front, exchange controls have been relaxed progressively with the most recent liberalisation taking effect from January 2000. There are no restrictions on inward capital flows into Fiji and the majority of restrictions on outward flows have been relaxed or removed altogether.

Notwithstanding all the recent financial sector developments a lot of challenge lies ahead for the development of Fiji's financial system. A key

focus is the proper management of financial sector liberalisation. In a recent country study, the IMF concluded that financial sector reform requires mutually supporting reforms in a number of areas. Reforms to certain sectors, such as monetary and exchange systems, can enhance economic performance, but without simultaneous moves to strengthen financial institutions, they can also contribute to banking crises and other economic problems. On the positive side, countries that have implemented successful financial sector reforms and avoided financial crises significantly boosted their economic performance.

In view of past financial sector reforms, prospects for future changes in Fiji's financial sector are positive. Additional measures to further liberalise the financial system were outlined in the country's recent Year 2000 Budget Statement. Furthermore, additional exchange control relaxations and strategies to improve monetary policy implementation are among some policy changes anticipated in the near future.

## Appendix      **Chronology of Important Monetary Events Since the Inception of the Central Monetary Authority**

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<b>Year</b>	<b>Event</b>
<b>1973</b>	<p>CMA Act (No. 1 of 1973) is passed by the House of Representatives. The legislation provided that there be a Central Monetary Authority not only to replace the existing Currency Board but also to exercise discretionary powers proper to a central bank. (20 February) CMA Act is passed by the Senate. (29 March)</p> <p>CMA Act receives assent of the Governor General. (5 April)</p> <p>The Minister of Finance assigns the administration of the Exchange Control Ordinance to CMA in accordance with section 42 of the Act. This assignment gave the Authority one of its earliest functions, even prior to its formal takeover of the functions of the Currency Board. (1 June)</p> <p>CMA becomes fully operational, taking over the functions of the Currency Board. Different sections of the Act, which had not previously come into force (with the exception of section 56 dealing with an amendment to the Banking Ordinance) becomes effective. Among the sections coming into effect was the designation of the CMA as Government's official depository of international financial institutions of which Fiji is a member. (1 July)</p> <p>CMA establishes its minimum lending rate (MLR) or its base rate for lending to banks at 5.5 percent per annum. (30 July)</p> <p>Commercial banks are notified that from September 3, 1973 they would be required to hold with CMA a statutory reserve deposit (SRD) equal to 1.5 percent of their trading and savings banks deposits and similar liabilities (viz. balance due to banks in Fiji and CMA + net balance due to banks abroad) as of the last Wednesday of the previous month. (3 August)</p> <p>The fixed rate of the Fiji dollar to Sterling was changed from £=F\$1.98 to £=F\$1.88 following a weakening of Sterling against other major currencies. (10 September)</p> <p>Under section 40 of the Act the CMA participated in the organisation for more efficient cheque clearance and collection facilities for inter bank settlements.</p> <p>CMA receives legal designation as banker, fiscal agent and depository of Government. (5 November)</p> <p>The authorised capital of the Authority is increased from \$1 million to \$2 million and the paid up capital from \$500,000 to \$2 million, with the approval of the Minister of Finance as provided for in section 6 of the Act, and following the transfer of the external assets balance of Government to the General Reserve. (27/28 December)</p>

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**1974** CMA sets maximum lending rate of commercial banks at 10.0 percent per annum. Rates payable on deposits were also increased effective from February 1, 1974. (8 January)

	Old Rate (% p.a.)	New Rate (% p.a.)
Savings	3.5	4.0
Time 1 mth	3.5	4.0
Time 3 mths	4.5	5.0
Time 6 mths	5.0	6.0
Time 12 mths	5.5	6.5

CMA increases its MLR by 0.5 percentage points to 6.0 percent per annum. (1 February)

The Fiji dollar is pegged to the US dollar thus severing the fixed link with sterling. The rate was set at F\$:US\$1.25. (25 February)

CMA notifies banks to include government stock (excluding Treasury Bills) in their respective asset portfolios – the amount (nominal value) being 12.5 percent of average total deposits of the previous three months. This ratio to be known as the Government Guaranteed Securities Ratio or Local Assets Ratio (LAR) would become effective from June 26, 1974. (March)

CMA increases MLR by 0.5 percentage points to 6.5 percent per annum. (1 April)

CMA issues new currency notes of denominations 50c, \$1, \$2 and \$5 in its own name. (16 April)

With the amendment of the Loan Ordinance (No. 51 of 1968) CMA takes over from Treasury all registers and records of Government stock ownership as “registering authority”. (May)

CMA takes over the agency function of making the regular interest payments on all Government loans. (June)

A standby arrangement equivalent to SDR 3.25 million is granted by the IMF in anticipation of large reductions in Fiji overseas reserves. (This eventually expired after one year with Fiji not having to resort to it). (8 November)

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**1975** CMA issues new 50 cents coins to replace the 50 cent note which will cease to be legal tender from February 7, 1976. (3 March)

Fiji dollar link with the US dollar ended. The Fiji dollar now fixed in relation to a trade weighted basket of currencies of Fiji’s major trading partners. (7 April)

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Commercial banks' cash reserve requirement (SRD) is increased from 1.5 to 5.0 percent. (30 July)

Simultaneously with the SRD increase the government securities requirement (Local Assets Ratio) of banks is reduced from 12.5 to 10.0 percent.

The changes in both ratios were not intended to tighten bank credit, but rather to make the reserve requirements more realistic, to encourage inter-bank activity and to provide conditions for the development of a market in government paper.

Each bank is required to maintain its SRD in a separate non-interest bearing (NIB) Reserve Ratio Account with the CMA for the statutory period (i.e. from the first Wednesday of each month to the first Wednesday of the following month) instead of being permitted to compute the ratio on the basis of its average daily NIB balance with the CMA. (1 October)

Changes are made in the computation of the LAR. Banks are asked to maintain the 10 percent ratio but calculated on their deposit liabilities as at the last Wednesday of the preceding month. The ratio is to be maintained from the first Wednesday of each month to the first Wednesday of the following month. Treasury bills would now be included in the definition of Government securities eligible to form part of this ratio.

In view of excess bank liquidity a medium term (11 year) tap issue of \$5.0 million at 7.0 percent was floated. (15 October)

CMA reduces its MLR by 0.5 percentage points to 6.0 percent per annum. (22 October)

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**1976** CMA reduces its MLR by 0.5 percent to 5.5 percent. (19 January)

Maximum interest rates payable on bank deposits are altered with a new category included. (16 February)

	Old Rate (% p.a.)	New Rate (% p.a.)
Savings	4.00	4.00
Time 1 mth	4.00	4.25
Time 3 mths	5.00	4.50
Time 6 mths	6.00	5.50
Time 12 mths	6.50	6.75
Time 24 mths	n.a.	7.00

The maximum lending rate remains unchanged at 10.00 percent.

The Fiji Development Bank floats its first bond issue with CMA acting as its fiscal agent and registrar. (15 April)

The Savings Bank of Fiji (previously known as the Post Office Savings Bank and later to become the National Bank of Fiji) commences operations as a full commercial bank. (September)

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Section 56 of the CMA Act of 1973 is brought into force. This section serves to widen the definitions of “banking business” and “financial institution” in the Banking Ordinance. (24 September)

CMA is appointed fiscal agent for Government of Fiji for the purposes of dealings with the IMF. (17 December)

The Minister of Finance delegates to the CMA his powers under section 42 of the CMA Act in connection with the Exchange Control and Banking Ordinance. (18 December)

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**1977** CMA temporarily (until June 1) reduces SRD by 1 percentage point to 4 percent to assist banks to take up FDL bond issues. (29 April)

CMA commences interest payments on banks’ SRD balances. (1 June)

Fiji makes a SDR 6.5 million drawdown under the IMF Compensatory Financing Facility (CFF) because of shortfalls in sugar export receipts. (25 July)

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**1978** Unit Trust of Fiji is established to encourage small savers to participate in productive investments in businesses and government securities. (1 April)

Citibank N.A. ceases banking business in Fiji from the end of September. This leaves six commercial banks in operation in Fiji (1 domestic and 5 foreign owned). (September)

Changes in maximum deposit and lending rates became effective from this date. (18 December)

	Old Rate (% p.a.)	New Rate (% p.a.)
Savings	4.00	4.50
Time 1 mth	4.25	4.50
Time 3 mths	4.50	5.00
Time 6 mths	5.50	5.75
Time 12 mths	6.75	6.50
Time 24 mths	7.00	7.25
Lending	10.00	10.50

In an effort to direct credit into priority sectors the CMA requests commercial banks to establish a ratio of agricultural loans and advances to total deposits of 5.0 percent by December 31, 1979. As an alternative to direct lending to farmers, the banks’ holdings of FDB bonds would be acceptable. FDB bonds which are earmarked as a “proxy” for agricultural loans and advances will not, however, also count as part of the LAR. (22 December)

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**1979** Fiji joins the International Finance Corporation (IFC) an affiliate of the World Bank. The IFC was established in 1956 to supplement the World Bank's activities by encouraging, jointly with private investors, the establishment, improvement and expansion of private enterprise. (1 March)

Fiji Electricity Authority (FEA) floats its first bond issue with CMA acting as fiscal agent and registrar. (4 April)

The Suva Stock Exchange (SSE) commences operations providing a further avenue for securities dealings by the public. (19 June)

Banks are notified that in their SRD computation bills payable (local and foreign) would be included in "deposits and other similar liabilities". The SRD ratio is to be maintained at 5.0 percent. (1 October)

5.0 percent Agricultural Ratio of banks becomes effective. (31 December)

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**1980** Banks are notified that with effect from January 1, securities issued by statutory corporations and which are guaranteed by government are to be included in the definition of eligible securities to form part of the LAR requirement. (1 January)

Fiji's quota in the IMF is increased by 50 percent from SDR 18 million to SDR 27 million, in accordance with the Seventh General Review of Quotas.

Introduction of new design \$20 currency notes. (24 June)

Fiji repurchases the SDR 6.5 million drawn-down in July 1977 under the IMF Compensatory Financing Facility. (July)

In an effort to stabilise monetary conditions and moderate the growth in bank lending to the private sector the CMA directed banks to increase their SRD by 2.0 percent to 7.0 percent. (6 August)

Introduction of new design \$10 currency notes. (12 August)

Maximum interest rates payable on bank deposits and lending were altered. The time deposit structure was also extended to include a 36 months and over category. It is expected that the changes will assist the genuine long-term saver and result in a greater mobilization of domestic resources to help finance investment. (29 August)

	Old Rate (% p.a.)	New Rate (% p.a.)
Savings	4.50	4.50
Time 7 days<3 mths	4.50	4.50
Time 3 mths<6 mths	5.00	5.50
Time 6 mths<12mths	5.75	6.25
Time 12 mths<24 mths	6.50	7.00
Time 24 mths<36 mths	7.25	8.00
Time 36 mths & over	n.a.	8.50
Lending	10.50	12.00

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Introduction of new design \$1 currency notes. (16 September)

CMA's MLR increased by 1.0 percent to 7.5 percent. (29 September)

Introduction of new design \$2 currency notes. (25 November)

SRD ratio is cut back to 5.0 percent of deposits and other similar liabilities following moderation in the growth of bank credit and money supply. (3 December)

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**1981** Banks are directed to increase their LAR requirement from 10.0 to 12.5 percent. This change, made in conjunction with the earlier decrease in the SRD ratio is designed to encourage enhanced financial contribution from banks towards the public development programme. (7 January)

Introduction of new design \$5 Fiji currency notes, bringing the last of the new design notes into circulation. (27 January)

Withdrawal of all old design currency notes which effectively cease to be legal tender from this date. (30 September)

CMA's MLR is raised by 2.0 percent to 9.5 percent in line with changes announced in commercial bank interest rates. (13 November)

Maximum interest rates payable on commercial bank deposits and lending are increased effective from this date. The 7 days < 3 months structure. (14 December)

	Old Rate (% p.a.)	New Rate (% p.a.)
Savings	4.50	6.00
Time 1<3 mths	4.50	6.00
Time 3<6 mths	5.50	6.50
Time 6<12mths	6.25	7.25
Time 12<24 mths	7.00	8.00
Time 24<36 mths	8.00	9.00
Time 36 mths & over	9.00	10.00
Lending	12.00	13.50

The ceiling on interest rate for deposits of \$250,000 and over with a maturity of 1 month and over was removed allowing market forces to determine the rate.

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**1982** The Agricultural Loans Ratio of banks is increased to 7.5 percent from 5.0 percent. Furthermore, in a move to ensure more direct loans to the priority agriculture sector banks were informed that only 50 percent of their holdings in FDB stock would be eligible for ratio calculations. (1 January)

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Fiji makes a drawdown of SDR 13.5 million from the IMF under its Compensatory Financing Facility following shortfalls in export receipts. (8 February)

An IMF mission arrives in Fiji to undertake a review of the financial system of Fiji at the request of the CMA (22 February)

CMA assumes responsibility for the administration and management of Government sinking funds. (22 February)

In a move to promote a more competitive financial environment and further develop the financial system the method of sale of Treasury bills changed from issue at fixed prices to issue by tender. The CMA rediscount rate is to be linked to the latest weighted discount rate at which Treasury bills are allotted. (31 March)

The Fiji Sugar Corporation (FSC) and the Fiji Electricity Authority (FEA) (a week later) are induced to raise funds in the market by calling tenders for issues of their promissory notes (p/Ns). Rates of interest secured by these bodies with this new instrument closely reflect the demand and availability of funds in the market place. P/Ns are also attractive to banks in that they are eligible for Local Assets Ratio (LAR) calculations. (21 April)

FDB floats its first bond issue inviting competitive tenders, continuing the move towards more market determined rates. (2 December)

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**1983** The Civil Aviation Authority floats its first bond issue of \$2.5 million with the CMA acting as fiscal agent and registrar. The issue is part of an attempt to raise funds for the proposed overlay of the main runway at Nadi Airport. (20 April)

CMA provides official backing to commercial banks for rediscounting of Export Bills and Forward Exchange Cover in Australian and New Zealand dollars. These facilities are available only where the underlying exports come within the ambit of the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA). (27 April)

CMA issues new \$1 denomination currency notes with a basic colour of grey/green to replace those presently in circulation. (30 August)

Fiji officially consents to the SDR 9.5 million increase in its IMF quota under the Eighth General Review of Quotas. Fiji's total quota now stands at SDR 36.5 million. (19 October)

CMA increases its minimum lending rate (MLR) from 9.5 to 10.5 percent. (11 November)

The Reserve Bank of Fiji Bill (No. 14 of 1983) is passed by both House of Parliament during the course of the month. The new RBF Act will replace the CMA Act of 1973 and become effective from January 1, 1984.

The Banking Bill (No.15 of 1983) was also passed by Parliament during the month. The new Banking Act will replace the present Banking Ordinance and will also become effective from January 1, 1984.

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**1984** Introduction of tender system for Public stock issues for the government. (8 August)

The facility for rediscount of export bills and forward exchange cover for exports to Australia and New Zealand under the ambit of the SPARTECA agreement was extended to include non-traditional exports to the EEC under the LOME Convention arrangements.

The new Banking and Reserve Bank legislation came into force in January. This placed the NBF on the same basis as commercial banks in Fiji and for the first time brought that institution under the formal control and supervision of the Reserve Bank of Fiji.

The Unimpaired Liquid Assets Ratio (ULAR) was introduced to replace the Local Assets Ratio (LAR) by new provisions in the Reserve Bank Act (Section 43).

The MLR is increased from 10.5% to 11%. (31 May.)

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

The management and administration of Sinking Funds established for the repayment of government debt is legally delegated to the Reserve Bank.

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**1985** Both the Post-shipment Rediscount Facility and Forward exchange facility, established for non-traditional exports to SPARTECA countries, are extended to the same class of exports to the EEC, under the LME Agreement. This facility is available for exports to other countries as well, provided these exports satisfy 40 percent local value added. Non-traditional export items are exports other than sugar, molasses, coconut oil and gold. (19 March)

The Pre-shipment Export Finance Scheme is introduced. This facility is available to finance non-traditional export items i.e all exports excluding sugar, molasses, coconut oil and gold. Exports under SPARTECA and LOME Agreements qualify automatically. Other exports must satisfy 40 percent local value added. This facility is available through commercial banks at 8 percent per annum. The Reserve Bank of Fiji provides back-to-back finance to the banks at 6 percent per annum. (4 April)

The commercial banks are informed that henceforth rediscounting of eligible securities with the Reserve Bank of Fiji will not be automatic. A limit on the total value of securities that the Reserve Bank will discount from the banks will be set each month. Each bank will be allotted a quota of re-discount facility based on that bank's share of deposits and lendings to priority sectors. This conditionality of recourse to the RBF's securities discount window facility will be activated only when the RBF considers, in the light of monetary developments, that there is a need to limit the banks from augmenting their reserves by re-discounting of securities. Otherwise there is no such conditionality attached to the rediscounting of securities. In the light of favourable developments in the growth in money supply the limits on the re-discount facility were removed from mid-September, and this decision will remain until further notice. (2 August)

The banks were requested to hold, in total, \$5 million as special deposits with the Reserve Bank. This amount was to be placed in equal installments over a period of 5 weeks beginning on 1<sup>st</sup> November. Each bank's allocation of the "Special Deposits" were based on its relative share in the total Statutory Reserve Deposits held at the Reserve Bank of Fiji. (1 November)

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- 1986** The \$5 million Special Deposits held by commercial banks with the Reserve Bank since November, 1985 are released. (13 January)
- The gradual devaluation of the Fiji dollar is undertaken. At the end of the period, the value of the Fiji dollar against the currencies in the basket was 5 percent lower than it would have been. (13 March-2 May)
- The commercial banks are permitted to compound interest rates payable on savings and time deposits. Moreover, deposits for a duration of 7 days to less than one month, were made eligible for interest payment. All such deposits, whether large (i.e \$250,000 and over) or small, could earn interest at a maximum rate of 5.5 percent per annum for the period. (8 July)
- The minimum requirement of \$5,000 per application, is removed from the export finance schemes. (17 July)
- Permission is granted to commercial banks to issue bearer certificates of deposits. (25 July)
- A technical amendment is made to the Unimpaired Liquid Assets Ratio whereby banks are permitted to include, as part of their holdings of unimpaired securities, unencumbered securities held at the Reserve Bank of Fiji. (1 September)
- The Reserve Bank of Fiji lowers the interest rate on funds to commercial banks, for on-lending to exporters under the Pre-Shipment and Post-Shipment finance facilities, from 6 percent to 5 percent. The banks on-lend the same funds to their customers at 7 percent per annum. (30 September)
- Furthermore, the Reserve Bank of Fiji, on an experimental basis, extended export finance facilities to professional services (architects, engineers, etc.) and maritime salvage.
- MLR is reduced from 11% to 10%. (1 October)
- MLR is further reduced by 2% to 8%. (4 November)
- The Hong Kong and Shanghai Banking Corporation was formally appointed Authorised Dealer and Authorised Depositary in terms of the EC Act. (during the year)
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- 1987** SRD is reduced from 6% to 5%. (8 June)
- ULAR is reduced to 16%.
- The Reserve Bank of Fiji announces the reduction in the amount of money residents emigrating to \$4,000 per application/head of household and \$2,000 per dependent. Previously, there were no restrictions on the amount of money people could take out the country if they were emigrating. (19 June)
- MLR is increased from 8% to 9%. (26 June)
- The recourse which the commercial banks had with the RBF for the rediscounting of treasury bills, promissory notes, government and government guaranteed securities is made more discretionary.
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The Fiji dollar is devalued by 17.75 percent against its basket of currencies. (29 June)

Overseas investments by residents are suspended. Previously, a household was given an investment limit of \$5,000 per annum.

The ceiling on commercial banks' lending and deposit rates are removed. (10 July)

The penalty interest charge by the RBF on commercial banks on shortfalls in the ULAR is increased from 0.05 percent per day to 0.07 percent per day. (13 July)

SRD is increased from 5% to 6%. (5 August)

The penalty interest charge by the RBF on commercial banks on shortfalls in the ULAR is increased from 0.07 percent per day to 0.08 percent per day. (14 September)

MLR is increased from 9% to 11%.

The Export Finance facilities are suspended. (1 October)

The Fiji dollar is devalued by 15.25 percent against its basket of currencies. (7 October)

Delegated authority to the banks to approve residents foreign travel allowance is reduced from \$2,000 to \$1,000 per person per overseas trip.

The commercial banks are requested to observe a credit ceiling guideline whereby each bank's credit is not to exceed the average level of its outstanding loans and advances in the three months of the September quarter of 1987. (28 October)

The interest rate on banks' unsecured borrowings from the Reserve Bank is made more punitive.

The Reserve Bank of Fiji introduces relatively cautious and tight Exchange Control policies – withdrawal of some delegated authority previously given to commercial banks such as on repayments of offshore loans, dividend remittances to non-residents and advance payments of imports were withdrawn.

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**1988** The Reserve Bank relaxes some exchange control restrictions imposed in 1987; this followed a satisfactory improvement in Fiji's external reserves.

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**1989** The Reserve Bank issues its own short-term debt in the form of Reserve Bank Notes for the first time. (March)

MLR is lowered to 8%. (1 May)

Implementation of Repurchase Agreements. Under this facility, banks may obtain short-term funding from the RBF for liquidity purposes. The facility requires banks to 'sell' to the RBF certain specified securities (in particular RBF notes) to the amount of funding required. At the same time, the bank agrees to repurchase the same securities from the RBF at a specified date, and at a mutually agreed price.

Establishment of a Banking Supervision and Examination Department. (August 1989).

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- 1990** The bank of New Zealand is taken over by the Australia and New Zealand Banking Group Limited. (31 March)
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- 1991** Habib Bank Ltd opens its first branch in Suva. (25 February).
- The National Bank of Fiji enters into a joint venture agreement with the Malaysian Borneo finance (MBf) Holdings Berhard (BHD) to set up National MBf Finance (Fiji) Ltd in Fiji. (28 March)
- The RBF announces the suspension of its overnight lending facility to commercial banks. (8 May)
- The Reserve Bank of Fiji introduces a buy-back facility for its RBF Notes to enable it to increase the level of liquidity when necessary. (13 June)
- A Capital Markets Division is established in the Financial Institutions/Markets Department.
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- 1992** RBF issues new \$5 notes with upgraded security features to guard against modern counterfeiting methods. (7 January)
- RBF issues new \$10 and \$20 notes with upgraded security features to guard against modern counterfeiting methods. (2 April)
- A draft Bill and an explanatory note on the proposed supervision approach are released to the Banks and other interested parties for comments.
- Draft of Bill and an explanatory note on the proposed supervision approach were released to banks and other interested parties for comments. (September)
- The Reserve Bank commissions a study of the Suva Stock Exchange with a view to clearly identify the strategies necessary to strengthen the stock exchange.
- The MLR is reduced from 8% to 6%. (6 November)
- RBF approves application by the Merchant Bank of Fiji Limited to be licensed as a credit institution to accept deposits from the public for amounts of not less than \$10,000 per depositor.
- RBF commences evaluation of application by the Bank of Hawaii to operate as a bank in Fiji.
- Pacific Finance Limited is re-licensed to accept deposits from and lend to non-residents only.
- RBF drafts a Revised Banking Bill to strengthen the Reserve Bank's supervisory powers over licensed banks and credit institutions – RBF also introduces some of the recent developments in supervision internationally, particularly those emanating from the Basle Supervisor's Committee.
- The RBF announces policy measures including relaxations on exchange control instructions, extension of forward exchange cover to both importers and exporters and extension of list of items which qualify under the RBF's Export Finance facility. (1 December)
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- 1993** The RBF grants a banking license to the Bank of Hawaii. (24 January)
- Westpac Banking Corporation reduces its special finance loan rates to 9 percent for the first year and a 2 percent reduction in its general finance interest rate to be phased in over a 2-year period. (3 April)
- Australian and New Zealand Banking Group Limited drops its first year home loan rate to 8.95 percent. (5 May)
- ADB approves technical assistance for Capital Markets Development in Fiji. (15 December)
- Introduction of the RBF's approach to the Internationally endorsed Bank Supervisors' Committees adequacy standards and agreement on voluntary compliance by all banks pending passage of the Banking Bill.
- Minimum capital to risk adjusted assets ratio established for banks increased by 1 percent per annum from 4 percent in 1993.
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- 1994** The RBF releases the latest numismatic proof coins - \$100 gold coin and \$10 silver coins. The coins dated 1993 with the theme 'Discovery of Fiji'. (24 January)
- The RBF implements further Exchange controls relaxations including for the first time, approval for offshore investments by non-bank financial institutions for a maximum limit of \$15.0 million.
- Reserve Bank of Fiji grants license to Credit Corporation (Fiji) Limited to operate as a credit institution. (2 November)
- The RBF suspends the rediscount and forward cover facilities and increased its overnight lending rates to banks following sharp increases in speculative foreign currency outflows stemming from rumours of a pending devaluation. (11 November)
- MLR is reverted to the pre-Nov 11 level (6%). (24 November)
- Revision of the 1983 Banking Act was completed and the Act was presented in Parliament in October.
- The Suva Stock Exchange (SSE) Board was restructured to include private sector participation. SSE Rules revised to encourage new listings.
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- 1995** The RBF announced a change in Fiji's currency structure and design of the notes. The \$50 note was to be added to the note denominations while the \$1 coin was to replace the \$1 note. The new design \$5 note was issued. (31 May)
- The Banking Act 1995; RBF (Amendment) Act 1995 and the NBF (Amendment) Act 1995 came into effect. (1 June)
- FAI Insurance (Fiji) Limited granted a license to carry on general insurance business. (15 June)
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Heath (Fiji) Limited is granted a license to conduct insurance brooking business. (29 June)

The RBF publishes a new EC brochure. The document updates information on EC regulations and procedures. (6 July)

RBF issues a Restricted Authorised Dealer License to Advantage Travel System Limited. (8 September)

The RBF further relaxed exchange controls to be effective from 1 January 1996. (10 November)

The Export Finance Facility is extended to cover the construction of five-star hotels in Fiji. (10 November)

The Capital Markets Development Authority (CMDA) is formed following a study on the "Development of Capital Markets in Fiji".

His Excellency the President, Ratu Sir Kamisese Mara launches Fiji's first \$50 note. The basic colour of the note is red, while the design encapsulates three stones signifying the history of Fiji since Cession. (13 November).

The RBF released an updated version of a booklet to public awareness of the Central Bank's role in the economy as well as provide information on related issues.

The RBF grants a credit license to Home Finance Company to operate as a credit institution. (4 December)

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**1996** The RBF releases the new design of the \$2 note. (20 March)

Colonial Limited, a major financial services group, announced its intention to demutualise (plans to change its structure from a mutual company to a publicly listed company owned by shareholders) before the end of 1996.

A call market is established at the Suva Stock Exchange. (1 July)

The RBF announces further relaxations on exchange controls with effect from 1 January 1997.

RBF gave approval to Exchange and Finance Proprietary (Fiji) Ltd for the restricted foreign exchange dealings for the purchase, sale and surrender to authorised banks in Fiji, of travellers cheques and foreign notes for travel related transactions only. (5 August)

Two Banking Supervision policies were implemented from 1 July: they were a risk based capital adequacy policy and a guideline for loans and classification and promissory for unimpaired assets.

The RBF relaunched the revised Overseas Exchange Transaction manual which became effective 2 September 1996. (6 August)

CMDA Act comes into effect. (1 December)

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- 1997** Re-introduction of the Forward Foreign Exchange Facility. Commercial banks also allowed to hold net open foreign currency to encourage their usage of the facility. (1 January)
- The RBF releases a new \$5 note to distinguish it from the \$50 note. The new note is predominantly brown with secondary background shades of orange, green and blue. (5 May)
- Adoption of CMDA (Securities, Exchanges and Licensing) regulations. The Suva Stock Exchange was subsequently licensed under these regulations. (23 May)
- A 'Code of Banking Practice' introduced by the ABIF comes into effect. (1 June.)
- Approval granted for further Exchange Control relaxations effective from 1 January 1998.
- The \$50 note and \$1 coin were issued to the public. (20 November)
- The RBF links its MLR to the monetary policy indicator rate - the interest rate on 91-day RBF Notes, plus a margin of 50 basis points.
- The RBF links interest rate on the Export Finance Facility to the MLR. The commercial banks are permitted to borrow from the RBF at the MLR and lend the funds to the exporters at a rate equivalent to MLR plus a fixed margin of 4 percent per annum.
- The Minister of Finance appoints Board members for the Capital Markets Development Authority (CMDA). (March)
- The Reserve Bank's secretariat role to the CMDA ceases following the appointment of the Chief Executive Officer of the CMDA.
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- 1998** New Exchange Control relaxations became effective
- The Fiji dollar was devalued by 20%. (20 January)
- Reduction of the SRD and ULAR to 5 and 10 percent respectively. (6 February)
- The Minister for Finance announces Committee of Inquiry into Financial Services. (25 August)
- The Reserve Bank announces the removal of the ULAR for commercial banks with effect from 1 January 1999. (27 November)
- Insurance Bill is passed by Parliament in August 1998 as the Insurance Act No. 36 of 1998 and the Insurance Regulations approved by Cabinet in November 1998 – new legislation comes into effect on 1 January 1999.
- The Large Credit Exposures Policy is implemented with effect from March 1998. The policy restricts Licensed Financial Institutions from lending to a single counterparty or group of related counterparties more than 25% of the total capital.
- A Draft Guideline for Prevention of Money Laundering is issued to banks for comments.
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**1999** The RBF approves expansion in list of facilities offered by Money Changers and Restricted Foreign Exchange Dealers to include trade-related transactions with their travel based transactions.

Approval granted to set up an automated clearing system to allow commercial banks to transact amongst themselves and the Reserve Bank electronically.

The government gives grant to the CMDA and the SSE for the development of market intermediaries to increase the supply of debt and equity securities for investment and to also increase investor demand for these securities.

The government announces intention to float a proportion of its shares in selected public enterprises on the Exchange.

Guidelines issued to banks and credit institutions for effectiveness in countering money-laundering activities.

Establishment of a Banking Commission to monitor the level of fees, charges, and interest rates and with powers to ensure that banks justify any increases that the Commission considers excessive, unrealistic or exploitative. Banks will be required to disclose their cost structures under full confidentiality to the Commission. The Commission will oversee the entire range of financial institutions, services and products.

Appointment of a Banking Ombudsman for resolution of disputes between banks, insurance companies, credit unions and other finance sectors, and their consumers. The Ombudsman will report to the Banking Commission.

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