



RBF/FSDC's James McGoon with two of the wheel barrow boys who are part of the Bank of Baroda's microfinance

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Message from the Chief Manager

Welcome to the E-Guardian! This is the FSDC's 1st quarterly e-newsletter providing you with a snapshot of the work undertaken by the FSDC.

The e-newsletter is part of the FSDC's Public Relations program as we strive to keep stakeholders informed on relevant developments in the financial systems. The FSDC Group is a new addition to the Reserve Bank and was established on 27 April 2009. The Group focuses on development issues within Fiji's financial system and how the role of the Reserve Bank could be enhanced in these areas.

The FSDC was initially established with 2 units - Financial Systems Development Unit and the Financial Systems Compliance Unit. In August 2009, with the transfer of administration of the Capital Markets Development Authority to the Reserve Bank, the Capital Markets Unit was established. In February 2010, another unit was added to the Group – the Settlements and Payments Systems Unit – bringing the total number of units in the Group to 4. Details of each unit and management are listed on page 5.

Over the March quarter, the Group has spear-headed developments in Microfinance with the formation of the National Financial Inclusion Taskforce (NFIT) to look into creating an enabling environment for the development and growth of the Microfinance Sector in Fiji. Various policies and initiatives to develop the capital markets were also undertaken. A complaints management framework for Fiji's financial system was also formulated and all complaints against licensed financial institutions are handled by the Group. The Group also manages the FIJICLEAR settlements and payments systems and has publicised the usage of FIJICLEAR as a payment system option for the public.

As part of its public relations and awareness project the Group writes a regular monthly column in the Fiji Sun on investor protection and financial literacy topics. This e-newsletter and a simplified pamphlet on how our complaints management system will work is also part of this project.

We trust you will enjoy this issue as much as we have enjoyed bringing it to you.

Filimone Waqabaca

Microfinance in practice

James McGoon from the Financial Systems Development Unit conducted a brief field survey on the micro financing initiative for wheelbarrow boys launched by the Bank of Baroda (BOB). BOB has to date assisted 35 individual wheelbarrow entrepreneurs through the provision of micro loans to purchase their own wheelbarrows. BOB provided loans to the first 20 clients on 24 December 2009 and the remaining 15 wheel barrow entrepreneurs on 11 February 2010. The initiative included opening of accounts for the entrepreneurs without the minimum opening balance requirement.

The survey indicated that the scheme has been a success and has addressed the primary purposes for which the initiative had been set up. It also enabled 35 young people, who have never owned a bank account, to open one in their name. In the past, the operators would hire a wheelbarrow for \$28/week. Now for less than half the price of renting a wheelbarrow, these young operators can work towards paying off a loan for their own wheel barrow. All 35 BOB clients are licensed by the Suva City Council. There are more than 100 licensed wheel barrow operators at the Suva Market.

Terms and Conditions of the Scheme:

- ✓ Cost of wheel barrow - \$185.00
- ✓ Payments duration - 6 months
- ✓ Interest rate - 8%
- ✓ Weekly payments - \$8.00
- ✓ Equity contribution - None

According to the BOB, recipients have been consistent with their payments, with some even paying more than the required \$8 per week. The interest cost for six months is \$8, the equivalent of hiring a wheel barrow for two days. On average a wheel barrow operator could earn as much as up to \$30 a day. During the festive season and other busy periods in the year, they have earned as much as \$400 a week.

Many of us take owning a wheel barrow for granted but for these young operators, owning their own wheel barrow is a first step to personal financial freedom.

NEWS IN BRIEF.....

BSP lists Convertible Notes securities

3.06 million Convertible Notes (CNs) were quoted for the first time on the SPSE Interest Rate Securities Board on Tuesday 11 May, 2010 marking an important milestone in the development of Fiji's debt and equity market. In January this year the Reserve Bank approved an application by BSP Convertible Notes Co. Ltd (BSPCNL), a locally incorporated public company wholly owned by the BSP (PNG), to raise capital by issuing CNs via a private offer in our capital markets. The offer period closed on 30 April, 2010 with BSPCNL successfully raising FJ\$16.09 million through the issue of its convertible notes. The listing of BCN, resulted in a 1.81% increase in the overall market capitalization to end the day's trading with a market capitalization of FJ\$887.17 million.



Mr Kevin McCarthy, Country Manager BSP Fiji receives the Listing Certificate from Prem Narayan, SPSE Board member

Reserve Bank sponsors local Chef to Malaysia

The Reserve Bank is sponsoring Mr Simione Toanikeve, a local chef and trainer/lecturer at the Training & Productivity Authority of Fiji (TPAF), to a 2 months attachment at the Crowne Plaza Hotel in Kuala Lumpur, Malaysia. The scholarship is consistent with the Reserve Bank's aim of encouraging local value adding of local products in the hope of decreasing the level of imports of fruits and vegetables that can be obtained locally. Mr Toanikeve will learn new skills and ideas on how to incorporate and use local products, fruits and vegetables in creating interesting and original menus for the tourism industry similar to those used and created in top hotels and restaurants in Malaysia. On his return, Mr Toanikeve will run workshops in Suva, West and North to share with other chefs in the area what he has learnt from the training in Malaysia. The sponsorship is covered under a contract signed between the Reserve Bank and TPAF.

VB Holdings Ltd (VBL) approved to undertake Rights Issue

VBL, a listed company on the SPSE, has been granted approval to undertake a Rights Issue of 178,113 ordinary shares at \$2.70 per share. VBL will raise \$480,906 through the Issue. Existing shareholders will be invited to subscribe for up to 1 new ordinary share for every 9 ordinary shares held as at the Book's Closing Date – 9 April 2010.

Fiji Sugar Corporation Limited Promissory Notes

The Government has supported FSC's capital raising activities through the provisions of a \$120 million Guarantee. In March, the FSC utilised the Guarantee to raise \$21.5 million through the issue of Promissory Notes with interest rates ranging from 8-10% and a maturity of 197 days. The issue was oversubscribed by \$1.5 million. The FSC plans to issue other short term debt instruments in the coming months. In April, an additional \$5m was raised by the FSC through the issue of Promissory Notes with interest rate of 8% and a maturity of 197 days.

FIJICLEAR Update

FIJICLEAR has been in operation for more than 2 and half years and is being effectively used by all the banks to settle transactions across the Exchange Settlement Accounts. FIJICLEAR is the name given to Fiji's Real Time Gross Settlement System which processes and settles gross transmissions of funds in Fiji Dollars only on a real time basis i.e. as and when they happen.

A general upward trend has been noted for all the commercial banks' for customer and interbank transmissions. The gross activity in the first quarter of 2010 decreased to 13,907 transactions compared to 14,497 transactions in the 4th quarter of 2009. However, the gross activity has increased by 46 percent compared to the same period last year. Gross payments made through FIJICLEAR in the first quarter of 2010 were \$19.9 billion which has increased by 19 percent compared to the same period last year.

Mobile Banking – Banking for the Future

In February this year, the Reserve Bank granted its approval to Vodafone Fiji Limited and FlexPacific to proceed with their pilot projects for mobile money services in Fiji after meeting the requirements set of the Reserve Bank and the Fiji Financial Intelligence Unit.

The pilot projects are the first of its kind to be launched in Fiji. These innovative services will enable customers to conduct simple financial transactions using their mobile phones. As noted by the Consultative Group for Assisting the Poor (CGAP), mobile phone banking presents customers with a powerful opportunity of being able to make transactions at any time and from anywhere in the country. When these services do become commercially available here in Fiji, it is anticipated that the mobile phone banking will bring about transformational changes to the cost and accessibility of financial services. In countries where mobile money services are available, it has been demonstrated, that mobile money or branchless banking has had significant positive impact on the local economies, particularly in promoting greater economic activity and financial inclusion to the previously unbanked and the poor. This will improve financial service access in the rural areas.

Vodafone is scheduled to start the pilot trial of its M-PAiSA – Vodafone Money Transfer Service from mid April 2010. FlexPacific is scheduled to start their pilot trial of its m-commerce service from 5 – 30 April 2010.

The two mobile pilot projects are the first of its kind in the Pacific region and are expected to provide valuable information and feedback to the Reserve Bank and other stakeholders.

FSDC is currently drafting the E-Money Guidelines for unlicensed financial institutions and a Payment Systems Decree which should be in force within the second half of this year.

A Capital Markets Master Plan for 2010-2020



In July 2010 the physical trading floor of the SPSE, one of the last remaining in the world, will be replaced with an Electronic Trading Platform.

After almost three decades of capital markets existence, Fiji's capital market is generally still considered as underdeveloped. Ample evidence suggests that our domestic capital market is not functioning to its full potential.

While we might be a relatively small country, many of the barriers to a better performing capital markets are within our collective control. Now, given the rapid evolution of global financial markets, a clear and objective assessment of the domestic issues as well as the global trends that affect the capital market is necessary to effect the positive and progressive development of our markets.

The Reserve Bank plans to draw up a Capital Markets Master Plan 2010-2020. The forerunner to the Master Plan will be the Stock Take Report which will look at the issues faced by the markets and investors and some of the factors that has prevented the capital markets from playing its full potential as an 'engine for growth'.

The Master Plan is a comprehensive plan which will map the direction of Fiji's capital markets over the next 10 years and establish the direction and strategies for the long-term development of Fiji's capital markets in a systematic manner. It will ensure that the Capital Markets is well positioned to support national economic growth and to meet future challenges from regional competition and globalization. It will articulate the vision, objectives and strategic initiatives for the Capital Markets.

In this respect, a Taskforce has been established

to help facilitate the Master Plan. The Taskforce will comprise 8 members, 6 of which will represent the private sector. Members will be required to provide independent views on the areas of focus for the Master Plan and to advise on areas where it may be necessary to fine-tune the recommendations to reflect evolving market developments.

The overall progress of the implementation process will closely be monitored by the Reserve Bank to ensure that the recommendations are implemented and reviewed on a timely and efficient basis. Staff of the Capital Markets Unit will provide secretariat and ongoing support to the Taskforce.

The Taskforce members are:

- ✓ Governor Sada Reddy, Chair
- ✓ Mr. Daryl Tarte
- ✓ Mr. Pradeep Patel
- ✓ Mr. Mesake Nawari
- ✓ Mr. Nitish Niranjana
- ✓ Ms. Lisa Apted
- ✓ Mr. Norman Wilson (ABIF nominee)
- ✓ Mr Inia Naiyaga - RBF
- ✓ Mr Filimone Waqabaca - RBF

Continuing Professional Education (CPE) Policy for Capital Markets

A Policy outlining Continuing Professional Education (CPE Policy) requirements for licensed intermediaries in the capital markets has been put out for market comments.

The Policy will require licensed persons to undertake ongoing professional education programs and activities as a requirement for renewal of their licences.

CPE is designed so that licensed persons take personal responsibility for their development. Licensed persons must collect 10 CPE points during a licence period in order to qualify for a renewal of their licences.

A licensed person can claim CPE points in the following ways:

- Attending an in-house training program relevant to the type of licence held;
- Organising, facilitating in-house training sessions (principal licensees);
- Attending a CPE-recognised seminar, workshop or conference;
- Enrolling and undertaking online courses;
- Serving in an approved industry association or committee;
- Presentation of a paper on any capital markets topic at a recognised seminar or meeting;
- Obtaining a recognised professional qualification.

Stakeholders who have not received a copy of this Policy can contact the Manager of the Capital Markets Unit.

Amendments to the Capital Markets Decree 2009

The Reserve Bank is currently completing its internal review of the Capital Markets Decree. The review is a continuation of the efforts undertaken by the CMDA which highlighted various areas of the capital markets that are not being effectively covered under the current legislation.

The proposed amendments, inter alia, will widen the powers and functions of the Reserve Bank, include new offences and increase penalties, incorporate the managed investment schemes provisions and include provisions on the applications and orders that the High Court can make.

Market consultations on the amendments will take place before the amendments are finalised.

Local Value Adding Content Requirement for the Tourism Industry



Complaints Management

In December 2009, the Reserve Bank issued a Complaints Management Policy to commercial banks and licensed credit institutions.

The Policy requires the institutions to establish an effective and efficient complaints management framework within their institutions that ensures customer complaints are addressed promptly and satisfactorily.

A Complaints Management Policy for the FNPF and licensed insurers has also been issued and a similar Policy will be drawn up for the capital markets in the second quarter of 2010.

The Reserve Bank will be publishing a Complaints Management Brochure that will outline very simply the procedures that members of the public will be required to follow when lodging a complaint to the Reserve Bank. Members of the public are required to lodge their complaints with the financial institution first. If they are not happy with the outcome provided by the financial institution, they may lodge their complaint with the Reserve Bank.

The Reserve Bank will establish an Advisory Group from a wide representation of the community that will meet once every six months. It will provide a consultative forum where issues of mutual interest will be discussed.

Photo: Compliance Unit staff discussing complaints received.

The Reserve Bank has reiterated that a national concerted effort is needed by all sectors to reduce the country's hefty imports bill. Rising international fuel prices continue to put a lot of pressure on Fiji's balance of payments. It was for this reason that there was a need for all to support the local value added content requirements and buy local produce.

Over the years, the Reserve Bank has expressed concern that the tourism industry, in particular the hotel/ resorts were under-utilizing local resources. As a result, the tourism industry had high levels of imported food and goods, some of which could be supplied domestically. Such actions result in outflow of funds or high leakage from the industry which, cannot be sustained overtime. Increased local content requires change by both the tourism industry and potential suppliers.

The Asian Development Bank (ADB) on 13 April 2010, appointed a consultant to assist the Reserve Bank to carry out a review on the local value added content requirement for a sustainable tourism industry. This will help Government achieve its national economic and development goals through the development of policies relating to import substitution, national food security, promotion of microfinance, small & medium enterprises (SME's), improving links between agriculture sector and tourism industry as well as improving our balance of payment.

The consultancy period for this review is expected to take around 8 weeks. Some of the key outcomes of the work will be to identify the key constraints to increase value adding in the economy, including in the agriculture, processing/manufacturing and tourism industries. This includes technical, capacity and funding issues. During the course of the review, the consultant will have close consultation with key stakeholders in these industries in order to ensure their full awareness and commitment in meeting the objectives of the policy to be developed. The consultant will also help develop a mechanism for determining the extent of local value adding and environment protection by the tourism industry that will link to their borrowing capacity from commercial banks.

Complaints Update for Q1, 2010

Industry Type	Number of Complaints:						
	Recd	Investigated & Closed	Under Investigation:			Withdrawn	With the Court
			Assessed at Present	With the Institution	With the Complainant		
Banks	3	0	2	1	0	0	0
Insurers	2	0	2	0	0	0	0
Non-Bank Financial Institutions	1	1	0	0	0	0	1
Insurance Brokers	0	0	0	0	0	0	0
Foreign Exchange Dealers	0	0	0	0	0	0	0
Capital Markets	0	0	0	0	0	0	0
Total	<u>6</u>	<u>1</u>	<u>4</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>

**CONGRATULATIONS
JAMES**



James' advise to his peers: "Seek ye first the kingdom of God and his righteousness and everything else shall be added to you".

Staff Achievements

James McGoon, an analyst with FSD Unit, was awarded the Vice Chancellor's Gold Medal and the Colonial Fiji Vice- Chancellors Prize of \$500 at the recent USP Graduation Ceremony. James received the prize for the male graduate with the best combined academic performance and all round service to the community. He completed a Bachelor of Arts Degree in Economics, Management & Public Administration. James joined the Reserve Bank on 25 January 2010.

The FSDC congratulates James for his achievement and wishes him all the success in pursuing his career at Reserve Bank. James attributes his achievement to the Lord Almighty and his family.

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Schedule of FSDC Events

- 26-27 Apr Technical Workshop : *Understanding Financial Statements & Financial Analysis (Basic)*
- 28 Apr Technical Workshop : *Financial Analysis (Advanced)*
- 25 Jun RBF Microfinance Expo – Ba (*Date tbc*)
- 25 Jun 2nd National Financial Inclusion Taskforce (NFIT) meeting
- 7-8 Jul Technical Workshop : *Fundamentals of Fund Management*
- 28 Jul Capital Markets Securities Licensing Exams – T11 : Reserve Bank Bldg
- 3-4 Nov Technical Workshop : *Valuing Equity & Debt Securities*
- 24 Nov Capital Markets Securities Licensing Exams – T11 : Reserve Bank Bldg
- *Date tbc* NFIT Financial Literacy Working Group meeting
- *Date tbc* NFIT Statistics Working Group meeting
- *Date tbc* Capital Markets Development Taskforce meeting

* Capital markets licensed intermediaries who participate in the technical workshops will be able to claim CPE points.

* The RBF technical workshops are accredited by the Fiji Institute of Accountants.