

# FORGING AHEAD Annual Report 2011

# OUR VISION Leading Fiji to Economic Success

## OUR MISSION

- Enhance our role in the development of the economy
- Provide proactive and sound advice to Government
- Develop an internationally reputable financial system
- Conduct monetary policy to foster economic growth
- Disseminate timely and quality information
- Recruit, develop and retain a professional team

## OUR VALUES

- Professionalism in the execution of our duties
- Respect for our colleagues
- Integrity in our dealings
- Dynamism in addressing our customers' needs
- Excellence in everything

The principal purposes of the Reserve Bank shall be

- to regulate the issue of currency, and the supply, availability and international exchange of money
- to promote monetary stability
- to promote a sound financial structure and
- to foster credit and exchange conditions conducive to the orderly and balanced economic development of the country

Section 4, Reserve Bank of Fiji Act (1983).

# CONTENTS

Letter to the Minister for Finance	4
Governor's Foreword	
Our Functions	7
Organisation Structure	8
Board of Directors	9
Executive Management	
Corporate Governance	
Economic Overview	

Conduct Monetary Policy to Foster Economic Growth	
Monetary Policy Formulation	18
Chronology of Monetary Policy Actions	18
Monetary Policy Outcomes for 2011	19
Monetary Policy Implementation	
Open Market Operations	
Management of Foreign Reserves	
Exchange Rates	21
Forward Facility	21
Foreign Currency Receipts & Payments	21
Fiji Government Global Bonds	
Exchange Control	21
Export Proceeds Reconciliation and Monitoring	

#### 

The Banking Industry	25
Credit Institutions	27
The Insurance Industry	29
Fiji National Provident Fund	29
Capital Markets	29
Complaints Management	31
Combating Money Laundering	
Currency	35
FIJICLEAR	

Enhance Our Role in the Development of the Economy	
Import Substitution and Assistance to the Export Sector, IMF	
Article IV Mission and Technical Assistance, Microfinance	
Development and National Financial Inclusion Taskforce	39
Microinsurance, Mobile Money Development, e-Money	
Taskforce, Local Value Added and Remittances	40
Local Advisory Board and National Payment Systems	41
Monetary Policy Simplified	
RBF in the Community	44
Provide Proactive and Sound Advice to Government	
Policy Coordination	45
Registry and Banking Services	45
Disseminate Timely and Quality Information	47
Financial Performance	47
Publications/Press Releases	47
Information Technology, Records Management and Library and	
Domestic Relations	48
International Relations	49
Recruit, Develop and Retain a Professional Team	50
Staffing, Management Remuneration in 2011 and Staff	
Development	50
Employment Relations, Labour Management Consultative	
Cooperation, National Employment Centre, Health and	
Safety in the Workplace, Quality Performance Management,	
General Administration Services and Property Management &	
Security	51
Service Recognition and Acknowledgement	52
The Year Ahead	53
Financial Statements	54
Selected Events in 2011	89
Fiji: Key Economic and Financial Indicators	90
Abbreviations	91

## LETTER TO THE MINISTER

## **RESERVE BANK OF FIJI**

#### Governor



30 March 2012

Commodore J. V. Bainimarama Prime Minister and Minister for Finance Ministry of Finance Ro Lalabalavu House Victoria Parade <u>SUVA</u>

Dear Sir

#### **RBF Annual Report and Accounts 2011**

In terms of Section 56(1) of the Reserve Bank of Fiji Act 1983, and on behalf of the Reserve Bank of Fiji, I submit the following: -

- (i) A copy of the RBF Accounts for the year ended 31 December 2011 certified by the Auditors.
- (ii) A report on the RBF's Operations for the 2011 fiscal year.

Yours faithfully

Barry Whiteside <u>Governor</u>

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## **GOVERNOR'S FOREWORD**



At the start of the year, early indications pointed to 2011 being another challenging year for the Fijian economy. While the worst effects of the Global Financial Crisis (GFC) had waned, the international economic recovery remained fragile and relatively slow.

Emerging market economies (EMEs) registered buoyant growth which in turn drove overall global growth outcomes for 2011. Strong demand from EMEs, particularly those in Asia, underpinned the up-trend in international commodity prices that, by mid-year, had fed into elevated price levels. Still, the growth in Asia supported economic activity in Australia and to some extent, New Zealand. Growth outcomes in the United States (US) and the Euro zone were dismal while Japan's economic situation was further worsened by the impact of natural disasters. In this regard, reducing unemployment, consolidating public finances and increasing economic activity, remained key challenges for most developed nations. Towards the end of the year, sovereign debt problems in Europe featured as a further downside risk to the global growth outlook.

All in all, monetary policy settings in most economies, including our key trading partners, reflected the challenge of balancing supporting internal demand through accommodative macroeconomic policy stances against premature tightening as inflationary and fiscal sustainability concerns mounted.

Domestically, policy considerations in 2011 were undertaken against a background of varying key trading partner growth outcomes, rising commodity prices and two years of economic contractions. Monetary policy decisions were aimed at ensuring our core monetary policy objectives of a comfortable level of foreign reserves and low inflation remained paramount, while supporting the domestic economic recovery. To this end, we lowered the Bank's Overnight Policy Rate (OPR) on three occasions during the year, to help stimulate demand by reducing borrowing costs and creating an environment conducive to investment and growth. A comfortable level of foreign reserves - which reached a record high of over \$1.6 billion in August - and largely supply-driven inflation, allowed us to pursue an accommodative monetary policy throughout the year.

We worked in close collaboration with other stakeholders to support recovery in the economy. In that regard, we urged commercial banks to achieve a lending growth target of 10 percent, preferably to priority sectors. This policy was focussed on building up business confidence in key sectors and adding to the growth momentum. By December, private sector credit had grown at its highest for 2011 at 7.6 percent, foreign reserves closed at \$1,512.5 million and inflation eased to 7.7 percent. Overall, the domestic economy is estimated to have rebounded by 2.0 percent in 2011, following several years of low growth and economic contractions in 2009 and 2010.

The Reserve Bank continued to manage foreign reserves within the appropriate parameters in 2011. Given the comfortable level of reserves by year-end, we relaxed our exchange control policies and increased delegated limits for authorised dealers to approve certain transactions.

The financial system remained stable in 2011. Banks continued to be well capitalised and Non-Bank Financial Institutions (NBFIs) posted satisfactory earnings and solvency positions. With the focus now on bank regulation following the crisis, improving the transparency and accountability of financial system operations have motivated supervisory developments. More precisely, appropriate prudential policies were formulated and reviewed during 2011 to ensure that the financial system remained sound and sustainable.

Like many of our central bank counterparts in advanced economies, we responded to the 2008 crisis with conventional and non-conventional tools. The adverse impact from the GFC and four consecutive years of low and negative growth compelled the Bank to implement policy measures outside of its traditional monetary policy to ensure financial and external stability and assist in the recovery of the economy. The Bank continued its support to other organisations in promoting the development of the economy. We extended our support to the 2011 Crest Agriculture Show from the previous year as well as to the Fiji Development Bank's (FDB) and Investment Fiji's Small Business and Exporter of the Year Awards in our effort to hone local entrepreneurial and value-adding initiatives. In addition, we expanded the coverage of our Import Substitution and Export Finance Facility (ISEFF) to include honey, poultry and pig farming. The Bank also coordinated a week-long microfinance exposition in the Maritime zone, in addition to the usual one held in Suva, to further encourage financial literacy and inclusion. Notably, continued partnership between the Bank and the country's two mobile network operators (MNOs) has seen a reduction in the costs of remitting funds into Fiji following the launch of international remittance services in Australia and New Zealand by the two providers during the year.

On other major developments, a Currency Design Committee finalised the flora and fauna designs for our new banknotes and coins family that will be officially unveiled and launched in late 2012. To facilitate settlement transactions, the Bank finalised its revised Real Time Gross Settlement System (RTGS) Business Rules in May, with major improvements to FIJICLEAR operational times. The Financial Intelligence Unit (FIU) also signed 12 Memorandum of Agreement (MOA) with foreign counterparts in 2011, bringing to 14 the total number of MOA that the Fiji FIU has signed with foreign FIUs.

The year marked increased liaison and collaborative work with Government, local stakeholders and international multilateral agencies and donors. The Bank contributed to the National Budget process, and made several presentations to relevant local forums, industry groups and Government agencies. Additionally, the Bank coordinated the International Monetary Fund (IMF) Article IV Consultation Mission, held from 24 October to 4 November 2011, for which a report was subsequently approved by the IMF Executive Board.

As per the requirements of the RBF Act (1983), the audited accounts and operational report for 2011 were submitted to the Minister for Finance on 30 March 2012. On 1 April, 2012, the Bank transferred a total of \$47.8 million to Government, consisting of its entire profit of \$34.5 million for the financial year 2011 and \$13.3 million, which represents one fifth of the Revaluation Reserve Account (RRA). Comparatively, a total of \$38.9 million was transferred to Government in 2011, comprising \$21.5 million in profit and \$17.4 million representing one fifth of the RRA.

Looking ahead, macroeconomic policy will remain targeted at restoring confidence and financial sector health that are critical to ensuring that the recovery, both on the global and domestic front, is on a firm footing. Notably, the comfortable level of foreign reserves, stable core inflation, sound financial system, effective payments, settlements and currency management, mean that the Bank is equipped to **forge ahead** with work on its core objectives and wider responsibilities of supporting domestic economic activity.

Nevertheless, as we plan for the future there is no room for complacency, given the prevailing downside risks to growth and external and financial stability. In effect, building greater resilience against future shocks through monetary, financial sector and exchange rate policies, apart from maintaining the momentum of current structural reforms, will be important in the coming year.

In closing, I would particularly like to note and commend the hard work of all our staff at the Reserve Bank of Fiji. I acknowledge the Board for its judgment and guidance and the Deputy Governor and Executive Management team for their focus and advice that underlined the effective work of the Bank in 2011. I commit that the work of the Bank will continue to be motivated by the need to ensure a stronger and more resilient Fijian economy that is responsive to the needs of the Fijian people.

Barry Whiteside Governor and Chairman of the Board

## **OUR FUNCTIONS**

The Reserve Bank of Fiji (RBF) is the country's central bank.

#### **Monetary Policy**

Under Section 4(b) of the RBF Act (1983), the Bank is required to promote monetary stability through low and stable inflation and to maintain an adequate level of foreign reserves. The Bank performs this responsibility through the formulation and implementation of monetary policy. Policy tools include the OPR, open market operations (OMO), statutory reserve deposits, and other direct and indirect controls which have been used at various times.

In managing the country's foreign reserves, the Reserve Bank also utilises and administers exchange control policies under the Exchange Control Act (Rev. 1985).

#### **Financial Stability**

Under Section 4(c), the RBF Act requires the Bank to promote a sound financial structure. In undertaking this function, the Bank licenses and supervises institutions in the banking, insurance and superannuation industries, as well as foreign exchange dealers.

In addition to the legislative environment for these industries, licensed institutions are required to comply with prudential policies and guidelines issued by the Bank. These policies and guidelines complement the Bank's supervisory function with the aim of fostering financial stability through sound licensed institutions. The Licensed Financial Institutions (LFIs), including the Fiji National Provident Fund (FNPF), are required to comply with the RBF Act, Banking Act (1995), Insurance Act (1998) and the Exchange Control Act (Rev. 1985).

Maintaining financial stability also encompasses the responsibility of combating money laundering and terrorist financing under the Financial Transactions Reporting (FTR) Act (2004) and the FTR Regulations (2007).

To achieve these requirements, the Bank registers and licenses financial institutions and uses a risk based

supervision system. The Reserve Bank acts as banker to the commercial banks and provides payment and settlement services through FIJICLEAR. This is administered under the Payment and Settlement Systems Oversight Regulations (2004).

The Bank is also responsible for regulating, supervising and developing the capital markets in Fiji under the Capital Markets Decree (2009).

#### Currency

Pursuant to Section 22(1) of the RBF Act, the Bank has the sole right to issue currency in Fiji. The Reserve Bank is the sole entity responsible for the printing of banknotes and minting of coins and is also responsible for the destruction and disposal of used and unserviceable currency. The Reserve Bank also determines the denominational structure, design, content, material and composition of Fiji's currency, subject to the approval of the Minister for Finance.

#### Other

The Bank provides banking, registry and foreign exchange services to Government and is a lender of last resort to the banks. Policy advice to Government is provided through participation in various committees and on request.

The Bank also drives and facilitates projects in the areas of microfinance, mobile banking, financial literacy, complaints management and local value-adding. In addition, financial system development and financial inclusion initiatives are promoted.

The Bank's organisation structure is illustrated on page 8. Details of the Reserve Bank Board of Directors are provided on page 9 and the roles of the Board, Management and Governance structure are described on pages 12 to 14.

# ORGANISATION STRUCTURE

### **Board of Directors**

### Governor and Chairman of the Board

## Deputy Governor

[	1	1		1	1	
Currency and Corporate Services	Economics	Executive Services	Financial Institutions	Financial Intelligence Unit	Financial Markets	Financial Systems Development and Compliance
Currency, accounting, human resources, information technology, general services, records management, library, corporate projects, security and plant & properties.	Economic analysis and research, monetary and macroeconomic policy, publications, forecasting financial and economic statistics.	Provide advice to the Governors on economic, financial and other Bank policies, corporate communications, domestic and international liaison and board secretariat services.	Financial system supervision, development and implementation of prudential supervision policies, licensing and examination of licensed financial institutions.	Financial intelligence policy advice, formulation, compliance, supervision, training implementation and monitoring, national and international liaison.	Exchange rates, foreign exchange dealings, market monitoring, foreign exchange reserves management, exchange control, export proceeds monitoring, open market operations, registry and liquidity forecasting.	Microfinance, financial institutions complaints, remittances, small medium enterprises, rural banking, financial literacy, capital markets supervision and development, settlements and middle office functions, and payment services through FIJICLEAR.

## **BOARD OF DIRECTORS**



#### **Barry Whiteside** *Governor and Chairman of the Board*

Governor from 5 May 2011. Previously Deputy Governor of the Reserve Bank of Fiji. Alternate Governor for Fiji at the International Monetary Fund and the Asian Development Bank. Former Deputy Chairman of the Capital Markets Development Authority. Chairman of the Macroeconomic Policy Committee. Member of the National Anti-Money Laundering Council, National Financial Inclusion Taskforce and Sugar Taskforce. President of the Fiji Badminton Association.

#### Filimone Waqabaca Permanent Secretary Ministry of Finance (ex-officio)

Appointed to the Board on 7 February 2011. Member of the Governance Committee of the Board. Previously Chief Manager Financial Systems Development and Compliance at the Reserve Bank of Fiji. Former Advisor to the Executive Director at the International Monetary Fund. Board Director of the Fiji Revenue & Customs Authority and Fijian Holdings Limited Member of the University of the South Pacific Council, Fiji National University, Macroeconomic Policy Committee, Sugar Taskforce, National Employment Centre, National Financial Inclusion Taskforce, National Disaster Management Council and National Housing Council. Alternate Governor for Fiji at the

World Bank

#### Iowane Naiveli

Appointed to the Board on 1 January 2000. Term expired on 31 December 2011 and renewed for another 3 years. Chairman of the Reserve Bank of Fiji Board Audit Committee and member of the Governance Committee of the Board. Sole partner of I. Naiveli & Company Chartered Accountants. Chairman of Fijian Holdings Limited. Former Chairman of the External Audit Committee of the International Monetary Fund. Former President of the Fiji Institute of Accountants, Financial Advisor to the iTaukei Affairs Board and Trustee of Unit Trust of Fiji.

#### **Robin Yarrow**

Appointed to the Board on 5 August 2005. Term expired on 6 August 2011 and renewed for another 2 years. Member of the Audit and Governance Committees of the Board. Retired from the Fiji Government after 30 years of service which included senior positions with the Ministries of Agriculture, Tourism, Foreign Affairs and National Planning. Currently serves on a number of boards including Vodafone Fiji Ltd, the Fiji Red Cross Society and the National Trust of Fiji. Chairman of the National Financial Inclusion Taskforce. Was appointed in 2009 as Regional Councillor for Oceania for the World Conservation Union.

#### Adish Narayan

Appointed to the Board on 3 August 2007. Term expired on 3 August 2010 and renewed for another 3 years. Member of the Governance Committee of the Board. Lawyer by profession and sole proprietor of AK Lawyers and is a member of the Legal Aid Commission.

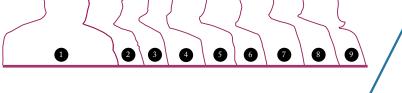
#### **Deo Saran**

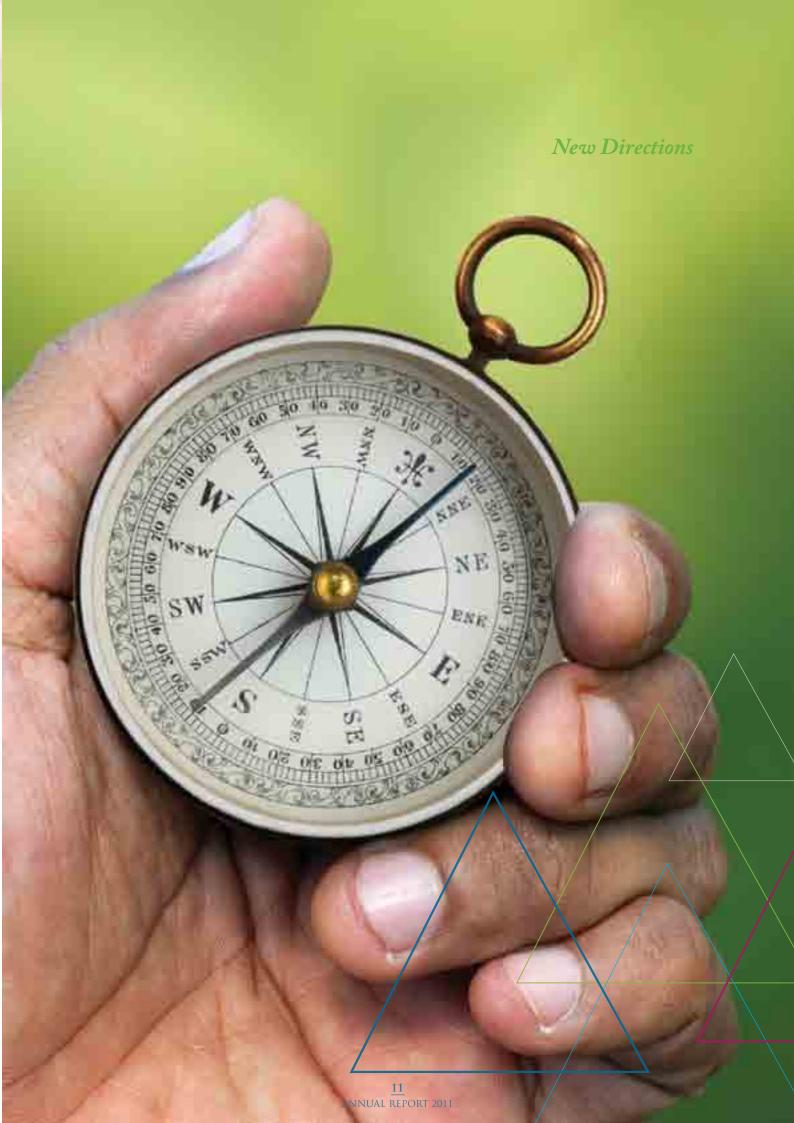
Appointed to the Board on 11 February 2009. Term expired on 11 February 2012 and renewed for another 3 years. Chairman of the Governance Committee of the Board and member of the Board Audit Committee. Former Chief Executive Officer of the Fiji Sugar Corporation Limited and a former President of the Fiji Institute of Accountants. Served on the Stakeholder Council of the Global Reporting Initiative.

# **EXECUTIVE MANAGEMENT**



- 1. Inia Naiyaga Deputy Governor (from 26 May 2011)
- 2. Lorraine Seeto Advisor to the Governors
- 6. Caroline Waqabaca Chief Manager Economics (from 2 May 2011)
- 7. Susan Kumar Chief Manager Currency and Corporate Services (from 2 May 2011)
- 3. Esala Masitabua Chief Manager Financial Institutions
- 8. Vereimi Levula Chief Manager Financial Systems Development and Compliance (from 1 January 2012)
- 4. Razim Buksh Director Financial Intelligence Unit
- 9. Subrina Hanif Secretary to Board
- 5. Ariff Ali Chief Manager Financial Markets





## **CORPORATE GOVERNANCE**

The Reserve Bank of Fiji is fully owned by the Government of Fiji. The functions and duties of the Reserve Bank are specified in the RBF Act (1983), the Banking Act (1995), the Insurance Act (1998), the Exchange Control Act (Rev. 1985), the FTR Act (2004), Payment and Settlement Systems Oversight Regulations (2004) and the Capital Markets Decree (2009). These laws define the boundaries of the Bank's responsibilities and accountabilities.

The Reserve Bank's performance is documented in an Annual Report and tabled in Parliament every year. Under Section 56 of the RBF Act, the Annual Accounts and a Report of Operations of the Bank must be submitted to the Minister for Finance no later than 31 March of the following year. Under the Insurance Act, the Bank's Insurance Annual Report has to be submitted to the Minister for Finance to the Minister for Finance to the Insurance Act, the Bank's Insurance Annual Report has to be submitted to the Minister for Finance to the Minister for Finance by 30 June of the subsequent year. The Financial Intelligence Unit (FIU) Annual Report is also published annually.

The Bank has a Vision statement - "Leading Fiji to Economic Success" - and also subscribes to Mission statements and Values which are listed on the inside cover of this Report.

#### The Governor

The Governor, who is the RBF's Chief Executive Officer, is responsible to the Board for the management of the Bank and the execution of its policies. Mr. Barry Whiteside was appointed Governor on 5 May 2011 for a period of three years.

#### **Board of Directors**

The Board comprises the Governor, who serves as Chairman, the Permanent Secretary of the Ministry of Finance, as an ex-officio member, and five other nonexecutive members. Under the RBF Act, the Minister for Finance appoints the directors. Directors may hold office for a period not exceeding three years but are eligible for reappointment. Board Directors Mr. Robin Yarrow and Mr. Iowane Naiveli's terms ended on 6 August and 31 December 2011, but were renewed for another two and three years, respectively. Other Board directors holding office in 2011 were Mr. Adish Narayan, Mr. Deo Saran and Mr. Filimone Waqabaca. One director post remained vacant throughout 2011.

#### **Board Meetings**

Under the RBF Act, the Board is required to meet at least 10 times in a calendar year. Four directors form a quorum for a meeting of the Board. In the absence of the Governor, the Deputy Governor may participate in Board meetings and is entitled to exercise a vote.

During 2011, the Board met on 11 occasions. There were 10 ordinary board meetings and one special board meeting. All meetings, except for one, were held in Suva.

The out-of-Suva meeting was held in conjunction with field visits to various industries around Viti Levu.

Director	Board (11)	Board Audit Committee (6)	Board Governance Committee (8)
Barry Whiteside*	8	NM	NM
Iowane Naiveli	9	6	7
Robin Yarrow	9	6	7
Adish Narayan	9	NM	5
Deo Saran	11	6	8
Filimone Waqabaca**	8	NM	3
* Governor from 5 May ** Permanent Secretary NM - Not a Member		uary 2011	

Source: Reserve Bank of Fiji

#### **Board Committees**

There are two committees of the Board, the Audit Committee and the Governance Committee, which comprise non-executive members. Decisions of the Committees are submitted to the Board for ratification.

The Board Audit Committee monitors the adequacy of the audit function in the Bank and assists the Board in fulfilling the requirements of the RBF Act in relation to the Bank's accounting and reporting practices. In carrying out these functions, the Committee:

- Reviews the audit plan of the external and internal auditors;
- Evaluates the Bank's accounting control system

by reviewing audit reports and monitoring management's responses and actions to correct any noted deficiencies;

- Reviews the annual financial statements of the Reserve Bank; and
- Reviews accounting policies to ensure compliance with laws, regulations and accounting standards.

The Board Audit Committee met on six occasions in 2011.

The Governance Committee of the Board was established to strengthen the governance of the Bank and to make the Office of the Governor more accountable to the Board. All Board directors are members of the Committee, except the Governor.

The main functions of the Committee are to oversee compliance of the Bank's Corporate Governance Principle Guidelines. The Committee also undertakes the annual performance appraisal of the Governor and Deputy Governor based on agreed key performance indicators (KPIs).

In addition, the Governance Committee reviews and approves strategies on terms and conditions of employment for executive management and staff. The Committee also reviews and approves strategies on the remuneration policy for all staff.

The Governance Committee met eight times during 2011.

#### **Bank Management**

The executive management of the Reserve Bank comprises the Governor, Deputy Governor, Advisor and all Heads of Group. The Governor is advised by a number of internal committees within the Bank:

- Executive Management Committee, which meets weekly to consider the management and day-to-day operations of the Bank;
- Monetary Policy Committee, which meets monthly, or more often as necessary, to discuss economic and monetary developments;
- Market Operations Policy Committee, which meets quarterly to discuss the Bank's foreign reserves and domestic investment management strategies;
- Financial System Policy Committee, which meets quarterly to review financial system development and compliance as well as consider policy issues on the soundness and efficiency of the financial system;

- Currency and Corporate Services Policy Committee, which meets quarterly to discuss issues relating to currency and internal services;
- Information Technology Steering Committee (ITSC), which meets quarterly to discuss Information Technology (IT) development and operations;
- Financial Systems Development and Compliance Policy Committee, which meets quarterly to discuss financial system and capital markets developments, payment system and consumer issues; and
- Business Continuity Management Committee, which meets quarterly to formulate and initiate strategies to address risks faced by the Bank.

During 2011, the membership of the ITSC included a non-executive member, appointed to provide independent advice on IT issues.

The Governor chairs all the above Committees.

#### **Delegation of Authority**

The Delegation of Authority sets out the framework for the Governor's delegation in the operations of the Reserve Bank, together with the associated accountabilities. All activities and expenditure in the Bank must be authorised in accordance with the respective delegations, policies and procedures. The Internal Rules and Orders of the Bank and the Code of Ethics and Business Conduct policy provide guidance on compliance to ethical standards. The Declaration of Compliance, signed annually by staff, ensures that they have complied with the Code of Ethics, Delegation of Authority, Internal Rules and Orders and IT policies of the Bank.

#### **Reserve Bank of Fiji Act**

The review of the RBF Act commenced in 2009 and a revised draft was submitted to the Solicitor General for review in 2010. In 2011, the Board and Management discussed various aspects of the proposed changes. The Bank will liaise with relevant authorities on the draft document in 2012.

#### **Strategic Plan**

During 2011, the Reserve Bank continued to implement its 5-year Strategic Plan for 2009-2013. The Plan was reviewed and updated in a comprehensive manner to ensure that it aligns with changing circumstances. The Plan is posted on the Bank's Intranet and is available to all staff. Work will commence on a new three-year plan for 2014-2016 in 2012.

#### **Corporate Plan**

Corporate planning is carried out annually in the Reserve Bank. The formulation of the Bank's workplan for the following year commences as early as May, with a review of its Vision and Mission statements.

Group strategies are reviewed accordingly. All Groups review their progress for the first six months of the year and submit a report to the Board in July. Extensive discussions are held during the interactive planning workshops and feedback is obtained from internal and external stakeholders in August. Output and resources are matched, and the workplan and budget are presented to the Board for approval in November.



The workplan is developed and presented according to the Mission statements of the Bank. Every strategy, output and process must identify with a Mission statement which in turn will contribute to the achievement of the Vision of the Bank. Each Mission statement has a list of KPIs. Resources are applied to the workplan. The Bank uses zero based budgeting for its financial resources. Heads of Group are responsible and accountable for their respective Group's KPIs and budgets. These indicators are monitored quarterly by the Governors and bi-annually by the Board.

In November 2011, the Board approved the annual workplan and budget for 2012.

#### **Risk Management**

Risk management is an integral aspect of the Reserve Bank's daily operations. The Bank faces many risks some general, while others are unique to central banks. The Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. The main financial risks that the Bank faces are liquidity risk, credit risk, market risk and operational risk.

Relevant committees are set up to ensure that risk is appropriately managed, through vigilant monitoring of economic developments and pre-emptive monetary policy formulation. This is to ensure that the financial system is sound and stable and the Bank's reputation and credibility is maintained. Other risks relate to:

- The holding of foreign reserves like credit, interest and exchange rate risks;
- The RBF being a relatively small organisation loss of staff, especially due to emigration can have a major impact;
- Currency such as counterfeit, adequacy and safety issues; and
- The operations of Fiji's payments system, FIJICLEAR
   due to technical issues.

The Business Continuity Plan, which was approved by the Board in 2007, continued to be rolled out during 2011. The RBF continued training for fire evacuation for Bank staff and tenants. In addition, the Bank implemented other initiatives including planning for a possible avian influenza pandemic and documenting procedures for reference, as well as strengthening procedures in the case of natural disasters.

The Reserve Bank's Business Resumption Site (BRS), which was officially opened on 26 August 2010, is the backup site for critical operations if the Reserve Bank's main building is, for some reason, inaccessible, or if the systems in the building are inoperable. Critical operations include foreign reserves management, settlements and some domestic market processes including FIJICLEAR operations. The site also houses the Bank's archives. The Bank is now in the process of training staff on the use of the BRS and simulation exercises will take place in 2012.

The Middle Office continued to monitor the performance and operational procedures of the Bank with regard to its external and domestic investments. An outsourced internal audit function by PricewaterhouseCoopers provided the Bank with information on risk areas that need to be addressed. Areas for improvement that are identified by internal and external sources are addressed. The recommendations of the special audit on the IT operations of the Bank continue to be implemented. The Board and the Audit Committee also contribute to the review and strengthening of the Bank's risk management process.

## **ECONOMIC OVERVIEW**

#### **International Economic Developments**

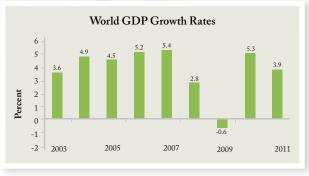
In 2011, sovereign debt and financial vulnerabilities dented growth prospects and weighed in on the global economic recovery towards the end of the year. Consequently, the IMF estimated a slowing in global growth to 3.9 percent in 2011, lower than initial expectations, following a 5.3 percent expansion in 2010. Nonetheless, solid economic activity in most emerging and developing economies drove the global economic recovery, despite some macroeconomic policy tightening during the year. In contrast, lacklustre performance in consumption and investment persisted in advanced economies as households coped with income and wealth losses and firms operated with large excess capacity. In effect, low internal demand, coupled with tight financial and fiscal conditions in most advanced economies, underpinned their relatively weak growth outcomes in 2011.

For 2012, while growth in advanced economies will continue to lag that of emerging markets, the worsening external environment and the withdrawal of monetary and fiscal stimulus implies an imminent slowdown in emerging and developing economies' growth.

Evidently, risks to the international economic outlook tilted further downwards in the last quarter of 2011, on account of the unfolding Euro crisis and the associated deterioration in global financial conditions.

In the US, while high commodity and consumer prices cut into retail sales in the first half of 2011, the US Federal Reserve kept its funds rate largely unchanged to support the economic recovery into the medium term. As a result, the US economy is estimated to have grown by 1.7 percent in 2011, with a surge in consumer spending in the last quarter, following a 3.0 percent broad economic expansion in 2010.

For the Euro zone, overall growth for 2011 stood at 1.4 percent, as fiscal tightening and faltering demand underscored the loose monetary policy bias of the European Central Bank (ECB). Notably, the ECB reduced its key interest rate twice over the December quarter in its effort to support growth in the region, given subdued confidence and fiscal sustainability concerns. In Japan, declines in retail sales, industrial production and employment contributed to the envisaged 0.7 percent contraction in 2011. However, post-earthquake reconstruction activity has set the economy up for some growth in 2012.



Source: IMF World Economic Outlook (April 2012)

New Zealand's hosting of the Rugby World Cup strengthened activity in its tourism and retail sectors in the latter half of the year, despite the European debt crisis-induced waning of business and consumer confidence. The Reserve Bank of New Zealand kept its benchmark interest rate at 2.5 percent for the rest of the year, following its March reduction of 50 basis points, in exercising caution amidst deteriorating global conditions and low underlying inflation.

The 2.0 percent growth estimated for the Australian economy in 2011 was attributed to both external and domestic factors, as elevated commodity prices and strong growth in Asia underpinned the positive outlook for domestic economic activity, particularly in the resource and public sectors. The Reserve Bank of Australia reduced its benchmark interest rate twice in the December quarter, as the need for supportive monetary policy became more evident amidst escalating concerns that the deepening Euro debt crisis may stall global demand and reduce commodity exports.

#### Economic Developments in Fiji

In 2011, the domestic economy is estimated to have grown by 2.0 percent, driven by activity in the primary industries and service-oriented sectors. Notably, increased non-cane crop production given the recovery from cyclone damages and the rebound in cane production from the 2010 recordlow level, and increased financial intermediation, tourism and transport activities, underpinned the 2011 growth outcome.

However, restrained industrial production as indicated by annually lower gold output, weak electricity demand, partly as a result of electricity tariff increases and subdued construction activity are estimated to have contributed negatively towards overall growth. In addition, the unwinding of previously large Government operational spending provided less of an impetus towards growth.



Sources: Fiji Bureau of Statistics and Macroeconomic Policy Committee

Measures of consumer and business confidence remained generally positive in 2011, although some restraint was evident. On aggregate, partial indicators suggest that overall demand in 2011 was driven by a pick-up, albeit moderate, in consumption activity. In 2011, net Value Added Tax (VAT) collections rose by 24.7 percent, attributed mainly to the increase in the VAT rate from 12.5 percent to 15.0 percent in January. In addition, new lending for consumption purposes rose strongly (95.6%) in 2011, relative to the moderate growth (9.9%) in imports of consumption goods, in the cumulative to June period.

On investment, survey data and industry liaison suggest recent investment intentions and activities have focused on Fiji's resource and tourism sectors, aided by higher commodity prices and the strong Australian dollar, amongst other factors. Imports of investment goods rose annually by 12.1 percent in the cumulative to June period, and new lending for investment purposes rose by 65.5 percent in 2011, suggesting some positivism in firms' willingness to increase investment. Even so, there remain subdued levels of fixed capital formation in other industries as businesses focused spending on maintenance rather than expanding productive capacity. The total value of work put-in-place by the construction sector in 2011, declined annually by 0.9 percent, underpinned by lower (-4.2%) private sector activity.

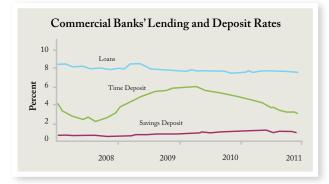
The fiscal deficit widened to an estimated 3.5 percent of Gross Domestic Product (GDP) in 2011, from 2.1 percent in 2010, reflective of Government's support to the Fiji Sugar Corporation Limited and some pick-up in capital spending. Nevertheless, operational spending growth was kept in check, motivated by Government's fiscal consolidation plans, resulting in the public sector's relatively lower contribution to overall growth. Inflation in 2011 reached its highest in August at 10.4 percent, reflective of the combined contribution of elevated commodity prices and some increases in administered prices. Nevertheless, inflation eased to 7.7 percent by December as the impact of the electricity tariff rate restructure in November 2010 fell out of the calculation and the lowering of global oil and food prices towards the end of the year, dampened price increases. As external and supply-side factors accounted for much of Fiji's inflation throughout 2011, monetary policy was eased on three occasions during the year to support the domestic economic recovery. In addition, the prevailing excess spare capacity in the domestic economy meant that demand-side pressures were largely absent for most of 2011.

In line with the low levels of capacity utilisation, conditions in the labour market remained subdued throughout the year. For 2011, new taxpayer registrations declined by around 44.0 percent, underpinned by the relatively subdued external and domestic demand conditions, coupled with the end of the compulsory registration period in August. Notably, weak recruitment intentions as per the 11.4 percent contraction in the number of vacant positions advertised in 2011, pointed to persistent soft employment prospects and the lack of a steady broad-based recovery in business activity.

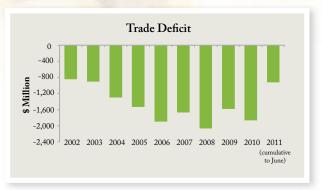
Monetary conditions remained largely accommodative in 2011 and credit growth moved to positive territory compared to a year earlier. Domestic credit rose over the year by 6.2 percent in December, led by the steady growth in private sector lending, evident in the 8.1 percent annual growth in commercial bank lending. While the availability of credit to large companies has remained largely stable, any sustained economic recovery also depends on the steady supply of and demand for funds to and from smaller firms and households as well as the less formal sector of the economy, particularly small and medium enterprises.

The comfortable level of foreign reserves throughout 2011 continued to boost bank liquidity levels which reached a relatively higher year-end level of \$510.2 million. Consequently, commercial banks' weighted average interest rates trended downwards as the time deposit rate fell further by 176 basis points to 2.97 percent, while the savings deposit rate fell by 11 basis points to 0.91 percent on an annual basis.

The weighted average lending rate flat-lined at 7.42 percent during the same period. In effect, improving growth prospects are beginning to boost financial conditions, moderately aided by some declines in risk aversion. Nonetheless, continued improvement in the investment climate should sustain increased credit growth and support broad economic activity into the medium term.



Source: Reserve Bank of Fiji



Source: Fiji Bureau of Statistics

On trade performance, domestic export earnings fell annually by 5.7 percent in the first six months of the year, on account of lower fish, timber, garments, gold, coral and flour earnings. Over the same period, imports, excluding mineral fuels, rose by 10.7 percent on an annual basis, suggesting some pick-up in internal demand. On aggregate, the merchandise trade deficit narrowed annually by around 2.3 percent to \$917.7 million in the review period.

### MISSION: CONDUCT MONETARY POLICY TO FOSTER ECONOMIC GROWTH

The Reserve Bank of Fiji is entrusted with the conduct of monetary policy in the country. The twin objectives of monetary policy are formally stipulated in the RBF Act (1983). They are to maintain low inflation and an adequate level of foreign reserves. Prior policy measures and continued softness in domestic demand ensured that foreign reserves remained at comfortable levels in 2011. At the same time, inflation outcomes were largely driven by external factors which accounted for much of the elevation in consumer prices during the year. As such, monetary policy formulation remained focussed on supporting domestic economic growth, while safeguarding our core objectives.

### MONETARY POLICY FORMULATION

#### **Chronology of Monetary Policy Actions**

Historical evidence suggests that sluggish recoveries usually follow periods of sharply contracting activity, associated with financial crises. In 2009 and 2010, the consequent weak global recovery significantly impacted the domestic economy, the impact worsened by the incidence of natural disasters and structural constraints prevalent in Fiji. As a result, the domestic economy contracted by 1.3 and 0.2 percent in 2009 and 2010, respectively. Nevertheless, at the beginning of 2011, the outlook for foreign reserves and inflation was much improved and stable on account of the macroeconomic policies initiated during the previous two years.

Given the positive outlook for our twin objectives and the two years of consecutive economic contractions, monetary policy became increasingly focused on supporting improved economic activity amidst subdued demand conditions. Consequently, in February, the Reserve Bank reduced its OPR to 2.0 percent from 2.5 percent, to stimulate demand by reducing borrowing costs and creating an environment conducive to investment and economic growth.

In efforts to ensure greater transparency and accountability, banks were advised in March by the RBF to publicly disclose any increases in interest rate spreads beyond the previously regulated limit of 4.0 percent for any given quarter, including the specific reasons, management's stance and justifications for any increase.

At the end of the first quarter, private sector credit growth remained weak and was not sufficient to arrest the continuing decline in domestic credit. In April, while rising crude oil and food prices posed ongoing concerns for household and business spending, the combined setting of slowly improving domestic demand and a healthy foreign reserves outlook led the Bank to further reduce its OPR to 1.5 percent from 2.0 percent. Typically, an easing in the Bank's policy rate should see a decline in deposit and lending rates translate to an uptick in credit. However, the response of credit and monetary variables to the Bank's accommodative policy stance has been slow and varied. New commercial bank lending in the first five months contracted annually by 23.9 percent, while movements in lending and deposit rates were mixed. Despite the increase in bank excess liquidity, which further rose to \$580.4 million in June from \$520.7 million a month earlier, the credit situation remained weak.

In July, the Bank pursued moral suasion with commercial banks, requesting them to achieve a lending growth target of 10 percent preferably to the priority sectors of agriculture, manufacturing, building & construction, renewable energy, and small and medium enterprises (SME). The loan growth target, intended to support the economic recovery in key growth sectors of the economy, was to be achieved over a period of 12 months.

Improvement in domestic economic prospects and continued stability in foreign reserves saw an upward revision in Fiji's foreign currency long-term sovereign rating by Standard and Poor's from 'B-' to 'B', with outlook revised to 'stable' from 'positive' in August.

In September, the Reserve Bank issued a revised policy guideline on fees and charges of licensed banks in Fiji. The guideline outlined several new disclosure requirements for banks, including key initiatives relating to standardisation and required disclosure details. This issue completed the first phase of the Bank's work on reforming fees and charges of LFIs. The second stage involving the review of existing commercial banks' fees and charges is currently in progress.

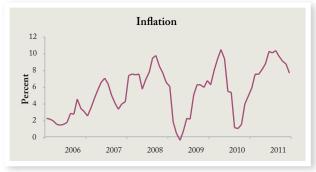
The RBF further reduced its policy rate in October from 1.5 percent to 0.5 percent. The more stimulative monetary policy stance was aimed at fuelling private sector demand to support growth.

Given the favourable outlook for foreign reserves in November, the RBF announced the relaxation of certain

exchange control policies to encourage investment and increased delegated limits for commercial banks to approve certain transactions. In addition, the coverage of the RBF's ISEFF was extended to include honey, poultry and pig farming.

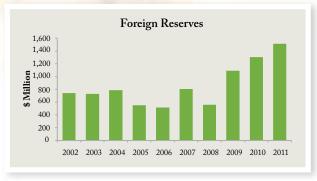
#### **Monetary Policy Outcomes for 2011**

Headline inflation trended upwards towards the 10.0 percent mark in the first half of 2011, on account of high imported fuel and food costs, increases in certain administered prices and the higher VAT rate. However, core inflation (excluding volatile items) remained relatively stable at below 3 percent during the same period. By year-end, Fiji's headline inflation had eased to 7.7 percent, as commodity prices fell and the effects of one-off domestic price factors subsided.



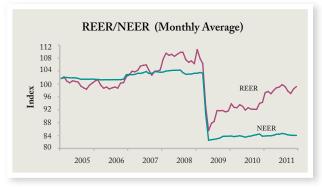
Source: Fiji Bureau of Statistics

Foreign reserves strengthened further in 2011 reaching a new record high of \$1,632.7 million in August, before falling slightly to \$1,512.5 million or around 5.0 months of retained imports of goods and non-factor services, at the end of the year.





Mixed outcomes were noted in the bilateral movement of the Fiji dollar against Fiji's major trading partner currencies in 2011. The Nominal Effective Exchange Rate (NEER) fell in the year to December, reflecting an overall depreciation of the Fiji dollar against our trading partner currencies. The Real Effective Exchange Rate (REER) Index, a gauge of Fiji's international competitiveness, rose by 5.3 percent during the same period, indicating erosion in Fiji's international competitiveness.



Source: Reserve Bank of Fiji

### MONETARY POLICY IMPLEMENTATION

#### **Open Market Operations**

The Reserve Bank implements monetary policy through changes in the OPR. The Bank conducts OMO through issues of its own securities, RBF Notes, to change the level of liquidity in the banking system thereby influencing money market interest rates in line with the OPR. During the year, there were no issues of RBF Notes as the Bank adopted an expansionary monetary policy stance.

The Bank eased monetary policy further in 2011 by reducing its OPR three times during the year. The OPR was lowered by 50 basis points to 2.00 percent in February, followed by a similar 50 basis points reduction to 1.50 percent in April. In October, the OPR was reduced further by 1 percentage point to 0.50 percent.

Despite the reductions in the OPR, monetary policy costs fell only marginally due to the build up in bank demand deposits, which is remunerated at the OPR less 50 basis points. Total monetary policy cost for the year was \$5.3 million, down from \$5.5 million in 2010.

#### **Management of Foreign Reserves**

As mandated under the RBF Act (1983), the Reserve Bank of Fiji is responsible for the management and custodianship of Fiji's foreign reserves. Foreign reserves management is a core function of the Bank and is undertaken with the objectives of safety, liquidity and profitability.

Foreign reserve levels rose significantly in the first three quarters of the year and recorded an all-time high of over \$1,600 million in late August. However, over the remainder of the year, reserve levels declined to close at \$1,513 million by year-end, following the relaxation of exchange control policies by the Bank. On average, reserves were higher by around \$300 million in 2011, when compared to 2010.

The composition of the Bank's holdings of foreign reserves was unchanged, with the Fiji dollar basket currencies, namely the Japanese Yen, the Euro, the Australian, New Zealand and United States dollars forming the majority of total holdings. Other components of foreign reserves include gold, the British pound and IMF Special Drawing Rights (SDR).

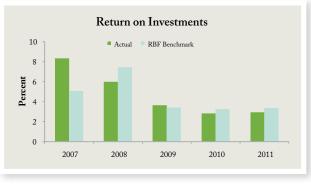
The European debt crisis and the natural disasters in Japan and New Zealand had a pronounced effect on Fiji's

major trading partner economies. Central banks in these nations responded by either reducing or maintaining exceptionally low interest rates. As a result, a large portion of maturing investment proceeds was reinvested at significantly lower yields. In addition, downgrades to the credit ratings of major investment counterparties posed a challenge for reserves management as investment options were narrowed. Nevertheless, the Bank recorded a higher income in 2011, compared to the previous year, owing mainly to elevated foreign reserve levels. Net foreign exchange income increased to \$43.7 million from \$30.6 million in 2010.

	2009	2010	2011
Net Foreign Exchange Income (\$M)	24.3	30.6(r)	43.7
Average Month-End Level of Investible Reserves (\$M)	610(r)	920	1,281
Annual Return on:			
RBF Benchmark (%)	3.4	3.3	3.4
RBF Portfolio (%)	3.6	2.8	2.9

Source: Reserve Bank of Fiji

The Bank's investment of foreign reserves earned a return of 2.9 percent in 2011, compared to the benchmark<sup>1</sup> of 3.4 percent. The underperformance was largely attributed to an underweight position in bonds during a period when bond investments yielded high returns.

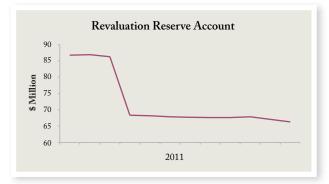


Source: Reserve Bank of Fiji

The RRA reflects the impact of exchange rate movements on the value of foreign reserves. As a hedge against currency risk, foreign reserves are broadly invested in line with the weights of the currencies in the Fiji dollar basket. Exchange rate losses recorded by the RRA in 2011 amounted to 0.2 percent of gross reserves, in comparison to a loss of 0.3 percent of gross reserves in 2010.

<sup>&</sup>lt;sup>1</sup> The RBF benchmark portfolio uses a customised version of the JP Morgan Index.

Under the RBF Act (1983), the Bank is required to transfer 20 percent of the year-end RRA balance to Government. The RRA balance at the end of 2011 was \$66.3 million, of which \$13.3 million was transferred to Government in April 2012. This compares to \$17.4 million that was transferred in April 2011.



Source: Reserve Bank of Fiji

#### **Exchange Rates**

As the Fiji dollar is fixed to a basket of currencies, setting the exchange rate is a daily responsibility of the Bank. This rate, normally referred to as the mid rate against the US dollar, is sent to commercial banks by 9.00 am on each business day and is unchanged throughout the day. The rate is in turn used by commercial banks to set rates at which they transact foreign exchange with customers. The spread between the rates at which commercial banks buy and sell foreign currency is regulated by the Reserve Bank.

#### **Forward Facility**

During the year, the Bank continued to monitor the Forward Foreign Exchange Facility to ensure compliance with the RBF Guidelines.<sup>2</sup> There was a notable increase in activity by the commercial banks in the forwards market in 2011 as customers took advantage of the ability to hedge foreign exchange risk.

#### **Foreign Currency Receipts and Payments**

The Bank facilitated foreign currency receipts and payments for the Fijian Government and statutory bodies as well as other central banks and supranational organisations during the year.<sup>3</sup>

#### Fiji Government Global Bonds

The Fijian Government collaborated closely with the RBF on the successful issue of Fiji's second international bond. The Global Bond was issued in March 2011 and raised a total of US\$250 million. In addition, repayment of the first US\$150 million Global Bond was successfully completed in September.

#### **Exchange Control**

In 2011, the Reserve Bank relaxed exchange controls further as foreign reserves reached record levels. The changes included increases in delegated limits for certain foreign exchange transactions to authorised foreign exchange dealers and accelerated repatriation of commercial banks' retained earnings. Furthermore, the FNPF and other NBFIs were permitted to invest a total of \$161 million offshore.

To supplement the above changes, additional exchange control relaxations were announced by the Minister for Finance, effective from 1 January 2012.

The Bank also participated in discussions with Government agencies on the implementation of the Investment Approval Tracking System. The System facilitates online application submissions by foreign investors interested in investing in Fiji, as well as the granting of approvals by the different Government agencies. In effect, the System is expected to streamline and consolidate approval processes and improve turnaround and efficiency.

During the year, the Bank continued to monitor and strengthen compliance with exchange control guidelines

<sup>&</sup>lt;sup>2</sup> Commercial banks are allowed to write forward sales contracts only to the extent of their forward purchases; with exceptions for additional forward sales cover on investment-related projects available upon application Effective 1 January 2012, rules were relaxed, allowing commercial banks to write up to \$20 million in net forward sales.

<sup>&</sup>lt;sup>3</sup> This includes the Asian Development Bank, International Monetary Fund and the International Bank for Reconstruction and Development.

through the analysis of regular returns and spot checks. Work on the Exchange Control Database progressed throughout 2011. The Database enables the integration of historical and current exchange control information and statistics, allowing for ease of reporting and referencing.

# Export Proceeds Reconciliation and Monitoring

As required under the Exchange Control Act (Rev. 1985), the Reserve Bank continued its initiative to ensure that export proceeds are repatriated into the country.

The results of the export proceeds reconciliation for the last three years are summarised in the following table.

	2009	2010	20111
Total Reconciled Export Proceeds	860.9	1,314.9	485.6
Unreconciled Proceeds	17.6	46.5	50.9
Percentage reconciled (%)	97.9	96.6	90.5

Source: Reserve Bank of Fiji

Following its establishment in 2010, the Export Proceeds Monitoring Unit has reconciled a total of \$3.9 billion in unreconciled export proceeds for the period 2004-2011. This represents approximately 95 percent of total outstanding proceeds, of which \$2.1 billion was reconciled during 2011.



### MISSION: DEVELOP AN INTERNATIONALLY REPUTABLE FINANCIAL SYSTEM

A sound financial system is essential for a well functioning economy and is a pre-condition for economic growth.

The financial system consists of financial institutions, financial markets, and clearing and settlement systems. The Reserve Bank promotes the safety and efficiency of the financial system by regulating and supervising financial institutions and markets which fall within its supervisory ambit. These financial institutions include licensed banks and credit institutions, insurance underwriters, brokers and agents, the FNPF, restricted foreign exchange dealers (RFEDs) and money changers (MCs). Financial markets under the Reserve Bank's supervision include the capital markets.

The Reserve Bank Act (1983) entrusts the responsibility of maintaining a sound financial system to the Reserve Bank. In line with this responsibility, the Banking Act (1995), Insurance Act (1998), Insurance (Amendment) Act (2003), Exchange Control Act (Rev. 1985), Reserve Bank of Fiji (Amendment) Decree (2009) and Capital Markets Decree (2009) confer on the Reserve Bank powers to issue licences, regulations, prudential guidelines and directives to financial institutions and the capital markets and to conduct offsite supervision and onsite examinations.

### FINANCIAL SYSTEM REGULATION AND SUPERVISION

In 2011, industry performance measures revealed that Fiji's financial system remained stable and recorded strong growth despite subdued activity in the overall economy. The banking industry, in particular, maintained its strong capital position, satisfactory earnings and acceptable asset quality. In addition, the insurance industry recorded satisfactory solvency and earning positions, while the FNPF registered stable growth and improved investment earnings, amidst reforms aimed at addressing longevity and strategic risks. On balance, despite subdued economic activity and the associated macroeconomic challenges, Fiji's financial system remained sound.

#### **Supervisory Developments**

Maintaining a sound financial system continued to be the focus of the Reserve Bank's supervisory approach during the year. In this regard, closer monitoring of the FNPF was intensified to ensure reforms assured a sound and sustainable pension scheme. Offsite monitoring and onsite examinations of the FNPF, banking and insurance industries, RFEDs and MCs were conducted throughout 2011. Further to this, substantial work was carried out on raising awareness on product affordability and transparency of LFIs operations.

In 2011, the Reserve Bank finalised and implemented three supervision policies to increase the transparency and accountability of licensed banks.

A key feature of supervisory developments during the year related to the finalisation for implementation of the *Accountability and Disclosure Guidelines on Interest*  Rates and Fees and Charges for Licensed Banks in Fiji, in September. This concluded close to two years of work after the draft was first released to the industry for consultation. The policy guideline imposed several new disclosure requirements on the banks, with the key focus being on the standardisation and disclosure of required details. The Reserve Bank consulted extensively on the final requirements of the Policy with the Operations Committee of the Association of Banks in Fiji (ABIF), which was formed specifically to discuss the proposed requirements.

Similarly, the Reserve Bank and the ABIF agreed to undertake a review of fees and charges for banking products and services. Consequently, the ABIF agreed to remove and place maximum limits on a number of penalty type fees. Additionally, in June 2011, commercial banks agreed to publish their base lending rates and released their first publications in September 2011. The rationale for the requirement was to increase the transparency of interest rates charged for banking products. The Reserve Bank is expected to complete the review of all the current fees and charges in 2012.

For the insurance industry, the Reserve Bank implemented two policies aimed at strengthening the soundness of licensed underwriters and improving their transparency, to in turn foster market discipline. The first outlined the minimum responsibilities of licensed insurers and their appointed actuaries during the conduct of the actuarial functions of licensed life and general insurers. The second related to the requirement for every insurer to prepare and publish, no later than four months after the end of each calendar year, a Key Disclosure Statement (KDS)<sup>4</sup> in a local newspaper. The KDS must also be made available for policyholders at the insurers' branches and on their websites. The first round of publications is expected in June 2012.

<sup>&</sup>lt;sup>4</sup> The KDS contains key financial statistics about the performance and position of a licensed insurer.

In the supervision of RFEDs and MCs, the Reserve Bank continued to monitor the implementation of supervision policies in place.

As part of the Bank's supervisory cycle, several onsite examinations of LFIs and spot checks for RFEDs and MCs were conducted in 2011. The Australian Prudential Regulation Authority (APRA) provided technical assistance to the RBF with onsite examinations conducted on two insurance underwriters. Bank staff were also joined by representatives of other financial system supervision agencies from the Association of Financial System Supervisors of Pacific Countries, as part of their training. The examinations assessed compliance with the applicable legislative and RBF supervision policy requirements, as well as adequacy of risk management frameworks. The implementation of the recommendations arising from these and prior visits were also monitored throughout the year.

In addition, the Reserve Bank was mandated and conducted onsite examinations of seven Microfinance Institutions (MFIs) in the Central, Northern, Western, and Southern divisions, as per the provisions of the MFIs (Examination and Assessment) Decree, 2010. These onsite examinations were to form the basis for any required reform, with Government's support, for MFIs.

The Reserve Bank's controllership of the NBF Asset Management Bank (AMB) continued into its fourth year. Notably, in 2011, the Reserve Bank implemented initial steps in the High Court for the winding up of the AMB, consequent to approval by the Minister for Finance. The matter will be deliberated before the courts in 2012. During the year, the Reserve Bank continued to wind down the Insurance Trust Fund operation, reducing the number of insurance policies in force while continuing with recovery efforts on outstanding loans cases.

In 2011, further innovation was achieved in the work towards improving efficiency of our payments systems. The interchange of Electronic Funds Transfer at Point of Sale (EFTPOS) reached 90 percent completion amongst three of the four banks: Bank of South Pacific (BSP), Australia and New Zealand Banking Group and Westpac Banking Corporation. This innovation allows banks' customers to use their electronic cards at each other's EFTPOS machines, improving convenience and saving costs for banks. Overall, interchange helps improve the efficiency and outreach of banking services. Interchange is effectively now available across all banks' Automated Teller Machines (ATMs) and EFTPOS machines, with the exception of one bank.

#### The Financial System

In 2011, the number of banks licensed under the Banking Act (1995) decreased to four with the transfer and full integration of the operations of Colonial National Bank (CNB) with BSP. A decrease was also noted in the number of branches and agencies to 106. However, the points of representation of banks almost doubled with the increased number of EFTPOS machines and ATMs. Banks have, through the use of technology, used more cost-effective channels to improve the availability and convenient use of their banking services. While a number of enquiries were made by notable interested parties during the year, only one new application for a banking licence was received and conditionally approved. The new bank, Bred Bank (Fiji) Limited, is expected to work towards meeting the conditions of the licence approval and begin operations in 2012, bringing the number of licensed banks to five. Bred Bank (Fiji) Limited is a subsidiary of Bank Populaire with its head office in France.

	2007	2008	2009	2010	2011(p)
Commercial Banks <sup>1</sup>	6	5	5	5	4
Branches /Agencies	110	0	120	114	106
ATMs	132	154	164	202	212
EFTPOS	1,320	1,589	1,785	1,896	2,937
Credit Institutions	3	3	3	3	3
Branches /Agencies	11	11	12	13	14
Life Insurance Companies	2	2	2	2	2
General Insurance Companies <sup>2</sup>	8	8	8	8	8
Insurance Brokers	5	4	4	4	4
Insurance Agents <sup>3</sup>	385	378	320	329	357
Foreign Exchange Dealers	8	8	7	8	8
Money Changers	3	3	3	3	3
Securities Exchange	1	1	1	1	1
Unit Trusts	6	3	2	2	2
Property Trusts	1	1	1	1	1
Investment Advisors	13	10	11	10	11
Brokers	3	3	3	3	3
Dealers	2	2	2	3	3
<sup>1</sup> AMB is excluded from 200 currently being wound up. <sup>2</sup> Includes FAI Insurance (F3 <sup>3</sup> An agent may bold more calendar year.	iji) Limited,	which is cu	rrently being	g wound up	b.

Source: Reserve Bank of Fiji

The number of credit institutions remained at three, although an additional branch was opened in 2011 by one of these entities.

For the insurance industry, two life insurance companies, eight general insurance companies and four insurance brokers were licensed under the Insurance Act (1998) in 2011. The number of licensed insurance agents rose to 357.

During the year, eight RFED and three MCs were licensed under the Exchange Control Act (Rev. 1985). A number of new branches of RFEDs were opened in the year as expansion plans were implemented.

In 2011, Fiji's financial system grew as gross assets rose annually by 5.6 percent, compared to the slight 2.1 percent growth recorded in 2010 and a 7.7 percent expansion in 2009. Increased banking industry asset growth (9.7%), combined with moderate contributions from the FNPF and both credit institutions and insurers, underpinned the elevated gross asset position of the financial system in 2011. In terms of industry asset composition, the systemic importance of the banking industry increased to 44.6 percent, followed by the FNPF at 36.1 percent, while insurance companies and credit institutions accounted for the remaining 13.5 percent of supervised financial system assets for 2011. NBFIs accounted for the unsupervised portion of the financial system.

Entities				
Linnics				
3,962	4,008	4,452	4,514	4,954
370	348	372	418	447
825	804	921	940	1,051
3,437	3,696	3,841	3,928	4,015
8,594	8,856	9,586	9,800	10,467
ncial Ent	ities			
770	712	721	726	651
770	712	721	726	651
9,364	9,568	10,307	10,526	11,118
	370 825 3,437 8,594 ncial Ent 770 770	370         348           825         804           3,437         3,696           8,594         8,856           ncial Entities         770           770         712           770         712	370         348         372           825         804         921           3,437         3,696         3,841           8,594         8,856         9,586           ncial Entities         770         712         721           770         712         721	370         348         372         418           825         804         921         940           3,437         3,696         3,841         3,928 <b>8,594 8,856 9,586 9,800</b> ncial Entities         770         712         721         726 <b>770 712 721 726</b>

Source: Reserve Bank of Fiji

The value of the capital markets totalled \$3.9 billion in 2011, a decrease of 5.2 percent over the previous year.

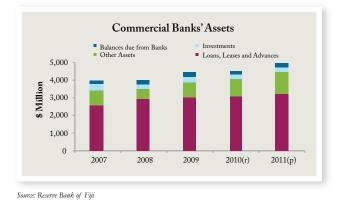
10 1,00	2 902	778	744
48 13	8 116	111	117
50 2,82	7 3,003	3,212	3,025
08 3,96	7 4,021	4,101	3,886
	08 3,96	· · · ·	08 3,967 4,021 4,101

Source: Reserve Bank of Fiji

#### The Banking Industry

Strong capital positions, satisfactory earnings and comfortable liquidity levels underscored the stable ratings for banks and credit institutions during the year.

The banking industry expanded further by 9.7 percent to \$4.9 billion in 2011, a significant improvement compared to a relatively sluggish 1.4 percent growth in 2010 and an average increase of 7.3 percent in the last five years. This positive outcome in 2011 was largely underpinned by record high Exchange Settlement Account (ESA) balances, which rose from \$348.4 million to \$510.1 million, indicative of comfortable liquidity within the banking system as foreign reserves strengthened further during the year.



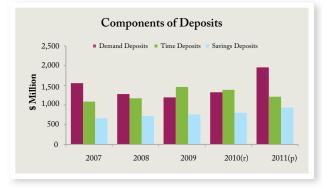
Credit growth picked up in 2011 as advances (including leases, bills receivable and foreign currency loans) grew by 4.6 percent to \$3.2 billion, led by increased lending to the electricity and water, wholesale, retail and hotels, real estate, transport and storage, private individuals and other sectors. While improved economic growth prospects are feeding through to financial conditions, credit expansion has not returned to double-digit growth last recorded in

2008, reflective of the uneven domestic economic recovery

to date. Banking data for the year suggests persistent

subdued demand in the manufacturing, building and construction, professional & business services and public enterprise sectors.

Investment in Government and Government-guaranteed securities recorded a slight increment of 2.4 percent to \$255.6 million in 2011.



Source: Reserve Bank of Fiji

On the liabilities side, deposits rose over the year by \$593.6 million (16.9%) to a record high level of \$4.0 billion, attributable to a notable 47.9 percent annual growth in demand deposits and a 16.4 percent rise in savings deposits. In contrast, time deposits declined by 12.4 percent from \$1.4 billion.

The increase in demand deposits to \$2.0 billion was largely on account of increased deposit placements by NBFIs and private sector business entities, whereas increased placements by private individuals underlined the growth in savings deposits.

Over the year, the banking industry's capital and reserves level declined by 13.4 percent to \$492.5 million, underpinned by a reduction of \$126 million (28.7%) in unappropriated profits. The reduction in unappropriated profits was mainly due to repatriation of profits to commercial banks' head offices and transfer to reserves.

The capital adequacy ratio for the banking industry remained strong at 15.5 percent, above the minimum requirement of 12.0 percent. This however, reflected a deterioration of 3.4 percent when compared to 18.9 percent registered in 2010. The decline in capital adequacy emanated from the contraction in total capital, due to profit remittances and the growth in total risk weighted assets as per the growth in total assets. In 2011, risk weighted assets increased by \$174.3 million to \$3.0 billion.



Source: Reserve Bank of Fiji

In line with the rebound, albeit slow, in the domestic economy, asset quality of the banking industry recovered following two years of deterioration. The total classified accounts-to-total loans ratio reduced from 3.8 percent in 2010 to 3.0 percent in the review year. Notably, classified accounts fell by 17.8 percent over the year to \$95.4 million, largely due to improved account serviceability. However, impaired accounts recorded a rise of 9.9 percent to \$71.2 million, on account of the downgrade of some persistent bad debts.

Total provisions (individually and collectively assessed) on classified accounts for the banking industry, fell marginally by 8.1 percent to \$43.8 million. In terms of coverage, this represented 45.9 percent of total classified loans, an improvement from the 34.9 percent coverage in 2010.

In terms of total past due levels, a significant increase of \$47.0 million was noted during the year. This was largely due to a rise in the 1-3 months category whereby accounts reflected temporary excesses. The private individuals sector continued to dominate the problem loans for the industry (30.3%), followed by the wholesale, retail, hotels and restaurants sector at 17.8 percent.

The profitability of the banking industry fell marginally in the 2010-2011 financial year, as before-tax profits declined from \$125.0 million to \$112.0 million. The reduction in profits was largely underpinned by a rise in operating and bad debt expenses during the year.

Consistent with the decline in net profits, commercial banks' return on equity fell in 2011. The ratio of operating expenses to operating income deteriorated from 59.8 percent to 61.2 percent, as the growth in expenses outpaced the rise in income.

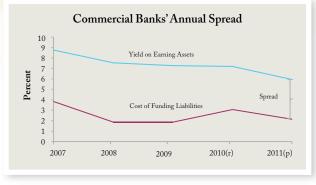
	2007	2008	2009(r)	2010(r)	2011(p)
Net Interest Income	153.3	187.4	187.5	159.8	168.3
Add: Non Interest Income:	90.8	96.5	114.3	130.6	141.2
Income from Overseas Exchange Transactions	38.8	44.3	46.4	55.0	66.9
Commission and Charges	48.4	54.2	56.7	68.2	69.9
Other Income	3.6	(2.0)	11.3	7.4	4.4
Total Operating Income	244.3	283.9	301.8	290.4	309.5
Less: Operating Expenses	121.7	133.0	135.6	173.6	189.5
Less: Bad debts and Provisions	19.5	7.3	38.9	(8.2)	8.0
Profit Before Tax and Extraordinary Items	102.8	143.5	127.3	125.0	112.0
Less: Tax	30.1	41.8	38.1	32.6	32.9
Net Profit After Tax	72.7	101.7	89.2	92.5	79.1
Add/Less: Extraordinary Items	0.0	0.0	0.0	0.0	0.0
Net Profit After Tax and Extraordinary items	72.7	101.7	89.2	92.5	79.1
Average Assets	3,403.0	3,766.7	4,033.5	4,337.1	4,973.1
After Tax Return on Equity (%)	28.4	32.2	21.1	17.7	13.8
Efficiency (%)	49.9	46.9	44.9	59.8	61.2
Yield on Earning Assets (%)	8.8	7.5	7.2	7.2	5.9
Cost of Funding Liabilities (%)	3.8	1.9	1.9	3.1	2.1

Source: Reserve Bank of Fiji

	2007	2008	2009	2010(r)	2011(p)
Net Interest Income	4.5	5.0	4.7	3.7	3.4
Charges for Bad & Doubtful Debts	0.6	0.2	1.0	-0.2	0.2
Non-interest Income	2.7	2.6	2.3	3.0	2.8
Operating Expenses	3.6	3.5	3.4	4.0	3.8
Net Profit Before-Tax	3.0	3.8	2.6	2.9	2.3
Net Profit After Tax	2.1	2.7	1.6	2.1	1.6

Source: Reserve Bank of Fiji

The interest spread stood at a record low level of 3.8 percent, driven by the relatively larger decline in the yield on earning assets (126 basis points) in relation to the 92 basis points reduction in the cost of funding liabilities.



Source: Reserve Bank of Fiji

Over the year, total liquid assets of the banking industry increased by \$225.9 million to \$1.1 billion, with major impetus provided by the significant 46.4 percent increase in ESA balances to \$510.1 million and an increase in deposits with banks from \$171.8 million to \$223.9 million.

Liquidity indicators strengthened further in 2011 with the ratio of marketable assets (liquid assets to total deposits) increasing to 26.8 percent from 24.9 percent. The ratio of the 15 largest depositors as a percentage of total deposits increased from 24.4 percent in 2010 to 26.9 percent in 2011. The banking industry's term deposits maturing within the next 12 months reduced significantly to \$730.2 million.



Source: Reserve Bank of Fiji

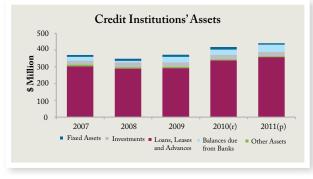
#### **Credit Institutions**

The overall performance of credit institutions remained satisfactory in 2011. Non-performing loans rose but remained at manageable levels. Credit institutions continued to raise capital levels and core funding.

Similar to banks, credit institution's assets grew over the year by 7.2 percent to \$427.6 million, a slightly lower growth compared to 14.7 percent in 2010. This positive outcome was largely underpinned by an increase in both

loans and advances (\$19.2m) and deposits with banks (\$10.6m).

Gross loans, advances & leases recorded a growth of 15.5 percent to \$357.4 million, led by the rise (\$22.6m) in lending to private sector business entities. In contrast, private individual loans declined by \$3.7 million.



Source: Reserve Bank of Fiji

Total investments remained relatively constant at \$27.2 million.

On liabilities of credit institutions, deposits rose by 19.0 percent to \$273.6 million. Private individuals and private business entities accounted for 42.3 percent and 38.2 percent of total deposits, respectively. Borrowing from shareholders substantially declined by \$19.7 million to \$44.1 million.

In regard to their capital position, credit institutions injected \$5.0 million capital into their business, further improving their capital adequacy ratio to 26.2 percent from 24.9 percent and ensuring a strong capital position rating. Total risk weighted assets of credit institutions recorded a growth of 1.3 percent over the year.

Performance indicators suggested that credit institutions' asset quality deteriorated further in 2011. Classified exposures rose by 27.4 percent to \$42.8 million. As a result, the ratio of classified exposures-to-loans, advances & leases increased to 12.0 percent from 9.9 percent in 2010. Past due levels also rose over the year to \$65.0 million.

In addition, following improvements over the past three years, credit institutions' profits (before-tax) deteriorated to \$17.9 million. Evidently, escalating bad debt and provision expenses and operating outlays, more-than-offset positive income streams.

	2007	2008	2009	2010(r)	2011(p)
Interest Income	44.0	46.2	41.4	45.5	49.3
Interest Expense	19.4	15.2	11.9	17.3	18.6
Net Interest Income	24.6	31.0	29.5	28.2	30.7
Add: Non Interest Income	2.7	4.2	3.7	4.1	4.2
Total Operating Income	27.3	35.2	33.2	32.3	34.8
Less: Operating Expenses	11.5	11.0	11.6	11.9	12.7
Less: Bad debts and Provisions	2.3	5.5	3.6	0.7	4.2
Profit Before Tax	13.5	18.7	18.0	19.7	17.9
Less: Tax	3.8	5.7	5.6	5.2	5.5
Net Profit After Tax	9.7	13.0	12.4	14.5	12.4
Earning Assets	325.4	324.0	309.6	326.5	358.7
Cost of Funds	285.2	279.5	250.3	262.9	299.5
Average Assets	353.5	354.5	334.3	356.9	399.7
After Tax Return on Equity (%)	17.7	21.4	18.5	19.5	15.6
Efficiency (%)	42.0	31.3	35.0	36.7	36.3
Yield on Earning Assets (%)	13.5	14.3	13.4	14.0	13.7
Cost of Funding Liabilities (%)	6.8	5.5	4.8	6.6	6.2

Source: Reserve Bank of Fiji

As a result of declining profitability, after-tax return on average equity fell significantly to 15.6 percent. A higher rate of increase in operating expenses than operating income, led to a deterioration in the efficiency ratio of credit institutions to 36.3 percent.

The combined credit institutions' spread stood at 7.5 percent in 2011 compared to 7.4 percent in 2010. This was mainly the result of a reduction in the cost of funding liabilities.

The level of liquid assets held by credit institutions, strengthened by 16.6 percent to \$69.6 million, attributed to the \$10.6 million increase in deposits with banks to \$42.4 million.

#### The Insurance Industry

The insurance industry performed satisfactorily in 2011. Both the life and general insurance industries met the solvency requirements under Section 31 of the Insurance Act (1998). Solvency surplus position of life insurers as at 31 December 2011 was \$129.9 million<sup>5</sup> whilst general insurers' solvency position stood at \$84.7 million.

During the year, combined industry assets grew to reach the \$1.0 billion mark. Life insurers' assets expanded by 14.6 percent over the year to \$750.1 million, largely underpinned by growing investments in term deposits and Government securities. General insurance sectors assets also increased over the year by 5.4 percent to \$300.5 million. In terms of the industry's assets composition, the life insurance industry maintained its majority market share at 71.4 percent.

The net premium income for the insurance industry stood at \$191.1 million, increasing by 8.5 percent over the year. Both life and general insurers' net premium incomes rose by 10.4 percent and 6.6 percent, respectively, in 2011. The general insurance industry accounted for 50.1 percent of the total net premium income. Net claims paid during 2011 fell by 0.7 percent to \$107.0 million, of which life insurers paid the most at 58.7 percent.

In addition, insurance brokers also played a vital role by arranging insurance policies for policyholders. Apart from arranging insurance locally with licensed insurance companies in Fiji, insurance brokers placed 872 applications amounting to \$22.2 million premiums with overseas insurers. The total premiums approved by the Reserve Bank and remitted offshore decreased from \$28.3 million in 2010.

#### Fiji National Provident Fund

Closer monitoring of the FNPF under the supervisory ambit of the Reserve Bank continued in 2011, indicative of the importance of the Fund due to its asset size and influence in the financial system. The Fund accounted for 36.1 percent of the financial system assets at the end of 2011.

The FNPF continued with its reform programme in 2011 and the Reserve Bank intensified its closer monitoring to ensure that reform actions taken by the Fund result in a financially viable and solvent pension scheme able to meet its current and future contractual obligations. Equally important was the need for the FNPF to put in place operational and structural processes to improve its information system and customer service standards. The gazetting of the FNPF Decree in November 2011 provided the legal framework for all these process changes.

The Reserve Bank conducted monthly prudential consultations with the FNPF in addition to receiving quarterly and monthly statistics on its financial performance. Regular liaison were undertaken with key personnel on the progress of the reform programme in areas including the review of the pension annuity rates, investment rehabilitation and the drafting of the new FNPF Decree. The Reserve Bank provided comments on the draft FNPF Decree in late October 2011.

In November, the Reserve Bank conducted a targeted onsite examination of the FNPF focusing on the adequacy of the Fund's risk management framework in the management of investment and pension risks inherent in its operations. Recommendations from this onsite examination as well as previous onsite examinations are required to be implemented by the FNPF by the end of 2012.

The FNPF Decree came into effect on 1 March 2012. Part II of the Decree provides for the supervision of the FNPF by the Reserve Bank. The RBF will continue to discuss and work closely with the FNPF on the implementation of the supervisory provisions of the Decree. However, consistent with best practice and to ensure that the legislation to supervise the Fund is administered by the RBF as the supervisor, the Reserve Bank will accelerate the drafting and approval of the Superannuation Supervision Decree for Fiji, in 2012.

#### **Capital Markets**

The Reserve Bank regulates and supervises Fiji's capital markets in accordance with the Capital Markets Decree (2009). During the year, the Reserve Bank received and approved six new licensing applications and one change in category of licence.

In addition, the Bank continued to make improvements to its supervisory framework during the year, issuing four regulatory policies directed at improving the supervision of the capital market. Two of these policies will come into effect in 2012. Targeted onsite inspections of both unit trust management companies and a broking firm were conducted towards the end of 2011. Reports on these onsite inspections were released to the inspected entities in the first quarter of 2012.

<sup>&</sup>lt;sup>5</sup>Solvency Position is based on December 2011 returns.

At the end of 2011, a total of 18 securities and 17 companies were officially listed on the South Pacific Stock Exchange (SPSE) Limited. Future Forests Fiji (FFF) Limited's<sup>6</sup> listing of its ordinary shares and convertible notes on 21 November constituted the only new listing in 2011, making it the first forestry company to be listed on the SPSE. As a result, the total market capitalisation of the SPSE increased by \$19.1 million. The company was granted approval to undertake an Initial Public Offering prior to its listing, consequently raising more than \$2.0 million.



Source: South Pacific Stock Exchange

In 2011, while the volume of shares traded noted a decline to 1.7 million shares from 2.3 million in 2010, the value of trade rose to \$3.5 million from \$2.7 million a year earlier.

On average, the buy-to-sell ratio was around 1:61 during the year, indicating the persistence of a bear market and downward pressure on share prices. Various economic factors contributed to this situation. The Bank, in partnership with the SPSE, is looking at strategies to further develop and create awareness for investors.

Market capitalisation contracted by 4.4 percent in 2011, underpinned by the drop in share prices of 10 listed securities. In terms of total market capitalisation share, Amalgamated Telecom Holdings Limited accounted for 43.1 percent, followed by Foster's Group Pacific Limited at 14.7 percent and FMF Foods Limited at 10.1 percent.

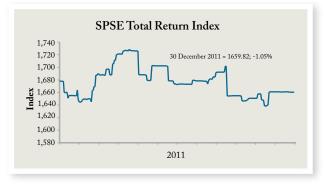


Source: South Pacific Stock Exchange

The five largest companies represented 80.0 percent of the market at the end of 2011.

There were mixed outcomes in share prices during the year. Six out of the 18 listed securities registered positive share price growth, with Pacific Green Industries Limited, whose share price increased by 128.3 percent from \$0.92 to \$2.10<sup>7</sup>, being the major mover. In contrast, a drop in share prices was registered for 10 listed securities, whilst share prices for two listed securities remained unchanged. Share prices ranged between \$0.29 for Kontiki Growth Fund Limited and \$10.50 for FGP shares.

In 2011, the average total return from the stock market stood at 8.8 percent, compared to -5.0 percent in 2010, with an average dividend and interest yield of 3.8 percent and an average capital growth of 5.6 percent.



Source: South Pacific Stock Exchange

The Kontiki Price Matching Services, which provides an over-the-counter price matching trading registry for four unlisted public companies, recorded 13 trades with a value of \$70,113. The market capitalisation of the companies utilising this facility increased by 5.7 percent to \$63.3 million from that recorded in the previous year.

The SPSE benchmark stood at 1,659.82 in 2011, representing a 1.1 percent fall from 1,677.38 in 2010. The fall in the SPSE Total Return Index is attributed to the negative price returns generated by 10 out of the 18 listed securities.

During 2011, the unit trust market grew by 5.6 percent, as the total value of funds under management rose to \$117.2 million from \$111.0 million in 2010. This outcome was underpinned by lower redemptions and increase in the value of assets during the year. Increases were noted in the value of term deposits (51.0%), bonds (24.9%), cash and cash equivalents (20.5%), convertible notes (18.2%), listed securities (2.4%) and managed funds (2.0%).

<sup>7</sup> Other companies that recorded an increase in share price included FMF Foods Limited by 25.0 percent, Communications Fiji Limited by 20.0 percent, RB Patel Group Limited by 13.3 percent and BSP Convertible Notes Limited by 18.3 percent. FFF Limited's share price increased by 3.8 percent from the issue price of \$0.80 to \$0.83.

<sup>&</sup>lt;sup>6</sup> A local forestry company specialising in teak husbandry and plantations.

The number of unit holders increased marginally by 0.4 percent from 15,280 to 15,346. Of the total unit holders, 59.4 percent were individuals whilst institutions and other groups accounted for 20.9 percent and 19.7 percent, respectively.

In 2011, the only activity recorded in the secondary bond market constituted the SPSE's trade in the Fiji Development Loan Long Term bond with a face value of \$7,500, reflective of the relatively high levels of liquidity in the banking system and restrained investment demand.

On other capital market developments, the Bank organised three corporate finance seminars and one seminar for company directors and executives to discuss the implications of the Crimes (Amendment) Decree (2010) in so far as their responsibilities are concerned. All the seminars were very well attended.

At the end of 2011, the Reserve Bank organised and hosted a Regional Seminar on Market Supervision on behalf of the Asian Development Bank (ADB) and the Asia-Pacific Economic Cooperation's Financial Regulators Training Initiative. The seminar was attended by 42 participants from 14 countries.

The Capital Markets Advisory and Development Taskforce met once in 2011 to discuss the terms of reference for technical assistance required for the drafting of the 10year Master Plan. Technical assistance for this project will be sought in 2012.

#### **Complaints Management**

In 2011, 74 complaints against regulated financial institutions were lodged with the Bank, the majority of which related to commercial banks and insurance companies. Commercial bank complaints were largely associated with lending contracts, while complaints against insurance companies related mainly to disagreements on insurance claims, in particular life and motor vehicle insurance. There were marginal increases in complaints against capital market participants, the FNPF and NBFIs.8

To address these complaints, the Reserve Bank held 44 meetings with consumers, and also consulted with relevant financial institutions and other organisations. Of the total complaints, 59 were resolved, 13 remained under investigation and 2 are before the Courts.

In addition, the Complaints Management Forum<sup>9</sup> met twice in 2011 where financial industry complaints were discussed together with consumer protection legislations. The Bank also met on two occasions with the Consumer Council of Fiji to discuss consumer issues. Three onsite inspections were also conducted to ensure compliance with the Policy Guideline on Complaints Management.

<sup>&</sup>lt;sup>8</sup> The NBFIs include the Fiji Development Bank and the non-regulated finance companie.

<sup>&</sup>lt;sup>b</sup> The forum membership includes representatives from the Ministry of Finance, Fiji Retailers Association, Consumer Council of Fiji, ABIF, Insurance Council of Fiji, USP, Fiji Commerce Commission, Finance Companies Association FLA and the RBF:

### COMBATING MONEY LAUNDERING

The FIU was established under the FTR Act in 2006 as a national agency responsible for administering and enforcing the FTR Act. The FTR Act and the FTR Regulations provide Fiji's primary laws for combating money laundering in Fiji and provides for the protection of the financial system from money laundering activities and other serious offences. In this regard, the Unit is the lead agency on anti-money laundering (AML) and combating the financing of terrorism, policy formulation and enforcement in Fiji.

The FIU is administered and fully-funded by the Reserve Bank pursuant to the delegation of powers by the Minister for Justice to the Governor of the Reserve Bank of Fiji. Consequently, the FIU is responsible to the Governor of the Reserve Bank in the discharge of its powers and functions.

# Financial Institutions' Compliance with the FTR Act

In 2011, the FIU and the RBF collaborated with financial institutions to encourage and ensure the implementation and due compliance to the various provisions of the FTR Act and Regulations.

The FIU continued to raise awareness with Digicel (Fiji) Ltd and Vodafone Fiji Ltd on the requirements of the FTR Act, possible adoption of these as internal procedures as well as implementing electronic funds transfer report (EFTR) and suspicious transaction report (STR) frameworks.

In 2011, the FIU issued 29 ad-hoc policy advisories explaining various requirements of the FTR Act and Regulations, with the majority related to customer due diligence requirements of the legislation.

During the year, the FIU conducted both onsite and offsite visits and assessments. The onsite compliance visit of a LFI focussed on the institution's regulatory compliance. In addition, offsite compliance assessments of selected accounting and law firms were conducted, with the results for the accounting firms finalised during the year. However, the compliance assessment results for the law firms will be finalised in 2012.

The FIU liaised actively with banks and foreign exchange dealers on addressing key non-compliance issues through targeted training and regular consultations with the reporting institutions. Non-compliance issues noted in the 2010 compliance examination were also rectified in 2011.

In addition, the Unit increased its compliance efforts in 2011 and liaised closely with financial institutions to improve on reporting obligations.

#### Receipt and Analysis of Financial Transaction Information

The FTR Act stipulates financial institutions to report to the FIU any transaction (or attempted transaction) suspected to be related to money laundering activity, terrorist financing activity or other serious offences.

Suspicious Tran	sactions Re	ported	to the F	U (Nun	nber)
	2007	2008	2009	2010	2011
STRs	268	479	750	629	728

Source: Financial Intelligence Unit

In 2011, the FIU received 728 STRs from various financial institutions, representing an annual increase of 15.7 percent.

Reporting Financial Entities or Persons	No. of STRs Received
Commercial Banks	650
Money Remittance Service Providers*	39
Finance Companies	0
Members of the Public	24
Regulatory Authorities	1
Law Firms	5
Accounting Firms	2
Insurance Companies and Superannuation Fund	1
Real Estate Businesses	2
Others	4
Total	728

Source: Financial Intelligence Unit

Subsequent to the relevant assessments of these STRs, 318 case reports were referred to the relevant law enforcement agencies for further investigation of possible money laundering and other serious offences.

Law Enforcement	Nun	Number of Case Reports Disseminated					
Agency	2007	2008	2009	2010	2011		
Inland Revenue Services	60	131	143	125	195		
Police	12	25	37	44	89		
Immigration	20	7	3	1	(		
Customs	0	4	2	0	4		
Others*	21	35	11	97	24		
Total	113	202	196	267	318		

Source: Financial Intelligence Unit

Pursuant to the FTR Act, financial institutions are also required to report to the FIU all cash transactions of \$10,000 and above; and all international electronic fund transfers.

In 2011, the FIU received 144,191 cash transaction reports (CTRs) and 450,849 EFTRs, an overall year-onyear increase of 32.5 percent that was directly attributed to stronger compliance and monitoring programs enforced by the Unit. Evidently, effective FIU supervision, improved industry reporting, combined with innovative electronic reporting technology underscored this improved outcome.

d Electror	nic Fund 7	Fransfers	
2008	2009	2010	2011
37,551	132,547	133,487	144,191
95,859	303,380	315,634	450,849
	2008 37,551	2008         2009           37,551         132,547	37,551 132,547 133,487

Source: Financial Intelligence Unit

#### **Border Currency Reporting**

Persons travelling into or out of Fiji are required under the FTR Act to declare to Customs officials if they are carrying currency or negotiable bearer instruments of \$10,000 and above. In 2011, the FIU received 194 border currency reports, compared to 223 received in 2010. This is a decrease of 13 percent. The reports were analysed for possible currency smuggling, money laundering and related criminal offences.

Border Currency Reports Received					
2009	2010	2011			
139	119	93			
105	104	101			
244	223	194			
	2009 139 105	2009         2010           139         119           105         104			

Source: Financial Intelligence Unit

#### Assistance to Partner Agencies

The FTR Act also authorises the FIU to provide assistance to various partner agencies. In 2011, the FIU handled 49 requests from Government agencies for due diligence checks on persons or entities of interest. These requests related to background checks on 66 business entities and 107 individuals.

In addition, the Unit also attended to 194 requests from local and foreign law enforcement agencies for assistance in money laundering and other related investigations.

Requesting Agency	Number of Requests	Number of Checks on Entities	Number of Checks on Individuals
Attorney General's Office/Ministry of Justice	1	1	1
Fiji National Provident Fund	4	8	8
Investments Fiji	12	17	33
Reserve Bank of Fiji	21	21	51
Other	11	19	14

Source: Financial Intelligence Unit

#### FIU Financial Information Management System Online (FFIMSO)

The FIU continued to strengthen its secure online electronic reporting and data management system -FFIMSO. This system allows financial institutions to electronically submit relevant reports to the FIU. More importantly, FFIMSO also incorporates advanced data analytical tools that allow the Unit to ably handle and evaluate the large volumes of collected financial transaction data.

At the end of 2011, 76 financial institutions had registered on FFIMSO.

#### Domestic Coordination and Information Sharing

The 3<sup>rd</sup> national AML conference, themed 'Prosecuting Money Laundering Crimes' was held in November 2011. The conference brought together over 130 delegates, including distinguished speakers, from the public and private sectors to deliberate on a wide range of issues related to the conference theme.

The FIU continued to provide secretarial support to the National AML Council as well as its three Working Groups in 2011. The National AML Council held three meetings during the year.

The Governor of the RBF and Director of the FIU are members of the National AML Council and contributed to the Council's discussions and decisions in 2011.

#### **International Coordination and Initiatives**

As in previous years, the FIU participated at the 2011 Egmont Group's 19<sup>th</sup> Annual Plenary Meeting that was held in Armenia. The Egmont Group, an international association of 120 FIUs, is intended to provide a forum for member FIUs to improve support to their respective Governments in the fight against money laundering, terrorist financing and other financial crimes.

At the Plenary session in Armenia, the Fiji FIU presented the *Turtle Island Case* in the first ever *Best Egmont Case Award* competition. The Fiji presentation finished as one of the top three finalists, reflective of the international recognition and commendation extended by the Egmont Group to the work of the FIU and Fiji law enforcement agencies.

In 2011, the FIU signed MOAs with 12 foreign counterparts, bringing to 14 the total number of MOAs which it has signed with foreign FIUs.

Country	Name of FIU	Date
Australia	Australian Transactions Reports and Analysis Centre (AUSTRAC)	19 May 2011
Canada	Financial Transactions and Reports Analysis Centre of Canada	12 July 2011
Cook Islands	Cook Islands FIU	21 July 2011
France	The Intelligence Processing and Action Against Illicit Financial Networks Unit of the French FIU	12 July 2011
Indonesia	Indonesian Financial Transaction Reports and Analysis Center (INTRAC), Indonesia	10 July 2009
Korea	Korea FIU	6 May 2011
Malaysia	Unit Perisikan Kewangan, Bank Negara Malaysia (UPWBNM),	3 February 2010
Philippines	The Anti-Money Laundering Council, The Financial Intelligence Unit of the Republic of the Philippines	13 July 2011
Papua New Guinea	Papua New Guinea FIU	8 December 2011
Solomon Islands	Solomon Islands FIU	12 July 2011
Sri Lanka	Financial Intelligence Unit of Central Bank of Sri Lanka	21 July 2011
Thailand	The AML Office of the Kingdom of Thailand	25 October 2011
United Kingdom	The Serious Organised Crime Agency Financial Intelligence Unit	12 July 2011
United States of America	The Financial Crimes Enforcement Network	12 July 2011

Source: Financial Intelligence Unit

During the year, the FIU liaised closely with the Asia Pacific Group on Money Laundering (APG) on various AML programs and initiatives held in the region.

On APG-related work, the FIU coordinated the preparation of Fiji's Detailed Progress Report, liaised with the APG on relevant AML issues, while contributing to the various surveys conducted by the Group. The FIU also attended the APG's 14<sup>th</sup> Annual Plenary meeting which was held in Kochi, India.

### **CURRENCY**

Pursuant to Section 4(a) of the Reserve Bank Act (1983), the Bank is charged with regulating the issue of currency in Fiji. The RBF is responsible for maintaining an adequate supply of quality banknotes and coins in circulation. The Reserve Bank issues banknotes and coins that are commensurate with demand for payment purposes and redeems any banknotes or coins that are mutilated or no longer fit for circulation and destroys them accordingly. The Bank also determines the denomination and design of Fiji's banknotes and coins, subject to the approval of the Minister for Finance.

#### **Currency Review**

The Currency Review, that commenced a year earlier, progressed well in 2011. The objectives of the review comprised an upgrade of existing security features and the inclusion of Fiji's flora and fauna on banknotes and coins.

In March 2011, Cabinet approved the coining of the \$2 denomination and the selected flora and fauna designs. Banknote and coin tenders were invited and awarded to De La Rue Currency and the Royal Canadian Mint, respectively.

All banknote and coin designs were finalised and approved in November 2011. In this regard, the RBF extends its sincere appreciation to the members of the Currency Design Committee for their commitment and guidance in selecting the flora and fauna designs for the new banknotes and coins family.

The new flora and fauna designed currency, including the new \$2 coin, will be officially unveiled and launched in December 2012.

#### **Banknote Processing**

The purpose of the banknote processing operation is to ensure that quality banknotes are in circulation. All banknotes are processed and sorted for fitness by a banknote processing machine.

In 2011, 29.0 million banknotes were processed, compared to 26.6 million for 2010. Of this total volume, 4.8 million pieces were deemed fit for reissue while 24.2 million pieces, considered unfit for further circulation, were destroyed. Unfit banknotes mainly consisted of \$2, \$5 and \$10 denominations.

		2010		2011
	Value (\$ Million)	Pieces (Million)	Value (\$ Million)	Pieces (Million)
Banknotes Saved for Reissue	154.4	7.0	144.1	4.8
Banknotes Destroyed	296.2	19.6	368.1	24.2
Total Processed	450.6	26.6	512.2	29.0

Source: Reserve Bank of Fiji

#### **Currency in Circulation**

In 2011, the total currency in circulation grew by 3.5 percent to \$497.0 million.

Denomination	2009	2010	2011
\$0.50	0.1	0.1	0.1
\$1	1.7	1.7	1.7
\$2	12.7	13.2	14.0
\$5	13.3	13.9	14.5
\$10	35.1	35.5	38.0
\$20	62.2	67.1	67.4
\$50	153.6	166.1	169.6
\$100	124.2	152.2	160.2
Pre-decimal Currency	0.3	0.3	0.3
Total	403.3	450.1	465.8
Coins in Circulation (\$ Mi	llion)		
Denomination	2009	2010	2011
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	2.8	3.1	3.2
10c	3.4	3.6	3.8
20c	4.7	5.0	5.2
50c	5.8	6.0	6.3
\$1	8.9	9.5	10.1
Pre-decimal Currency	0.2	0.2	0.2
Total	28.2	29.8	31.2
Notes & Coins in Circulati	on (\$ Million)		
Notes	403.3	450.1	465.8
Coins	28.2	29.8	31.2

Source: Reserve Bank of Fiji

The value of banknotes in circulation increased yearon-year by 3.5 percent to \$465.8 million. The \$10 denomination recorded an increase of 7.0 percent to \$38.0 million, while the \$20 denomination recorded an increase of 0.4 percent to \$67.4 million. The \$2 banknote remained the highest volume of notes in circulation.

The value of coins in circulation also rose year-on-year, by 4.7 percent to \$31.2 million. The \$1 and 20 cent coins registered growth of 6.3 percent to \$10.1 million, and 4.0 percent to \$5.2 million, respectively. The 5 cent coin remained the highest volume of coins in circulation.

#### **Cost of Currency**

In 2011, the cost of currency issued by the Bank increased marginally by 3.2 percent to \$3.2 million, underpinned by the issue of brand new banknotes to meet increased demand. This resulted in the 18.2 percent annual increase in the cost of banknotes issued in 2011 to \$2.6 million.

In contrast, the cost of coins issued decreased by 33.3 percent to \$0.6 million, mainly due to the normalisation of demand for the smaller and lighter coins that were introduced in 2009.

Cost of Currency Issued (\$ Million)					
	2009	2010	2011		
Banknotes	1.8	2.2	2.6		
Coins	3.3	0.9	0.6		
Total	5.1	3.1	3.2		

Source: Reserve Bank of Fiji

#### **Banking Transactions**

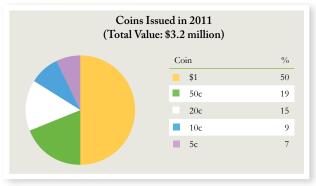
In 2011, the value of currency issued to commercial banks increased by 8.6 percent to \$655.5 million, of which \$652.3 million was issued in notes and \$3.2 million in coins. With the exception of the \$20 denomination, the demand for all denominations increased in 2011.

The value of issued \$50, \$10 and \$2 banknotes recorded the highest increases of 14.5 percent to \$322.7 million, 11.7 percent to \$85.5 million and 9.9 percent to \$16.6 million, respectively. The marked increase in demand for \$10 and \$50 banknotes was attributed to their predominant usage in ATMs for cash dispensing and distribution.



Source: Reserve Bank of Fiji

In addition, the increase in \$2 banknotes demonstrates the public's growing reliance on lower denominations for pocket change in daily transactions. Conversely, the 1.6 percent decline in demand for the \$20 banknote to \$152.4 million is indicative of its reduced preference.



Source: Reserve Bank of Fiji

During the year, there was a normalisation of coin demand following the one-off increase caused by the introduction of a new set of smaller and lighter Fiji coins in 2009. The volume of 20 and 50 cent coins registered the highest declines of 37.0 percent and 24.0 percent respectively, while the demand for \$1 coins fell slightly by 4.1 percent to \$1.6 million.

#### Mutilated and Old Design Currency Assessments

In 2011, \$0.21 million was reimbursed to commercial banks, businesses and individuals for mutilated and old design currency, consistent with the amount reimbursed in 2010.

#### **Counterfeit Banknotes**

The volume of counterfeit banknotes discovered during the year decreased by 61.9 percent to 56 banknotes, compared to 147 in 2010. The value of counterfeits also fell over the same period, by 62.1 percent to \$1,422.

The value of counterfeits remained negligible, at less than 0.1 percent of currency in circulation.

The \$10, \$20 and \$50 banknotes continued to be the most counterfeited denominations as these are commonly used.

The decline in incidence of counterfeit banknotes in 2011 is pleasing and is reflective of improved awareness and the enhanced security features of our new banknotes.

		2010		2011
	Value (\$)	Number of Banknotes	Value (\$)	Number of Banknotes
\$2	-	-	2	1
\$5	5	1	-	-
\$10	580	58	220	22
\$20	1,020	51	300	15
\$50	1,550	31	900	18
\$100	600	6	-	-
Total	3,755	147	1,422	56

Source: Reserve Bank of Fiji

In its efforts to address counterfeiting, the Bank continued to assist the Fiji Police Force with relevant investigations and distributed awareness materials to various organisations, schools and the general public.

### Numismatics

In 2011, numismatic income increased by a significant 369 percent to \$883,558 over 2010. This was attributed

to the increase in royalties received from existing and new partner Mints and the sale of large volumes of silver coins, single, pairs and uncut sheets of millennium \$2 banknotes.

During the year, the Bank signed a number of agreements with partner Mints for various new programmes.

### Stolen \$20 Banknotes: Serial Numbers EB 450 001 - EB 500 000

The Bank continued to work closely with the Fiji and Singapore Police Forces on the \$1 million \$20 banknotes consignment that went missing during delivery to Fiji in 2010. Investigations moved offshore to Singapore, and resulted in arrests and convictions.

The Reserve Bank of Fiji extends its appreciation to the Fiji Police Force, Singapore Police Force, commercial banks, the general public and other stakeholders for their cooperation and assistance throughout the investigations.

### FIJICLEAR

Fiji's RTGS, FIJICLEAR, completed its fourth year of operations in August 2011.

The FIJICLEAR system is available to closed user groups thus substantially reducing systemic risk in the financial system. In this regard, the RBF works closely with commercial banks and the system providers, LogicaCMG and Society for Worldwide Interbank Financial Telecommunication, for the smooth operation of the RTGS.



Source: Reserve Bank of Fiji

In 2011, while volume measures suggested an increase in activity, value indicators contracted on account of a decline in high-value transactions. A total of 67,473 transactions valued at \$71.7 billion were recorded for the year. Despite the 3.9 percent increase in transaction volume, the total value fell by 15.6 percent due to the fall in large value payments. Similarly, while the monthly average number of transactions rose annually by 3.9 percent to 5,623, the monthly average value of transactions fell by 12.2 percent over the year.

Notably, a monthly record of 6,834 transactions was made through FIJICLEAR in March. In further facilitating

settlement transactions, the revised RTGS Business Rules were finalised in May, with major changes to FIJICLEAR operational times and an additional 30 minutes allowed for interbank and customer payments.

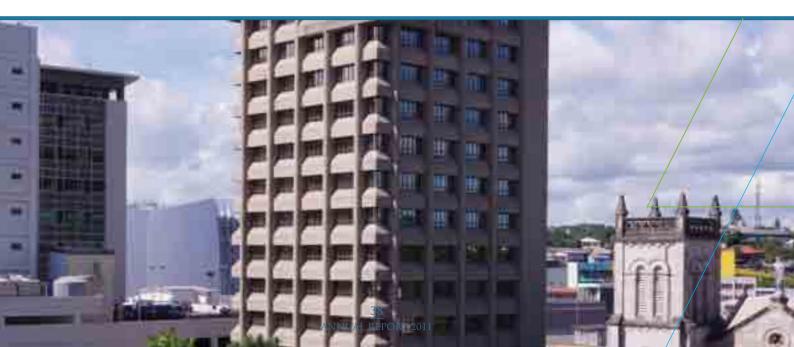
Monthly Average	2007	2008	2009	2010	2011
Gross Payments (\$M)	3,706	5,218	6,218	7,085	6,218
No. of Transactions	1,299	1,741	3,927	5,410	5,623

Source: Reserve Bank of Fiji

Another major development was the merger of the BSP and CNB ESAs. This occurred after the required Government legislation on the merger was gazetted.

FIJICLEAR Operations Schedule					
Payment Type	Operational Time				
	Initial	Current			
Customer Payments	9.30am-3.30pm	9.30am-4.00pm			
Interbank Payments	8.30am-4.00pm	8.30am-4.30pm			

Source: Reserve Bank of Fiji



# MISSION: ENHANCE OUR ROLE IN THE DEVELOPMENT OF THE ECONOMY

In addition to its core functions of monetary policy, financial stability and the issue of currency, the Reserve Bank is involved in various projects, with the objective of developing the economy.

# Import Substitution and Assistance to the Export Sector

The utilisation of the Bank's ISEFF picked up significantly in 2011. In November, the Bank extended the Facility to include import substitution related businesses engaged in poultry, honey and pig farming.

During the year, a total of 28 applications were assessed, with \$24.9 million approved for 25 separate businesses. At the end of the year, total outstanding ISEFF loans amounted to \$27.2 million, against the initial \$40.0 million set aside under the scheme. Most of the funds lent in 2011 were for export finance, while import substitution funding showed a marked improvement from the previous year.

The Reserve Bank will continue to work closely with stakeholders to enable more businesses to benefit from this Facility.

# IMF Article IV Mission and Technical Assistance

Fiji is a member of the IMF. Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with the Reserve Bank, Government ministries, statutory bodies and the private sector from time to time. The Article IV Consultation was held from 24 October to 4 November 2011. The Reserve Bank coordinated these meetings.

The Bank also received a technical assistance mission from the IMF on Monetary and Financial Statistics from 27 June to 8 July. The Bank is currently working on the recommendations of the mission. A second mission was carried out in April 2012.

The close work with the IMF paved the way for discussions with other multilateral organisations on planning the way forward for Fiji's economic recovery process.

### **Microfinance Development**

The Bank, in partnership with stakeholders, continued to raise awareness on microfinance and financial

services around the country. In March, a week-long microfinance exposition was held in the maritime areas covering Savusavu, Taveuni, Koro, Levuka and Gau. In August, a microfinance village was set up in Suva for the duration of the Hibiscus Festival. Financial institutions, microentrepreneurs and MFIs participated in these expositions.

The Bank conducted onsite examinations of seven MFIs under the Grant Scheme of the National Centre for Small and Micro Enterprises Development from June to August and submitted a report that was endorsed by Cabinet in November. A notable feature of the report was the recommendation for the drafting of a new legislation to regulate MFIs in Fiji.

Since its inception in October 2010, the South Pacific Business Development, a new microfinance institute has had impressive achievements in providing inclusive financial services to almost 3,000 women and organising more than 145 village-based groups throughout the Rewa, Tailevu, Namosi, Suva and Lami areas.

In its 2012 National Budget Address, the Fiji Government announced the introduction of a Small and Medium Enterprises Credit Guarantee Scheme. The Scheme, which is effective from 1 January 2012, will be administered by the Reserve Bank and allows lending institutions to apply a Government guarantee of up to \$50,000 per business on eligible SME loan facilities. Government has allocated \$3.0 million to start up the Scheme as part of its continued efforts to promote and develop the local business industry, improve private sector lending to SMEs and stimulate growth.

# National Financial Inclusion Taskforce (NFIT)

A significant achievement in the development work undertaken by the NFIT was the integration of financial education into the existing school curriculum by the Ministry of Education from class one to form six. A pilot program involving 28 schools will begin in 2012 with full integration planned for 2013. This achievement was made possible through the funding and support of international donors. In March, a national workshop was held to evaluate the Taskforce's work progress and to develop appropriate strategies toward the goal of 'reaching 150,000 unbanked<sup>10</sup> citizens by 2014'. The NFIT met four times during the year and as at December 2011, 56 percent of the unbanked were able to access some form of financial services whilst 27.5 percent opened bank accounts.

The Microfinance Working Group of the NFIT initiated a review of mobile money agency networks in rural areas. In March, Vodafone Fiji Ltd and Digicel (Fiji) Ltd were able to review and improve the outreach and efficiency of their agency network in rural areas, with funding from AusAID. The review facilitated the use of mobile money for savings, making and receiving payments and enabling mobile phone access to other financial products like microinsurance for rural dwellers.

During 2011, the Bank participated in the Alliance for Financial Inclusion (AFI) Pacific Islands Working Group meetings in Samoa and Vanuatu. Additionally, in April, the Bank co-hosted a regional training workshop on the supervision of non-bank MFIs in Suva. The training was part of the ongoing support to members of the Pacific Islands Working Group. In July, the Bank participated in a conference held during the Pacifika Microfinance Week in Vanuatu.

At the AFI Global Policy Forum, held in Mexico in September, the Bank committed to the Maya Declaration as a central bank at the forefront in the development of financial inclusion.

In November, the Bank also partnered with the Pacific Financial Inclusion Programme (PFIP) and the Fiji Bureau of Statistics (FBOS) in facilitating a nation-wide survey to assess the financial competence of low income households with the view to developing a national strategy for financial literacy in Fiji in 2012.

There is considerable interest in the Fiji NFIT 'model' and approach from neighbouring Pacific Island states as well as from further afield.

### Microinsurance

The development and introduction of microinsurance is part of the Bank's work to promote greater financial inclusion in Fiji, as it provides the less fortunate and low income earners with protection against life's adversities.

Microlife, Fiji's first comprehensive microinsurance product was launched in April, by the Life Insurance Corporation of India (LICI). The product provides death, disability, accident and funeral expense benefits, as well as savings and returns on maturity.

The PFIP, in partnership with ADB and the International Labour Organisation's Microinsurance Innovation Facility, conducted research in October titled 'Weaving the Safety Net: Findings from Microinsurance Demand Research in Fiji'. The outcome of this research will assist in further developing microinsurance in Fiji.

### **Mobile Money Development**

Mobile Money continued to grow in 2011 with an increasing number of active mobile phone users, including merchants and agents that now accept mobile money. A total of 10,923 Person to Person (P2P) transfers valued at \$820,545 was recorded in 2011, compared to 5,922 transfers valued at \$280,398 in 2010. The average P2P transfer was \$58.64 and the number of active customers stood at 241,823 from 212,457 in 2010, whilst the number of active agents grew to 511 from 354 in 2010.

At the end of December, the total electronic money value in circulation reached \$1.9 million.

### e-Money Taskforce

The e-Money Taskforce continued to oversee the development of mobile money services in Fiji through consultative liaison with key stakeholders with respect to issues concerning e-Money. It was instrumental in accelerating the introduction of inward bound remittances by both the mobile money providers. Apart from developing and expanding the mobile money ecosystem, the taskforce will also continue to focus on policies and legislation that will ensure the protection of consumer rights.

### Local Value Added

In view of the importance of local value-adding to domestic economic activity and support for Fiji's balance of payments, the Bank continued to partner with relevant stakeholders within the tourism industry in promoting the use of local produce in hotel menus.

### Remittances

Remittances continue to be the second largest foreign exchange earner for Fiji after tourism. The country's two major MNOs - Vodafone Fiji Ltd and Digicel (Fiji) Ltd,

<sup>&</sup>lt;sup>10</sup> Fiji citizens that do not have access to financial services.

launched international remittance services in September and October, respectively, in Australia and New Zealand as part of their mobile money financial services.

In facilitating the transfers, Vodafone Fiji Ltd partnered with Lotus Foreign Exchange, while Digicel (Fiji) Ltd joined with the New Zealand-based firm KlickEx. Since the advent of international remittance through mobile money financial services, there has been a reduction in the costs of remitting funds into Fiji. Evidently, fees and charges have started to decline due to competition.

A number of banks have also significantly reduced their charges for remittances from Australia and New Zealand into Fiji, which is a further positive step towards encouraging more regular remittances flows.

### Local Advisory Board (LAB)

Commercial banks have each established a LAB to assume a consultative and advisory role in ensuring that foreign owned banks better understand and align their strategies to Fiji's regulatory and supervisory environment and to support national development objectives. During the year, the Bank held individual meetings with a number of LABs, apart from working with commercial banks on the appointment of members. The Reserve Bank assessed and approved a total of four LAB members nominated by two commercial banks and made induction presentations to the non-executive LAB members for two commercial banks in 2011. These presentations focused mainly on the roles and responsibilities of LABs, banking industry policies, monetary policy framework and Government's national development objectives.

### National Payment Systems

The Bank began work on drafting laws that will govern payments in Fiji that are not currently captured by the existing payments regulations. These include large value wholesale and smaller retail payments including mobile money transfers and other innovative new financial services offered through mobile phones and non-bank MFIs. Technical assistance for this project was provided by the World Bank.



Looking Ahead

# MONETARY POLICY SIMPLIFIED

### What is monetary policy?

Monetary policy basically involves the management of the money supply by the Reserve Bank in order to achieve some combination of growth and inflation. The monetary policy objectives of the Reserve Bank encompass the attainment of low inflation and an adequate level of foreign reserves.

### Why does monetary policy matter for the economy?

Monetary policy matters for the economy because money affects demand, and demand in turn affects production and prices. Consider a scenario where Government directs the Reserve Bank to issue enough money in order to hand out \$1,000 to every Fijian citizen in the country in response to a recession in the economy. Naturally, this increase in the supply of money (or monetary expansion) will result in a surge in demand for goods and services, because with more money households have a tendency to spend more. This is important because in the short run firms respond to the surge in demand by raising output, which allows for a greater availability of wealth to all of us. In this way, the Reserve Bank can use monetary policy to help cushion the adverse impact of a recession in the economy. The Reserve Bank is said to be *relaxing* monetary policy when it is attempting to expand the money supply.

However, this naturally leads to the question that if the issue of more money can stimulate demand and raise domestic production in the short run, why can not this policy be continued in the long run and save us all the trouble of worrying about economic growth? If money printing was indeed the answer to growth and prosperity then we wouldn't have to worry much about anything else other than having the Reserve Bank print as much money as we can all get our hands on. But life is not that simple. An increase in the money supply will only lead to a temporary growth in production. Output will rise until firms realise that the surge in demand is not a result of a greater availability of wealth in the country but of 'too much money chasing too few goods'. At that point, firms will simply raise prices in response to a monetary expansion, giving rise to the problem of inflation. Moreover, excessive monetary expansion can also jeopardise foreign reserves, because the resultant surge in demand is almost always met by the importation of goods and services rather than domestic production given the narrow and limited productive capacity domestically. This is why policymakers have to apply restraint in carrying out a policy of monetary expansion, i.e. raising the money supply in order to stimulate domestic production, because in the long run this policy inevitably gives rise to inflation and threatens foreign reserves.

Monetary policy can also play an instrumental role in keeping the level of domestic demand in check, especially when a boom in demand creates undesirable consequences, such as rising prices or depletion in foreign reserve levels. This usually occurs at the point where firms and businesses are already operating at *'full capacity'*, so that an increase in demand causes either prices or imports to rise, but not domestic production. To counter this, the Reserve Bank may attempt to reduce the money supply in the economy (or monetary tightening), which has the impact of realigning domestic demand to the availability of resources, and thus easing the pressure on prices and foreign reserves. The Reserve Bank is said to be *tightening* monetary policy when it is attempting to reduce the money supply.

### **RBF** in the Community

The Reserve Bank's presence in the community facilitates better relations with the public, Government, businesses and academia.

As part of the Bank's efforts to keep the public informed of its assessment of the economy, the Governor and senior staff of the Bank regularly give presentations on the latest economic developments to Government, businesses, industry groups, community groups and educational institutions. The Bank also makes available information on its website that users can easily access.

The Bank funds the chair of the Associate Professor/Senior Lecturer in Monetary Economics at the University of the South Pacific (USP). This agreement has been in place since February 1998. A 'Reserve Bank of Fiji' prize is also awarded annually to the outstanding Economics graduate at the USP. The Bank also supports the USP's Open Day where students are provided information about the Bank.

In support of SMEs, the Reserve Bank sponsors the FDB's Small Business Award. The Bank also sponsors Investment Fiji's (Agriculture) Exporter of the Year Award.

The Reserve Bank participates in the Earth Hour initiative, an annual international event by the World Wide Fund for Nature/World Wildlife Fund, held on the last Saturday of March, where participants turn off non-essential lights and electrical appliances for one hour to raise awareness on climate change.

The Bank also makes donations to national charitable organisations as part of its corporate social responsibility. In 2011, cash donations were made to Suva Special Education School, Fiji Crippled Children's Society, St. Christopher's Home, Dilkusha Orphanage, Fiji Disabled People's Association, Fiji Society for the Blind, Father Law Home and Home of Compassion.

The Bank also provided old computers and printers to Savusavu Secondary School, Koro High School, Levuka Public School, St. John Secondary School, Gau Secondary School, Naiyala High School, Narere Primary School and Christian Mission Fellowship (CMF) Primary School. Old office furniture was also donated to John Wesley Primary School, Draiba Primary School, Suva Methodist Primary School and CMF Primary School.

In partnership with the Consumer Council of Fiji and other stakeholders, the Bank provided its support for the AusAID funded project 'Read Before You Sign' to strengthen financial literacy in the community.

The Bank also supported the Financial Literacy/Heart Foundation Queen in the 2011 Vodafone Hibiscus Carnival with other partner organisations.

A Microfinance Village was set up by the Bank during the 2011 Hibiscus Carnival supporting the theme 'Promoting Financial Inclusion through Microfinance'. Financial institutions and microfinance vendors displayed, promoted and sold their products and services to the public. The Village was awarded the 'Most Entertaining Booth' prize by the Organising Committee of the festival.

The Bank sponsored a number of awards during the year. The 'Forester of the Year' and the 'Fisherman of the Year' awards were presented at the 2011 Agriculture Show, organised by the Ministry of Primary Industries in July. At the Makoi Small Business Carnival in December, the Bank sponsored the 'Young Entrepreneur of the Year', 'Ginger Farmer of the Year' and 'Dalo Farmer of the Year' awards for small and micro business entrepreneurs.

Apart from formal donations, Team RBF also voluntarily contributes and participates in community projects. Some of the charitable projects undertaken by staff in 2011 included donations of school fees for students at Naiyala High School, community project at Hart Village in Valelevu, donation of books and stationery to Happy Home in Suva and a Christmas gift for the Salvation Army Family Care Centre in Suva. During the Bank's Library Week book drive, books were collected and donated to schools.

In addition, the Bank's sports and social club organises social events and cultural activities for staff. In 2011, Bank staff participated in various business house sports events.

### MISSION: PROVIDE PROACTIVE AND SOUND ADVICE TO GOVERNMENT

The provision of policy advice to Government occurs in many forms. In 2011, the Governor met with Government officials on a number of occasions to discuss various issues pertaining to the economy. The Governor and Senior RBF staff also accompanied the Minister for Finance and Attorney General and Minister for Justice and other Government officials on visits and consultations abroad. Presentations on the economy were also made to Cabinet, Ministries and other government agencies, as and when requested.

### **Policy Coordination**

During the year, the Reserve Bank continued to assist Government through various Policy Committees.

The Macroeconomic Policy Committee (MPC) and its Technical Committees prepared projections on Fiji's GDP, trade and balance of payments. These projections are critical inputs to monetary policy formulation and other national policy decision making. The MPC is chaired by the Governor of the Reserve Bank. Membership of these Committees comprise officials from the Ministry of Finance, Ministry of Strategic Planning, National Development & Statistics, Ministry of Industry and Trade, FBOS, Prime Minister's Office, Ministry of Foreign Affairs, International Cooperation and Civil Aviation, Fiji Revenue and Customs Authority and the Reserve Bank. During the year, there were two forecasting rounds, two MPC meetings and six Macroeconomic Technical Committee meetings.

In addition to providing forecasts, the Committee also provides policy advice to Government through a submission to the National Budget.

As part of the macroeconomic forecasting process, the Reserve Bank conducted meetings with key industry groups in 2011. At these meetings, the Bank provided updates on the economy and received feedback from representatives on the performance and prospects for their industry and the economy. Bank staff also met with representatives of employers and private businesses and conducted onsite industry visits to various companies in the Western Division. Information gathered from these meetings are used as a basis for forecasting national indicators, as well as providing advice to Government through the MPC reports and input to the National Budget submission.

In 2011, the Reserve Bank continued to be actively involved in many Committees of national interest,

including the Sugar Taskforce of which the Governor is a member, as part of efforts to rebuild the sugar industry. The Reserve Bank continued to participate in the Debt and Cashflow Policy Committee, which evaluates Government's financing needs.

### **Registry and Banking Services**

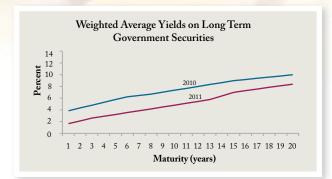
The Reserve Bank acts as registrar for debt securities issued by the Government and statutory corporations. Services provided include processing of issues, redemption and transfer of securities as well as payment of interest on long-term debt instruments. In addition, the Bank acts as Government's fiscal agent and provides banking services to the Government and commercial banks.

The Reserve Bank managed bonds with a total nominal value of \$3,024.6 million in 2011, compared to \$3,212.2 million in the previous year. Both outstanding Government and statutory corporation bonds fell annually by 3.5 percent and 20.2 percent, respectively, as redemptions outweighed issues.

	Issued	Redeemed	Outstanding
Government	117.4	213.4	2,663.3
Fiji Development Bank	38.0	115.6	134.8
Fiji Electricity Authority	5.5	17.0	113.0
Housing Authority	21.0	23.5	81.0
Fiji Sugar Corporation	-	-	32.5
Total	181.9	369.5	3,024.6

Source: Reserve Bank of Fiji

In 2011, the substantial reduction in Treasury bill redemptions and the suspension of OMO underpinned the notable decline in registry payments. Total interest and redemption payments fell by 51.7 percent to around \$1.0 billion at the end of the year. In comparison, payments in 2010 totalled \$2.1 billion.



Source: Reserve Bank of Fiji

Yields on Government bonds fell across the maturity spectrum during the year. The fall was underpinned by high excess liquidity and oversubscription of tenders stemming from the Government's lower domestic funding plan, which exerted downward pressure on rates.

Total Treasury bills issued registered a considerable 39.9

percent decline in 2011, mainly attributed to the issue of longer dated securities, which reduced the need to rollover debt frequently, as well as Government's lower domestic borrowing for the year. Treasury bill redemptions also fell in 2011, by 41.4 percent, while total outstanding Treasury bills at year-end stood at \$71.1 million.

Treasury Bills (\$ M	illion)		
	2009	2010	2011
Flotations	335.0	680.0	430.0
Allotments	257.9	688.7	413.8
Redemptions	222.6	713.3	418.1
Outstanding	100.0	75.4	71.1

Source: Reserve Bank of Fiji

Furthermore, short-term interest rates declined by between 200-300 basis points in the year, indicative of the high levels of liquidity in the banking system.



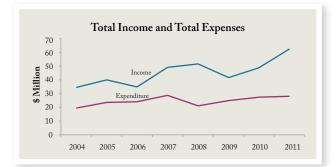
# MISSION: DISSEMINATE TIMELY AND QUALITY INFORMATION

In line with the mission to disseminate timely and quality information to the public and relevant stakeholders, the Reserve Bank releases economic and financial information through major publications (monthly Economic Reviews, Quarterly Reviews and Annual Reports), Press Releases and its website.

### **Financial Performance**

### Income

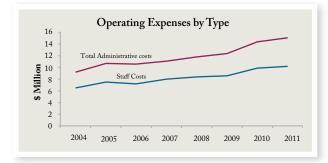
The Reserve Bank's total income largely comprises interest income from foreign currency investments and domestic securities. For the 2011 financial year, total income increased by a notable 28.3 percent to \$62.6 million, underpinned by the high level of foreign reserves held during the year.



Source: Reserve Bank of Fiji

#### Expenditure

Total expenditure incurred in 2011 noted a marginal 2.6 percent or \$0.7 million increase to \$28.0 million, from \$27.3 million in 2010.



Source: Reserve Bank of Fiji

Administrative expenditure increased by an annual 5.6 percent, driven by costs for staffing, training and capacity building. Exchange rate movements also underscored the increased outlays for systems and software licences and maintenance. Other expenses decreased by 3.4 percent in 2011, mainly attributed to the lower cost of coins issued into circulation as demand for the smaller and lighter

coins introduced in 2009 normalised.

### Operating Profit and Payment to Government

The operating profit for 2011 was \$34.5 million, compared to \$21.5 million in 2010. There was no transfer to the General Reserve Account in 2011. Therefore, as required under the RBF Act (1983), the total operating profit was transferred to the Government in April 2012.

The Act also requires the Reserve Bank to transfer onefifth of the RRA balance to the Government. For 2011, this amounted to a total of \$13.3 million. Consequently, the Bank paid a total of \$47.8 million to Government for its 2011 operations, compared to the \$38.9 million paid in the previous year. The increase in payment for 2011 is directly attributed to the Bank's improved operating performance.

Reserve Bank's Profit Payable to Government (\$ Million)						
	2008	2009	2010	2011		
Operating Profit	30.4	16.6	21.5	34.5		
Less						
Transfer to General Reserves	0.0	0.0	0.0	0.0		
Balance Paid to Government	30.4	16.6	21.5	34.5		
One-fifth of RRA	2.6	22.6	17.4	13.3		
Total Paid to Government	33.0	39.2	38.9	47.8		

Source: Reserve Bank of Fiji

### **Publications/Press Releases**

The Reserve Bank continued to release economic and financial information during the year through its major publications: the monthly Economic Reviews, Quarterly Reviews and Annual Reports. In 2011, the Reserve Bank also issued 37 press releases. The 2010 Bank, Insurance, Capital Markets and FIU Annual Reports were also published in 2011.

Tender results of Treasury bills and Government bonds were posted on the Reserve Bank website, Reuters and Bloomberg. Commercial banks' KDS are also available on the Reserve Bank website. During the year, the Reserve Bank continued to disseminate information through media interviews, newspaper articles, presentations and brochures. The Reserve Bank's website was continuously updated to include the latest information disseminated by the Bank.

In addition, the Bank participated in the 2011 SPSE Annual Report Competition. The 2010 Annual Report was awarded first prize in the Statutory Authorities, Government Bodies and Unlisted Trusts category.

### Information Technology

The Bank continues to align its processes for delivery of IT services with industry best practices and international standards. In 2011, a road map for a robust and dynamic IT system and transforming its functions to that of a dynamic IT service provider was presented and approved by the ITSC and the RBF Board Audit Committee.

The current infrastructure of the Bank is geared towards leveraging technology in order to gain maximum efficiency, reducing operating costs, improving customer service to both internal and external parties and enhancing information flow in all areas of the Bank.

During the year, development work continued on the Central Database project which is designed to automate the Bank's critical processes. To improve the quality of data stored in our corporate information repository, internal processes were re-engineered, documented and mapped out to ensure that the existent levels of control and integrity are aligned to address increasing threats.

The Bank also worked towards improving its IT governance, IT standards, information security and project management roles. The ITSC also added an external consultant advisor to its membership in 2011 to better understand and respond to the Bank's ongoing developments and needs in this area.

With the increased awareness and focus on cyber crime, the Bank formed a Cyber Security Working Group to work towards protecting our data and infrastructure. The group comprises users and administrators of IT systems within the Bank.

The Bank continued its efforts towards creating and increasing awareness of Business Continuity Planning. This includes investment in technology at the BRS and staff training to ensure the continuity of critical services in case of a disaster or disruptions to systems.

### **Records Management and Library**

The Bank continued with the principle of record keeping for good governance. In 2011, work continued on the structured intelligent document capture of the Bank's official records. With the use of efficient and high speed scanners, all records are being digitised, indexed and integrated with the Electronic Document Records Management System, for storing and retrieving records. This project will be ongoing in 2012 and 2013.

The Reserve Bank's Archives are located at the Bank's BRS and align with the requirements of the Public Records Act (Rev. 2006) for proper recording and preservation of all official records.

The Library was established primarily for the purpose of collecting, organising and disseminating materials to facilitate and provide a reference service to enable staff to perform their roles towards meeting the Bank's Vision.

In March 2011, a Library Advisory Committee was set up to guide relevant activities that included organising the Bank's Library week, themed '*Create your own story at your Library*'.

### **Domestic Relations**

During 2011, the Reserve Bank continued to engage and conduct presentations to different stakeholders across Fiji. These presentations focused on explaining the economic situation and rationale for monetary policy decisions.

The Bank continued its industry consultation with commercial banks, credit institutions, insurers, brokers and foreign exchange dealers. Industry meetings were held on a quarterly basis with the ABIF, Finance Companies Association, Insurance Taskforce and the Association of Foreign Exchange Dealers. The Reserve Bank also conducted individual meetings with commercial banks, insurance companies and the FNPF.

The Bank also assisted with briefings for officials from Government ministries and statutory bodies when required.

During the year, various schools visited the Reserve Bank to learn about the role and responsibilities of the Bank, as well as view the numismatics display.

### **International Relations**

The Reserve Bank continued to maintain and foster international relations with multinational organisations and other central banks. The Governor was also visited by several foreign dignitaries. Reserve Bank officials also participated in a range of international conferences and workshops.

The Reserve Bank liaised with the IMF, World Bank, ADB and central banks in the Pacific and South East Asia region. During the year, the Bank received technical assistance from international institutions such as the IMF and the APRA, in the areas of monetary and financial statistics, foreign exchange, insurance, superannuation and banking supervision.

Senior Reserve Bank officials attended annual meetings of the IMF/World Bank, South East Asian Central Banks (SEACEN) Board of Governors, SEACEN Executive Committee, ADB, SEACEN Directors of Supervision Meeting and the South Pacific Governors' Meeting.

The Bank continued its association with the Pacific Financial Technical Assistance Centre (PFTAC)<sup>11</sup>, which continues to provide guidance in the areas of financial supervision, statistics and macroeconomic modelling analysis. The Bank also hosted attachments from central banks in the region and provided onsite assistance to the National Reserve Bank of Tonga.

11 The PFTAC office of the IMF is responsible for providing technical assistance and training to Pacific Island Countries. It is a collaborative venture between the IMF, the recipient countries, and bilateral and multilateral donors.



### MISSION: RECRUIT, DEVELOP AND RETAIN A PROFESSIONAL TEAM

Human resources play an important role in the delivery of the Bank's corporate goals. The primary objective of human resources management is to attract, develop, retain and motivate staff to deliver the Vision of Leading Fiji to Economic Success under its Mission and Values.

### Staffing

At the end of 2011, the Reserve Bank staff complement increased to 205 from 203 in 2010.

	2007	2008	2009	2010	2011
Total Staff	176	171	200	203	205
Average Years of Service	7.8	9.1	7.6	7.6	8.0
Annual Staff Turnover (%)	8.0	9.9	4.5	7.4	8.3

Source: Reserve Bank of Fiji

During the year, the Bank recruited 20 staff for the positions of Manager Accounting, Analyst, Human Resources Officer, Economist, Statistical Officer, Messenger/Driver, Clerical Officer and Examiner. In addition, 18 staff resigned to take up alternative employment (10), pursue further studies (1) and emigrate (7).

### **Management Remuneration in 2011**

Executive Management salaries were previously approved by the Higher Salaries Commission (HSC). With the abolishment of the HSC, this approval is now vested with the Minister for Finance. Other management staff are employed on individual contract basis and remunerated in line with the market.

Total Fixed Rei	nuneration <sup>1</sup>	Staff Numbers			
i. \$226,248		1			
ii. \$174,191		1			
iii. \$124,391		6			
iv. \$68,321-\$9	2,803	29			
<sup>1</sup> Total Fixed Remuneration is exclusive of any performance bonus (i)-(iii) Executive					

Source: Reserve Bank of Fiji

### Staff Development

The Staff Development Policy and Staff Training Needs Analysis supports a continuous learning culture in the Bank through on-the-job training, job rotations, full-time (leave with/without pay), part-time studies, correspondence and short courses at both local and overseas institutions. Accordingly, the Bank organised induction, mentoring programs and on-the-job training for Bank staff. Management are required to prepare a Training Needs Analysis for each member of staff, which is up-dated annually.

The Governor, Deputy Governor and two Chief Managers were promoted and appointed to their current positions in 2011. Four staff were promoted to managerial positions in the Economics, Financial Institutions and Financial Markets Groups. In addition, a Statistical Officer (Category 2) in the Economics Group was given a Job enlargement to a newly created Research Assistant (Category 3) position.

The Bank continued to sponsor staff for further academic qualifications through full-time, part-time, correspondence, short courses and seminars at local and overseas institutions. Two staff commenced overseas study leave to pursue Masters Degrees at the University of Queensland via an Australian Leadership Award and an Australian Development Scholarship.

Two staff graduated with Certificates in Insurance from the Fiji National University (FNU), one employee graduated with a Masters in Business Administration from the USP, while 22 staff pursued part-time studies at the USP, Central Queensland University and the FNU towards Masters, Post Graduate and Diploma programs.

In 2011, 66 staff attended various short courses locally such as those organised by the USP, FNU, Fiji Institute of Accountants (FIA) and the Fiji Human Resources Institute (FHRI). Moreover, 47 staff attended various courses abroad that were organised by the IMF-Singapore Technical Institute, SEACEN Training Centre, Bank Negara, ADB, Australia Asia-Pacific Economic Cooperation, APRA, Bank of Korea, Bank of England, World Bank and Pacific Regional Branch International Council on Archives.

The Bank also sponsored staff professional memberships to the FIA, Fiji Institute of Bankers (FIB), Fiji Institute of Internal Auditors, FHRI, Financial Securities Institute of Australia and Australian Computer Society.

The Governor and the Deputy Governor were made Honorary Fellows by the FIB. In addition, two staff received Lifetime Achievement Awards for over 25 years of service to the banking industry, while nine staff became Associate members of the FIB.

Two staff graduated after completing a one-year Leadership Fiji program.

During the year, a staff at Chief Manager level was granted secondment to the Government as Permanent Secretary for Finance for a three-year term.

### **Employment Relations**

The Reserve Bank of Fiji and the Fiji Bank and Finance Sector Employees Union (FBFSEU) signed a Memorandum of Understanding on a Salary Review Successor Agreement and Log of Claims, effective from 2011 to 2014. The agreement will be reviewed in 2015.

# Labour Management Consultative Cooperation

The Employment Relations Promulgation No.36 of 2007 Section 9(3) requires the Bank to establish a Labour Management Consultation and Cooperation Committee as a forum for meaningful consultation, cooperation and exchange of workplace information to promote good faith employment relations and improve productivity. The committee was registered with the Ministry of Labour under Regulations seven in August 2009 and it comprised seven management and seven staff representatives. There were two meetings held in 2011.

### National Employment Centre (NEC)

The Bank signed an agreement with NEC in compliance with the NEC Decree. Under this agreement, the Bank is required to provide workplace attachments to at least 11 unemployed persons registered with NEC. To date, the Bank has fully complied with the NEC requirements and the Bank's vacancy advertisements also encourage candidates registered under NEC to apply. New temporary staff are recruited through NEC once the term for current workers expire.

### Health and Safety in the Workplace

The Bank is committed to providing and maintaining a safe and healthy working environment for its employees and visitors to the Bank's premises. As part of this goal, the Bank refurbished its gymnasium and provided staff with an improved facility to stay fit and healthy.

In 2011, the Reserve Bank's Occupational Health & Safety (OHS) Committee met four times. A total of 10 committee members attended training on OHS Modules 3 & 4 and Environmental & Occupational Health. A Bank-wide fire drill exercise was also coordinated under the guidance of officers from the National Fire Authority and the Bank's fire wardens.

### **Quality Performance Management**

The Reserve Bank's quality performance management program continued in 2011, with the objective of achieving higher quality performance through building effective teamwork. Chief Managers drove this process.

There are 16 quality teams in the Bank and members met regularly during the year. These self-driven teams focused on work process improvements and building effective work relations. The teams held 115 meetings, of which four were cross functional during 2011. Of the 86 processes reviewed, 57 were approved in 2011.

### **General Administration Services**

The Bank coordinated the renewal of General Insurance Policies and Staff Insurance programs for 2012.

### **Property Management and Security**

The Bank ensured that the main RBF Building, the Domodomo House and its BRS were well maintained during the year. Repairs and maintenance programmes were completed to ensure all systems were operating at efficient levels. The Building Management system was upgraded to enhance efficient monitoring of plant and machinery in the Bank and at the BRS.

The Security Team ensured that the Bank's properties were secure at all times, maintaining a high level of security and vigilance for all currency operations during the year.

In 2011, the Bank continued with its energy saving initiatives by engaging the Fiji Electricity Authority's Demand Side Management team to conduct an Energy Audit exercise for the RBF building. Consequently, the Bank introduced and completed some energy saving measures during the year and identified others that could be undertaken into the medium term.

A survey of the automatic fire sprinkler was carried out during the year.

In addition, the roll out of the Bank's new Private Automatic Branch Exchange Telephone system was completed in 2011.

There were refurbishments to maximise the usage of space and to cater for staff seating requirements and meeting room venues.

Notably, preliminary work on the major Reserve Bank project of maintaining the exterior cladding of the RBF building commenced in 2011. The building still has its original external surface, which is now 27 years old and in need of a makeover. In this regard, the Bank engaged the services of two architects to tender for and submit designs for the exterior refurbishment of the building, including measures to make the building more energy efficient. This project is expected to be completed in 2012/2013.

### Service Recognition

The Governor's Service Recognition and Long Service Loyalty Award, recognises dedicated long and meritorious service to the Bank. In 2011, two staff reached 15 years, four staff reached 20 years and one staff reached 25 years. The Bank's Manager Human Resources, Ms. Lily Wong and Advisor to the Governors, Ms. Lorraine Seeto achieved 35 and 30 years of service, respectively. During the year, the Governor and Chief Managers also rewarded staff for their performance.



### Acknowledgement

The Board wishes to thank the former Manager Human Resources, Ms. Lily Wong, for her 35 years of devoted service, dedication and contribution to the Reserve Bank of Fiji. The Board also sincerely acknowledges the efforts and contribution of all staff in 2011.

The RBF Board's gratitude is also extended to the Fijian Government, the IMF, the World Bank, the ADB, SEACEN, PFTAC and regional central banks for their continued support and assistance.

Furthermore, the Bank wishes to express its sincere appreciation to the FBFSEU for its support and assistance in industrial relations matters.

# THE YEAR AHEAD

The Reserve Bank will continue to focus on fulfilling its core responsibilities in 2012. Listed below are priority areas where special effort will be focused.

### **Monetary Policy**

The Reserve Bank will continue to implement appropriate monetary policy to safeguard its twin objectives of maintaining low inflation and ensuring an adequate level of foreign reserves.

The Bank will also focus on supporting investment and economic growth, in addition to its conventional monetary policy goals.

### Reserve Bank of Fiji Act

The review of the Reserve Bank Act will continue in 2012. Further evaluation will continue to ensure the proposed law is in line with international best practices.

### **Currency Review**

In 2012, the Reserve Bank will continue to review its currency stock. In addition, the new series flora and fauna Fiji currency banknotes and coins will be officially launched in December 2012.

### **Enhanced Supervision**

The Reserve Bank will further strengthen its supervisory capacities in 2012. Focus on the reform process of the FNPF will continue and work on the development of supervision policies is planned.

A Superannuation Supervision Decree will also be drafted in 2012 to provide for specific and relevant powers for the supervision of Fiji's superannuation industry.

Compliance with new policies implemented in 2011 will be monitored along with the development of other policies for the banking and the insurance industries. In addition, continued work on stress testing, reviews of

legislation and older supervision policies, are earmarked for the year ahead.

Work on the framework for the payments system legislation will continue in 2012.

### **Financial System Developments**

The Reserve Bank will continue to promote financial inclusion, complaints management and development initiatives in collaboration with stakeholders.

The Bank will conduct onsite examinations on LFIs to ensure that consumer and complaints management issues are addressed effectively and efficiently.

Work on regulation relating to insurance, payments systems, microfinance and capital markets will continue.

### **Corporate Services Enhancements**

In 2012, work will continue on record keeping for good governance. The appropriate processes and systems will be employed to convert all forms of documentation to digital form.

Work processes will continue to be strengthened to reduce the Reserve Bank's carbon footprint.

Work will continue on the enhancement of automation and process re-engineering of several key processes of the Bank with a view to increase process efficiency and allow for a better information management and decision support system. The Central Database project is expected to be completed in 2012.

The façade of the RBF building will be enhanced. Remedial work will be done to provide a new sustainable surface for the future.

# FINANCIAL STATEMENTS For the year ended 31 December 2011

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# CONTENTS

Directors' report	
Statement by Directors	
Independent auditors' report to the Board of Directors of the Reserve Bank of Fiji	
Statement of comprehensive income	
Statement of changes in equity	60-61
Statement of financial position	
Statement of cash flows	63
Notes to and forming part of the financial statements	64-88

-14

# RESERVE BANK OF FIJI Directors' report

### For the year ended 31 December 2011

The Directors present their report together with the financial statements of the Reserve Bank of Fiji ("the Bank") for the year ended 31 December 2011 and the auditors' report thereon.

### Directors

The Directors in office at the date of this report were:

Barry Whiteside (Chairman and Governor) Iowane Naiveli Filimone Waqabaca Robin Yarrow Adish Narayan Deo Saran

### State of affairs

In the opinion of the Directors:

- there were no significant changes in the state of affairs of the Bank during the financial year under review not otherwise disclosed in this report or the financial statements;
- the accompanying statement of financial position gives a true and fair view of the financial position of the Bank as at 31 December 2011 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results of the Bank, its changes in equity and its cash flows for the year then ended.

### **Principal activities**

The Reserve Bank's role as a central bank, as defined in the Reserve Bank of Fiji Act, is:

- (a) to regulate the issue of currency and the supply, availability and international exchange of money;
- (b) to promote monetary stability;
- (c) to promote a sound financial structure;
- (d) to foster credit and exchange conditions conducive to the orderly and balanced economic development of the country.

### **Trading results**

The net profit of the Bank for the year ended 31 December 2011 was \$34.54m (2010: \$21.52m).

### Reserves

There was no transfer to the General Reserves from net profit at year end as agreed between the Minister for Finance and the Board of Directors, in accordance with Section 8(1)(c) of the Reserve Bank of Fiji Act.

### **External reserves**

Under the provisions of Section 31 of the Reserve Bank of Fiji Act, 1983, the value of the External reserves provided for in Section 30 shall not be less than 50% of the total demand liabilities of the Bank. At 31 December 2011, the value of the External reserves was 93% (2010: 104%) of total demand liabilities.

# RESERVE BANK OF FIJI Directors' report

### For the year ended 31 December 2011

### Payable to the Fijian Government

In accordance with the Reserve Bank of Fiji Act 1983, the following amounts totalling \$47.79m (2010: \$38.91m) are payable to the Fijian Government:

Section 8(3): Net profit after transfer to General Reserves - \$34.54m (2010: \$21.52m) Section 34: One-fifth balance of Revaluation Reserve Account - Foreign Currency - \$13.25m (2010: \$17.39m)

### Bad and doubtful debt

The Directors took reasonable steps before the financial statements of the Bank were made out to ascertain that all known bad debts were written off and adequate allowance was made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provision for doubtful debts, inadequate to any substantial extent.

### **Provisions**

There were no material movements in provisions during the year apart from the normal amounts set aside for such items as doubtful debts, depreciation and employee entitlements.

#### Assets

The Directors took reasonable steps before the Bank's financial statements were made out to ascertain that the assets of the Bank were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the Directors were not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

### **Directors' benefit**

No Director of the Bank has, since the end of the previous financial year, received or become entitled to receive a benefit by reason of contract made by the Bank with the Director or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

#### Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Bank, to affect significantly the operations of the Bank, the results of those operations, or the state of affairs of the Bank, in future financial years.

#### **Other circumstances**

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

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Iowane Naiveli Director

# RESERVE BANK OF FIJI Statement by Directors

### For the year ended 31 December 2011

### In the opinion of the Directors:

- (a) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Bank for the year ended 31 December 2011;
- (b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2011;
- (c) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the movement in equity for the year ended 31 December 2011;
- (d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Bank for the year ended 31 December 2011;
- (e) the financial statements have been properly prepared in accordance with International Financial Reporting Standards except as noted in Note 1(a) to the financial statements. In accordance with the provisions of Section 34 of the Reserve Bank of Fiji Act, 1983, exchange gains and losses are credited or charged directly to the Revaluation Reserve Account - Foreign Currency and are not included in the computation of annual profits or losses of the Bank. This is at variance with International Financial Reporting Standard IAS 21 "Effects of Changes in Foreign Exchange Rates" which requires that exchange gains and losses be credited or charged to profit or loss.

In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirement of Section 34 of the Reserve Bank of Fiji Act, 1983.

Barry Whiteside Governor

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Iowane Naiveli Director

# INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE RESERVE BANK OF FIJI

We have audited the accompanying financial statements of Reserve Bank of Fiji, which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 59 to 88.

### Directors' and Management's Responsibility for the Financial Statements

Directors and Management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the Directors and Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Qualification

As noted in Note 1(a) to the financial statements, exchange gains and losses are credited or debited directly to the Revaluation Reserve Account - Foreign Currency as required under Section 34 of the Reserve Bank of Fiji Act, 1983. This accounting treatment is not in accordance with International Financial Reporting Standard IAS 21 *"Effects of Changes in Foreign Exchange Rates"* which requires exchange gains and losses to be credited or charged to profit or loss.

Had the Bank adopted IAS 21, the Revaluation Reserve Account - Foreign Currency would be increased by \$2.64m in respect of the year ended 31 December 2011, being the net exchange losses debited to that account of \$3.30m offset by an increase of \$0.66m in amount payable to the Fijian Government. The net profit for the year would have been decreased by \$3.30m to \$31.24m, being the exchange losses for the year.

### Qualified audit opinion

In our opinion, except for the effects of non-compliance with IAS 21 as noted above, the financial statements give a true and fair view of the financial position of the Reserve Bank of Fiji as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the Reserve Bank of Fiji Act, 1983.

Suva, Fiji 29 March, 2012

EPMC

KPMG Chartered Accountants

# RESERVE BANK OF FIJI Statement of comprehensive income

For the year ended 31 December 2011

	Note	2011	2010
		\$000	\$000
Income			
Interest income	3(a)	54,756	46,122
Net gains on realisation of securities		2,372	470
Other revenue	3(b)	5,441	2,235
Total income		62,569	48,827
Expenses			
Interest expense	3(c)	6,663	6,155
Amortisation of securities		591	953
Administration expenses	3(d)	15,107	14,321
Other expenses	3(e)	5,671	5,879
Total expenses		28,032	27,308
Net profit	10	34,537	21,519
Other comprehensive losses			
Fair value losses		(3,674)	(15,155)
Net losses arising from translation of currency balances to			
Fiji currency		(3,301)	(3,633)
Total other comprehensive losses		(6,975)	(18,788)
Total comprehensive income		27,562	2,731

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 64 to 88.

# Reserve Bank Of Fiji Statement of changes in equity

For the year ended 31 December 2011

	Paid Up Capital	General Reserves	Revaluation Reserve Account- Foreign Currency	Available- For-Sale Reserve	Asset Revaluation Reserve	Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2010	2,000	39,050	90,589	34,410	7,990	-	174,039
Total comprehensive							
income for the year							
Profit or loss	-	-	-	-	-	21,519	21,519
Other comprehensive losses							
Fair value losses	-	-	-	(15,155)	-	-	(15,155)
Net losses arising from translation of foreign currency balances to Fiji currency	-	-	(3,633)	-	-	-	(3,633)
Total other comprehensive							
losses	-	-	(3,633)	(15,155)	-	-	(18,788)
Total comprehensive income for the year	-	-	(3,633)	(15,155)	-	21,519	2,731
<u>Transactions with owners,</u> <u>recorded directly in equity</u> Payable to the Fijian Government (Note 10)	-	-	(17,391)	-	-	(21,519)	(38,910)
Balance at 31 December 2010	2,000	39,050	69,565	19,255	7,990	_	137,860

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 64 to 88.

# Reserve Bank Of Fiji Statement of changes in equity

### For the year ended 31 December 2011

	Paid Up Capital	General Reserves	Revaluation Reserve Account- Foreign Currency	Available- For-Sale Reserve	Asset Revaluation Reserve	Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2011	2,000	39,050	69,565	19,255	7,990	-	137,860
Total comprehensive							
<b>income for the year</b> Profit or loss	_	_	_	_	_	34,537	34,537
						0 1,007	0.,007
Other comprehensive losses							
Fair value losses	-	-	-	(3,674)	-	-	(3,674)
Net losses arising from translation of foreign currency balances to Fiji currency	-	-	(3,301)	-	-	-	(3,301)
Total other comprehensive losses	-	-	(3,301)	(3,674)	-	-	(6,975)
Total comprehensive income for the year	-	-	(3,301)	(3,674)	-	34,537	27,562
<u>Transactions with owners,</u> <u>recorded directly in equity</u> Payable to the Fijian Government (Note 10)	-	-	(13,253)	-	-	(34,537)	(47,790)
Balance at 31 December 2011	2,000	39,050	53,011	15,581	7,990	-	117,632

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 64 to 88.

# Reserve Bank Of Fiji Statement of Financial Position

For the year ended 31 December 2011

	Note	2011	2010
		\$000	\$000
Foreign currency assets			
Short-term commercial paper and current accounts	4	966,827	663,182
Marketable securities	4	354,770	448,348
Gold	4	2,323	2,131
Accrued interest		4,812	5,164
International Monetary Fund			
- Reserve tranche position	4/16	45,808	45,610
- Special drawing rights	4/16	142,795	143,437
- PRGF - HIPC Trust	16	542	545
- Currency subscription	16	150,677	151,736
Total foreign currency assets		1,668,554	1,460,153
Local currency assets			
Cash on hand	13	1,686	1,327
Domestic securities	5	169,215	185,638
Other assets	6	45,455	27,486
Intangible assets	7	858	677
Property, plant and equipment	8	22,695	23,275
Total local currency assets		239,909	238,403
Total assets		1,908,463	1,698,556
Foreign currency liabilities		, ,	, ,
Demand deposits	9	149	64
IMF - PRGF - HIPC Trust	16	542	545
IMF - Special drawing rights allocation	16	187,525	188,347
Total foreign currency liabilities		188,216	188,956
Local currency liabilities			
Demand deposits	9	517,578	360,356
Payable to the Fijian Government	10	47,790	38,910
Currency in circulation	11	496,992	479,977
Statutory reserve deposits		386,155	336,352
IMF - notes currency subscription		150,431	151,090
Other liabilities	12	3,669	5,055
Total local currency liabilities		1,602,615	1,371,740
Total liabilities		1,790,831	1,560,696
Net assets		117,632	137,860
Capital and reserves			
Paid-up capital	14	2,000	2,000
General reserves	15	39,050	39,050
Revaluation reserve account - foreign currency	15	53,011	69,565
Available-for-sale reserve	15	15,581	19,255
Asset revaluation reserve	15	7,990	7,990
		117,632	137,860
$\bigcirc$		117,002	107,000

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Iowane Naiveli Director

Barry Whiteside Governor

Signed in accordance with the resolution of the Board of Directors:

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 64 to 88.

# Reserve Bank Of Fiji Statement of cash flows

For the year ended 31 December 2011

	Note	2011	2010
		\$000	\$000
Operating activities			
Rental lease income		431	292
Numismatic sales		884	188
Interest received and securities trading income		56,659	48,014
Other income		4,150	1,738
Interest paid		(6,663)	(6,155)
New currency payments		(806)	(4,771)
Administration and other expenses		(16,720)	(11,337)
Net movement of domestic securities		14,052	29,833
Net movement in short-term commercial papers		(17,840)	(268,188)
Net movement in fixed deposit accounts		93,096	( 173,130)
Net movement in International Monetary Fund accounts		499	48,205
Net movement in other receivables		(20,478)	(2,973)
Cash flows from/(used in) operating activities		107,264	(338,284)
Investing activities			
Purchase of property, plant and equipment & intangibles		(1,725)	(1,503)
Net movement of bonds		(1,410)	161,421
Net movement in gold		(192)	(383)
Cash flows (used in)/from investing activities		(3,327)	159,535
Financing activities			
Net movement in currency in circulation		17,014	48,497
Net movement in demand deposits		157,621	60,915
Net movement in statutory reserve deposits		49,803	108,920
Payment to the Fijian Government		(38,910)	(39,247)
Cash flows from financing activities		185,528	179,085
Net effect of exchange rate		(3,301)	(3,633)
Net increase /(decrease) in cash		286,164	(3,297)
Cash at the beginning of the financial year		293,050	296,347
Cash at the end of the financial year	13	579,214	293,050

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 64 to 88.

# RESERVE BANK OF FIJI NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 1. Statement of significant accounting policies

The significant policies, which have been adopted in the preparation of these financial statements, are noted below:

### (a) Statement of compliance

The financial statements have been drawn up in accordance with the provisions of the Reserve Bank of Fiji Act, 1983, International Financial Reporting Standards ("IFRS") and other disclosure requirements of the Fiji Institute of Accountants except as detailed below.

The provisions of Section 34 of the Reserve Bank of Fiji Act, 1983 requires exchange gains and losses to be credited or debited directly to the Revaluation Reserve Account - Foreign Currency and not be included in the computation of annual profits or losses of the Bank.

This is at variance with International Financial Reporting Standard IAS 21 "Effects of Changes in Foreign Exchange Rates" which requires that exchange gains and losses be credited or debited to profit or loss.

In accordance with Section 34, losses arising from exchange fluctuations are set off against any credit balance in the Revaluation Reserve Account - Foreign Currency; if such balance is insufficient to cover such losses, the Fijian Government is required to transfer to the ownership of the Bank non-negotiable non-interest bearing securities to the extent of the deficiency. Any credit balance in the Revaluation Reserve Account - Foreign Currency at the end of each year is applied first, on behalf of the Fijian Government, to the redemption of any non-negotiable non-interest bearing notes previously transferred to the Bank by the Fijian Government to cover losses and thereafter one-fifth of any remaining balance is paid to the Fijian Government.

In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirement of Section 34 of the Reserve Bank of Fiji Act, 1983. Had the Bank adopted IAS 21 there would have been a net profit of \$31.24m, a decrease of \$3.30m, being the exchange loss for the year.

### (b) Basis of preparation

The preparation of the financial statements is in conformity with IFRS which requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements are disclosed in Note 2.

Reserve Bank of Fiji ("the Bank") operates under the Reserve Bank of Fiji Act, 1983. The financial statements are prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value
- held to maturity financial assets are measured at amortised cost
- property is measured at fair value.

The accounting policies as set out below have been applied consistently and, except where there is a change in accounting policy are consistent with those of the previous year.

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 1. Statement of significant accounting policies - *continued*

### (b) Basis of preparation - *continued*

#### New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011 and have not been applied in preparing these financial statements. None of these is expected to have a significant impact on the financial statements, except for IFRS 9 *"Financial Instruments"* which becomes mandatory for the Bank's financial statements and could change the classification and measurement of financial assets. The Bank does not plan to early adopt these standards and the extent of the impact has not been determined.

### (c) Foreign currency

Foreign currencies have been translated to Fiji currency at rates of exchange ruling at year end.

### (d) Financial assets and liabilities

#### Investment securities

The Bank defines its investment securities into the following three categories: held-to-maturity, held-for-trading and available-for-sale assets.

Investment securities with fixed maturities where the Bank has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices, are classified as held-for-trading. Investment securities that are not classified in any of the other categories are classified as available-for-sale. The Bank determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transactions costs). Held-fortrading financial assets are valued at market value. Unrealised gains and losses arising from the valuation adjustments of these securities at year end are included in the computation of annual profits or losses of the Bank.

Held-to-maturity investments are carried at amortised cost. Any premium or discount on purchase is capitalised and amortised over the term of the maturity on a constant yield to maturity basis.

Available-for-sale financial assets are carried at fair value (Note 19). Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 1. Statement of significant accounting policies - *continued*

### (d) Financial assets and liabilities - *continued*

All purchases and sales of investment securities are recognised at settlement date, which is the date that the asset is transferred to/from the Bank.

### Other financial assets and liabilities

Local and foreign cash, deposits and short-term advances are valued at transaction date value. Reserve Bank of Fiji Notes are valued at amortised cost.

### (e) Gold

Gold is valued at the market price ruling at year end.

### (f) Numismatic items

The Bank sells or receives royalties on notes and coins which are specifically minted or packaged as numismatic items. These numismatic items have not been accounted for as currency in circulation as they are not issued for monetary purposes. In terms of Section 55(2) of the Reserve Bank of Fiji Act, 1983 the Minister for Finance has specified by notice made under the provisions of paragraph (b) of the provision to Section 31 of the Act that the Bank shall not be required to include the face value of these numismatic items in circulation in its financial statements. It is considered that no material liability will arise in respect of these numismatic items.

### (g) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash held at bank, short-term commercial paper and current accounts.

### (h) Currency inventory

Currency inventory relates to notes and coins purchased for circulation and include the new bank note design series. The amount expensed in profit or loss is based on the cost of notes and coins that are issued for circulation.

### (i) Loans and advances

Loans are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for the provision for bad and doubtful debts.

A provision for bad and doubtful debts is made based on the appraisal carried out at year end. Movement in the provision is charged to profit or loss.

All known bad debts are written off against the provision in the year in which they are recognised. Bad debts, in respect of which no specific provisions have been established, are charged directly to profit or loss.

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 1. Statement of significant accounting policies - *continued*

### (j) Demand deposits

Demand deposits representing funds placed with the Bank by financial institutions and other organisations are brought to account on a cost basis. These deposits are at call. Interest is paid on demand deposits of commercial banks held with the Bank.

### (k) Currency in circulation

The exclusive rights of national currency issue are vested with the Bank. Currency in circulation comprises bank notes and coins issued by the Bank and represent a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value.

### (1) Property, plant and equipment

#### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2006, the date of transition to IFRS, was determined by its fair value at that date. Costs include expenditures that are directly attributable to the acquisition of the asset.

#### Depreciation

Items of capital expenditure, with the exception of freehold land, are depreciated on a straight line basis over the following estimated useful lives as follows:

Improvements	5-15 years
Freehold buildings	50 years
Motor vehicles	6 years
Computers and equipment	4-5 years
Plant & machinery, equipment & furniture & fittings	5-10 years

Assets are depreciated from the date of acquisition. Expenditure on repairs and maintenance of property, plant and equipment incurred which does not add to future economic benefits expected from the assets is recognised as an expense when incurred.

#### (m) Intangible assets

Acquired intangible assets are initially recorded at their cost at the date of acquisition being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Intangible assets with finite useful lives are amortised on a straight line basis over the estimated useful lives of the asset being the period in which the related benefits are expected to be realised (shorter of legal duration and expected economic life). Amortisation rates and residual values are reviewed annually and any changes are accounted for prospectively. The annual amortisation rate used for intangibles is 25%.

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 1. Statement of significant accounting policies - *continued*

### (n) Statutory reserve deposit

Under Section 40 of the Reserve Bank of Fiji Act, 1983, the Reserve Bank may specify the reserves required, by each financial institution, to be maintained against deposits and other similar liabilities. However, under Section 31 of the National Bank of Fiji Restructuring Act, 1996, this section does not apply to the Asset Management Bank ("AMB").

### (o) Impairment

The carrying amounts of the Bank's assets are reviewed at balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

### (p) Employee entitlements

### Short-term benefits

Short-term employee benefits comprising of annual leave and entitlements to Fiji National Provident Fund (FNPF) are measured on an undiscounted basis and are expensed as the related service is provided.

### Other long-term employee benefits

The Bank's net obligation in respect of long-term benefits is the amount of future benefit that employees have earned in return for their service in the current and prior period; that benefit is discounted to determine its present value. The discount rate is based on the domestic bond portfolio.

### (q) Income tax

The Bank is exempt from income tax in accordance with Section 57 of the Reserve Bank of Fiji Act, 1983.

### (r) Revenue recognition

#### Interest income

Interest income is brought to account on an accruals basis.

#### Income from available-for-sale securities

Gains and losses realised from the sale of available-for-sale securities are reflected in profit or loss.

### (s) Operating leases

Where the Bank is the lessee, the lease rentals payable on operating leases are recognised in profit or loss over the term of the lease.

Where the Bank is the lessor, the assets leased out are retained in property, plant and equipment.

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 1. Statement of significant accounting policies - *continued*

### (t) Comparative figures

Where necessary, comparative figures have been changed to conform to changes in presentation in the current year.

### (u) Rounding

Amounts in the financial statements are rounded to the nearest thousand dollars unless otherwise stated.

### 2. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in the following paragraphs.

### Impairment of property, plant and equipment

The Bank assesses whether there are indicators of impairment on all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and whether there are indicators that the carrying amount may not be recoverable, reasonable provision for impairment are created.

### Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Bank on terms that the Bank would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Bank, economic conditions that correlate with defaults or the disappearance of an active market for a security.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

			2011	2010
3.	Reve	enue and expenses	\$000	\$000
	(a)	Interest income		
		Overseas investments	38,798	28,836
		International Monetary Fund	792	630
		Domestic securities	15,102	16,587
		Loans and advances	64	69
			54,756	46,122
	(b)	Other revenue		
		Rent received	431	309
		Numismatic sales	884	188
		License and application fees	220	291
		Foreign currency trading gains	2,508	1,253
		Other miscellaneous income	1,398	194
			5,441	2,235
	(c)	Interest expense		
		Statutory reserve deposits	-	429
		Bank demand deposits	5,298	4,123
		International Monetary Fund	808	533
		Other	557	1,070
			6,663	6,155
	(d)	Administration expenses		
		Staff costs	10,168	9,871
		Other costs	4,939	4,450
			15,107	14,321
			2011	2010
		Total number of employees at year end	205	203
			2011	2010
	(e)	Other expenses	\$000	\$000
		Depreciation	1,582	1,503
		Amortisation of intangible assets	517	539
		Auditors remuneration		
		- Audit fees	66	51
		- Accounting services	66	43
		- Other services	30	19
		Board remuneration	48	52
		Currency issue	3,343	3,633
		Numismatic	19	39

5,671

5,879

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

	2011	2010
4. External reserves	\$000	\$000
Short-term commercial paper	853,219	545,470
Current accounts	113,608	117,712
	966,827	663,182
Marketable securities		
- Fixed term deposits	279,696	372,792
- Bonds	75,074	75,556
	354,770	448,348
Gold	2,323	2,131
International Monetary Fund		
- Reserve tranche position	45,808	45,610
- Special drawing rights	142,795	143,437
	188,603	189,047
Total External reserves	1,512,523	1,302,708

Under the provisions of Section 31 of the Reserve Bank of Fiji Act, 1983, the value of the External reserves provided for in Section 30 shall not be less than 50% of the total demand liabilities of the bank. At 31 December 2011, the value of the External reserves was 93% (2010: 104%) of total demand liabilities.

		2011	2010
5.	Domestic securities	\$000	\$000
	Held to maturity	169,215	99,166
	Available-for-sale		
	Fijian Government bonds	-	62,952
	Fiji Sugar Corporation bonds	-	23,520
		-	86,472
		169,215	185,638

At the beginning of the financial year, the total underwritten bonds of \$86.47m, was reclassified from availablefor-sale to held to maturity securities. The transfer to the Domestic Bond Portfolio reflects the change of intention to hold these investments to maturity. These securities have varying maturity dates up to 20 years.

During the year \$0.591m (2010: \$0.953m) was amortised in respect of securities held in the Domestic Bond Portfolio.

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

		2011	2010
5.	Domestic securities - continued	\$000	\$000
	Reconciliation of available-for-sale financial assets		
	Opening balance	86,472	97,935
	Fair value gains/(losses)	-	(11,463)
	Transfer to Held to maturity	(86,472)	-
	Total investments	-	86,472
		2011	2010
6.	Other assets	\$000	\$000
	Accrued interest	3,388	3,450
	Currency inventory	14,056	16,593
	Other assets and prepayments	26,644	6,165
		44,088	26,208
	Staff loans and advances	1,369	1,280
	Provision for doubtful debts on staff loans and advances	(2)	(2)
		1,367	1,278
		45,455	27,486

#### Currency Inventory

The Bank has designed new notes to be launched in late 2012. It is the intention of the Bank to co-circulate both the new note design series with the current note inventory. The Bank is assessing the period of co-circulation of the new and current note design series. The Bank is unable to determine the impact, if any, to the financial statements as at 31 December 2011.

		2011	2010
7.	Intangible assets	\$000	\$000
	Cost		
	Balance at 1 January	3,670	3,488
	Acquisitions	73	52
	Transfers from work in progress	625	131
	Disposals	-	(1)
	Balance at 31 December	4,368	3,670
	Accumulated amortisation		
	Balance at 1 January	2,993	2,454
	Amortisation charge for the year	517	539
	Balance at 31 December	3,510	2,993
	Carrying amount		
	At 1 January	677	1,034
	At 31 December	858	677

Intangible assets include costs incurred in acquiring the Bank's computer software. Computer software are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

## 8. Property, plant and equipment

	Freehold land and buildings	Improve- ments	Motor vehicles	Computers and equipnent	Plant & machinery, equipment & furniture & fittings	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost/Valuation							
Balance at 1 January 2010	18,220	2,880	272	2,083	4,700	2,841	30,996
Additions	-	143	-	394	-	914	1,451
Transfers	2,994	358	-	16	-	(3,499)	(131)
Disposals	-	-	-	(458)	(67)	(196)	(721)
Balance at 31 December 2010	21,214	3,381	272	2,035	4,633	60	31,595
Balance at 1 January 2011	21,214	3,381	272	2,035	4,633	60	31,595
Additions	107	3	160	223	-	1,159	1,652
Transfers	24	297	_	117	-	(1,063)	(625)
Disposals	-	-	-	(93)	-	(24)	(117)
Balance at 31 December 2011	21,345	3,681	432	2,282	4,633	132	32,505
Accumulated depreciation							
Balance at 1 January 2010	643	2,365	108	1,480	2,659	-	7,255
Depreciation for the year	663	148	46	333	313	-	1,503
Depreciation on disposals	-	-	-	(438)	-	-	(438)
Balance at 31 December 2010	1,306	2,513	154	1,375	2,972	-	8,320
Balance at 1 January 2011	1,306	2,513	154	1,375	2,972	-	8,320
Depreciation for the year	710	189	35	325	323	-	1,582
Depreciation on disposals	-	-	-	(92)	-	-	(92)
Balance at 31 December 2011	2,016	2,702	189	1,608	3,295	-	9,810
Carrying amount							
Balance at 1 January 2010	17,577	515	164	603	2,041	2,841	23,741
Balance at 31 December 2010	19,908	868	118	660	1,661	60	23,275
Balance at 31 December 2011	19,329	979	243	674	1,338	132	22,695

A valuation of the Bank's freehold land and buildings was undertaken in 2008 by an independent registered valuer. The valuation was carried out on the basis of the market value of the properties.

9.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

	2011	2010
Demand deposits	\$000	\$000
Foreign		
International Monetary Fund	149	64
Local		
Banks' exchange settlement balances	510,158	348,417
Fijian Government	5,196	9,651
State NBF Trust Account	1,060	1,180
International Monetary Fund	246	646
Other depositors	918	462
	517,578	360,356

#### State NBF Trust Account

In accordance with an agreement dated 12 September 1996 between the Republic of Fiji, the Reserve Bank of Fiji and NBF Asset Management Bank (AMB), the State established a trust account, known as the State NBF Trust Account, with the Reserve Bank of Fiji, on the basis, among other things, that all money in the trust account is the property of the State at all times. The purpose of the State NBF Trust Account is to meet the obligations of the AMB.

The National Bank of Fiji Restructuring Act,1996, provides that the State, the Reserve Bank of Fiji and AMB may at any time enter into one or more deeds, agreements, arrangements and understandings relating to the performance by the State of its obligations under the guarantees of deposits with AMB. From 1 April 2007, under Section 30(2)(c)(i) of the Banking Act 1995, Cabinet agreed that the Bank assume controllership and the ultimate winding down process of the AMB. It also permits the Bank to use money from the State NBF Trust Account to meet any controllership expenses.

		2011	2010
10.	Payable to the Fijian Government	\$000	\$000
	Net profit	34,537	21,519
	One-fifth balance of 'Revaluation Reserve Account - Foreign Currency'	13,253	17,391
		47,790	38,910

The amount payable to the Fijian Government is made in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983.

		2011	2010
11.	Currency in circulation	\$000	\$000
	Notes	465,824	450,104
	Coins	31,168	29,873
		496,992	479,977

The exclusive rights of national currency issue are vested with the Reserve Bank. Currency in circulation comprises bank notes and coins issued by the Reserve Bank.

The Bank is developing a policy to adjust its liability for notes and coins series that has ceased to be in circulation to reflect the likelihood of these notes and coins not being presented for redemption.

		2011	2010
12.	<b>Other liabilities</b>	\$000	\$000
	Employee entitlements	924	854
	Other liabilities	2,745	4,201
		3,669	5,055
	Movement in employee entitlements:		
	Balance at 1 January	854	1,042
	Net movement during the year	70	(188)
	Balance at 31 December	924	854

		2011	2010
13.	Cash and cash equivalents	\$000	\$000
	Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	Cash on hand - local currency	1,686	1,327
	Cash and cash equivalents - foreign currency	577,528	291,723
		579,214	293,050

Cash and cash equivalents - foreign currency forms part of short-term commercial paper and current accounts in Note 4.

		2011	2010
14.	Share capital	\$000	\$000
	Authorised capital stock	5,000	5,000
	Issued and paid-up capital stock	2,000	2,000

### 15. Reserves

Reserves are maintained to cover the broad range of risks to which the Bank is exposed.

#### General Reserves

The General Reserves provides for events which are contingent and which are non-foreseeable. Transfers to this account from retained earnings can only take place following an agreement between the Minister for Finance and the Board of Directors, in accordance with Section 8(1)(c) of the Reserve Bank of Fiji Act, 1983.

Available -For-Sale Reserve

This reserve records fair value gains and losses on available-for-sale investments of the Bank.

Revaluation Reserve Account - Foreign Currency

Exchange gains and losses arising from revaluation of foreign currencies are transferred to the Revaluation Reserve Account - Foreign Currency (refer Note 1(c)).

#### Asset Revaluation Reserve

This reserve records movements between cost and fair value of property of the Bank.

## 16. International Monetary Fund

The Bank was designated to serve with effect from 17 December 1976 as the Fijian Government's fiscal agent for the purposes of the International Monetary Fund, and assumed the Republic of Fiji's obligation of membership from that date.

As at 31 December 2011, the Republic of Fiji's membership subscription to the International Monetary Fund was \$196.49m (2010: \$197.35m). Of this amount \$45.81m (2010: \$45.61m) is shown as Reserve Tranche Position and is included as part of the External reserves of the Reserve Bank (refer Note 4) and the balance representing the local currency subscription portion of \$150.68m (2010: \$151.74m) is held mainly in the form of a non-interest bearing notes payable on demand.

Special drawing rights holdings ("SDR") is an interest bearing international reserve asset created by the IMF and is allocated to members on the basis of their quotas in the IMF. As at balance date this Special drawing rights holdings (asset) had a balance of \$142.80m (2010: \$143.44m) and is included as part of External reserves of the Bank (refer to note 4) and IMF - Special drawing rights allocation (liability) with a balance of \$187.53m (2010: \$188.35m).

The Poverty Reduction and Growth Facility (PRGF) Trust was established by the IMF to meet the objectives of poverty reduction and growth more central to lending operations in its poorest member countries. The facility is administered in line with the Heavily Indebted Poor Countries (HIPC) Initiative.

### 17. Principal activities

The Reserve Bank's role as a central bank, as defined in the Reserve Bank of Fiji Act, 1983 is:

- (a) to regulate the issue of currency and the supply, availability and international exchange of money;
- (b) to promote monetary stability;
- (c) to promote a sound financial structure;
- (d) to foster credit and exchange conditions conducive to the orderly and balanced economic development of the country.

### 18. Financial risk management policies

### (a) Introduction and overview

The Reserve Bank is involved in policy oriented activities. The Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. The main financial risks that the Bank faces include:

- liquidity risk
- credit risk
- market risks
- operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and procedures for measuring and managing risk.

## 18. Financial risk management policies - *continued*

### (a) Introduction and overview - *continued*

#### Risk management framework

Like most central banks, the nature of the Bank's operations creates exposures to a range of operational and reputational risks. The Board of Directors has overall responsibility of the establishment and oversight of the Bank's risk management framework.

The Bank's Management seeks to ensure that strong and effective risk management and controls systems are in place for assessing, monitoring and managing risk exposures. The Board of Directors, the Governors and Senior Management are responsible for managing and monitoring the business, strategy, risks and performance of the Bank. Internal Audit forms part of the Bank's risk management framework. This function reports to the Governor and the Board Audit Committee on internal audit and related issues. All areas in the Bank are subject to periodic internal audit review.

The majority of the Bank's financial risks arise from the management of foreign and domestic reserves. The Middle Office is responsible for monitoring and reporting compliance with various risk limits and policies.

The Bank is subject to an annual external audit. Both external and internal audit arrangements are overseen by the Board Audit Committee comprising three of the Board's Directors. The Committee meets regularly and reports to the Board of Directors on its activities.

### (b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

### Management of liquidity risk

To limit the liquidity risk, the Bank maintains an adequate level of reserves and taking into consideration the transaction demand on foreign exchange, ensures that an acceptable amount is maintained in current accounts at all times. The Bank invests in high quality instruments, including commercial paper and debt issued by Governments and Supranationals, all of which are easily converted to cash (refer to maturity analysis on liquidity).

#### Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to total demand liabilities. The Bank's investment guidelines requires that minimum value of foreign currency assets to be held at any point shall not be less than 50% of the total demand liabilities of the Bank. (Demand liabilities include currency in circulation but exclude non-interest bearing notes issued to international financial institutions).

At 31 December 2011, the value of the External reserves was 93% (2010: 104%) of total demand liabilities.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

## 18. Financial risk management policies - *continued*

### (b) Liquidity risk - *continued*

### Maturity analysis as at 31 December 2011

	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Specific Maturity	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Foreign currency assets	φ000	<i>\\</i> 0000	\$000	\$000	Ψ000	<b>\$000</b>
Short-term commercial paper and						
current accounts	577,528	389,299	_	_	-	966,827
Marketable securities	134,096	145,326	75,348	_	-	354,770
Gold	2,323	-	-	_	-	2,323
Accrued interest	4,812	-	-	-	-	4,812
IMF: - Reserve tranche position	45,808	-	-	-	-	45,808
- Special drawing rights	142,795	-	-	-	-	142,795
- PRGF - HIPC Trust	-	-	-	542	-	542
- Currency subscription	150,677	-	-	-	-	150,677
	1,058,039	534,625	75,348	542	-	1,668,554
Local currency assets						
Cash on hand	1,686	-	-	-	-	1,686
Domestic securities	1,302	12,971	62,697	92,245	-	169,215
Other assets	45,455	-	-	-	-	45,455
Intangibles	-	-	-	-	858	858
Property, plant and equipment	-	-	-	-	22,695	22,695
	48,443	12,971	62,697	92,245	23,553	239,909
Total assets	1,106,482	547,596	138,045	92,787	23,553	1,908,463
Foreign currency liabilities						
Demand deposits	149	-	-	-	-	149
IMF - PRGF - HIPC Trust	-	-	-	542	-	542
IMF - Special drawing rights						
allocation	-	-	-	-	187,525	187,525
	149	-	-	542	187,525	188,216
Local currency liabilities						
Demand deposits	517,578	-	-	-	-	515,578
Payable to the Fijian Government	47,790	-	-	-	-	47,790
Currency in circulation	-	-	-	-	496,992	496,992
Statutory reserve deposit	-	-	-	-	386,155	386,155
IMF - Notes currency subscription	-	-	-	-	150,431	150,431
Other liabilities	2,505	77	310	777	-	3,669
T 1 1 1. 11	567,873	77	310	777	1,033,578	1,602,615
Total liabilities	568,022	77	310	1,319	1,221,103	1,790,831
Net assets	538,460	547,519	137,735	91,468	(1,197,550)	117,632

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 18. Financial risk management policies - continued

### (b) Liquidity risk - *continued*

### Maturity analysis as at 31 December 2010

	0-3 Months	3-12 Months	1-5 Years	Over 5	No Specific	Total
	\$000	\$000	\$000	Years \$000	Mâturity \$000	\$000
Foreign currency assets	φ000	\$000	φυυυ	Φ000	ΦΟΟΟ	ΦΟΟΟ
Short-term commercial paper and						
current accounts	291,723	371,459	_	_	-	663,182
Marketable securities	166,656	265,354	16,338	_	_	448,348
Gold	2,131	203,351		_	_	2,131
Accrued interest	5,164	_	_	_	_	5,164
IMF: - Reserve tranche position	45,610	_	_	_	_	45,610
- Special drawing rights	143,437	_	_	_	-	143,437
- PRGF - HIPC Trust		_	_	545	_	545
- Currency subscription	151,736	_	_		-	151,736
Currency subscription	806,457	636,813	16,338	545		1,460,153
Local currency assets	000,107	000,010	10,000	515		1,100,155
Cash on hand	1,327	_	_	-	-	1,327
Domestic securities	185,638	_	-	_	-	185,638
Other assets	27,486	_	-	_	-	27,486
Intangibles		-	_	_	677	677
Property, plant and equipment	-	-	_	_	23,275	23,275
roperty, plant and equipment	214,451	_	_		23,952	238,403
Total assets	1,020,908	636,813	16,338	545	23,952	1,698,556
Foreign currency liabilities						
Demand deposits	64	-	-	-	-	64
IMF - PRGF - HIPC Trust	-	-	-	545	-	545
IMF - Special drawing rights						
allocation	-	-	-	-	188,347	188,347
	64		_	545	188,347	188,956
Local currency liabilities				0.10	100,0 11	100,700
Demand deposits	360,356	_	_	_	_	360,356
Payable to the Fijian Government	38,910	_	_	_	_	38,910
Currency in circulation		_	_	_	479,977	479,977
Statutory reserve deposit	_	_	_	_	336,352	336,352
IMF - Notes currency subscription	_	_	_	_	151,090	151,090
Other liabilities	4,819	6	230	_		5,055
	404,085	6	230		967,419	1,371,740
Total liabilities	404,149	6	230	545	1,155,766	1,560,696
					,,	, ,
Net assets	616,759	636,807	16,108	-	(1,131,814)	137,860

## 18. Financial risk management policies - *continued*

### (c) Credit risk

Credit risk relates to the risk of loss to the Bank from the failure of counter-party to a transaction to meet its contractual obligations and arises principally from the Bank's investments and loans and advances to customers and other banks.

For risk management purposes, the Bank prescribes minimum credit ratings acceptable for investment and specifies the maximum permissible credit exposure to individual banks and countries. The minimum credit ratings for investments are P1/A3 for short-term debt and P1/Aaa for long-term.

The Bank uses Standard and Poor's, Moody's and Fitch credit ratings for assessing the credit risk of foreign counterparties. The credit ratings of counterparties are closely monitored and are updated as new market information is available. Foreign exchange limits per bank are imposed for all currency dealings.

The total exposure of credit risk in the Bank's portfolio is as follows:

	2011	2010
	\$000	\$000
Foreign currency assets		
Short-term commercial paper and current accounts	966,827	663,182
Marketable securities	354,770	448,348
International Monetary Fund	339,822	341,328
	1,661,419	1,452,858
Local currency assets		
Domestic securities	169,215	185,638
Staff loans and advances	1,369	1,280
	170,584	186,918
	1,832,003	1,639,776

The Bank monitors credit risk by currency and sector. An analysis of concentrations of credit risk is shown below:

		2011		2010
Concentration by currency	\$000	%	\$000	%
USD	406,794	22	332,074	20
YEN	62,681	3	42,209	3
EURO	94,747	5	91,224	6
AUD	460,073	25	400,876	24
NZD	297,302	16	245,147	15
SDR	339,822	19	341,328	21
FJD	170,584	10	186,918	11
Total financial assets	1,832,003	100	1,639,776	100

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 18. Financial risk management policies - continued

(c) Credit risk - *continued* 

		2011		2010
Concentration by sector	\$000	%	\$000	%
Foreign currency assets				
Central banks	81,308	5	69,715	5
Commercial banks	759,775	46	439,487	30
Government	197,785	12	205,235	14
Semi Government	179,149	11	123,367	8
Supranational	103,580	6	239,049	17
International Monetary Fund	339,822	20	341,328	24
Others	-	-	34,677	2
	1,661,419	100	1,452,858	100
Local currency assets				
Government and statutory bodies	169,215	99	185,638	99
Staff loans and advances	1,369	1	1,280	1
	170,584	100	186,918	100
Total financial assets	1,832,003		1,639,776	

### Credit exposure by credit rating

The Bank averages the credit ratings provided by the above agencies, rounded down to the lower rating in case the composite is between two ratings. The rating agencies are evenly weighted when calculating the composite. An analysis of the credit quality based on Standard and Poor's, Moody's and Fitch credit ratings is as follows:

		2011		2010
	\$000	%	\$000	%
Summary by major credit category				
Foreign currency financial asset by major credit category:				
Aaa	261,770	16	282,446	19
Aa1	72,515	4	72,404	5
Aa2	210,459	13	362,662	25
Aa3	437,454	26	27,272	2
A1	138,013	8	73	-
A2	41,768	3	-	-
International Monetary Fund	339,822	20	341,328	24
Others and Not rated	159,618	10	366,673	25
	1,661,419	100	1,452,858	100
Local currency /financial asset by major credit category:				
Others	170,584	100	186,918	100
Total financial assets	1,832,003	100	1,639,776	100

## 18. Financial risk management policies - *continued*

### (c) Credit risk - *continued*

Foreign currency assets under 'Others and Not rated' include financial instruments held with other central banks. Local currency assets under 'Others' include financial instruments held with the Fijian Government, the Fiji Sugar Corporation and staff loans and advances.

### (d) Market risks

Market risk is the risk that relates to changes in market prices such as interest rates and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

### Interest rate risk management

The principal risk to which trading portfolios is exposed is the risk of loss from fluctuations in future cash flows or fair value of financial instruments because of a change in market interest rates. The Bank limits interest rate risk by modified duration targets. The investment strategy in relation to the duration for the total portfolio is six months. The duration of the portfolio is re-balanced regularly to maintain the targeted duration.

### Foreign exchange risk management

Exchange rate risk relates to the risk of loss of foreign reserves arising from changes in the exchange rates against the Fiji dollar. The Bank has adopted a currency risk management policy, which maintains the Fiji dollar value of the foreign reserves and manages the fluctuations in the Revaluation Reserve Account - Foreign Currency.

The Bank's exposure to foreign exchange risk based on notional amounts was as follows:

### Notional carrying amounts as at 31 December 2011

	USD \$000	YEN \$000	STG \$000	EUR \$000	AUD \$000	NZD \$000	SDR \$000
Foreign currency assets							
Short-term commercial paper and							
current account	136,255	2,675,245	21	38,515	215,369	119,697	-
Marketable securities	87,197	-	-	1,671	34,036	92,130	-
Gold	1,276	-	-	-	-	-	-
Accrued interest	848	-	-	7	673	1,432	-
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	16,390
- Special drawing rights	-	-	-	-	-	-	51,090
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	53,910
Total foreign currency assets	225,576	2,675,245	21	40,193	250,078	213,259	121,584
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(53)
IMF - PRGF -HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights							
allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,341)
Carrying amount	225,576	2,675,245	21	40,193	250,078	213,259	54,243

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 18. Financial risk management policies - *continued*

### (d) Market risks - continued

### Notional carrying amounts as at 31 December 2010

	USD	YEN	STG	EUR	AUD	NZD	SDR
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Foreign currency assets							
Short-term commercial							
paper and current account	71,463	1,892,613	47	30,094	148,783	101,942	-
Marketable securities	111,045	-	-	7,545	68,131	72,799	-
Gold	1,171	-	-	-	-	-	-
Accrued interest	450	-	-	15	1,617	943	-
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	16,248
- Special drawing rights	-	-	-	-	-	-	51,096
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	54,052
Total foreign currency assets	184,129	1,892,613	47	37,654	218,531	175,684	121,590
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(23)
IMF - PRGF -HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights							
allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,311)
Carrying amount	184,129	1,892,613	47	37,654	218,531	175,684	54,279

The following significant exchange rates were used at year end to convert foreign currency transactions to the Fiji dollar equivalent.

### Reporting date spot rate

	2011	2010
USD	0.5493	0.5496
YEN	42.68	44.84
STG	0.3568	0.3564
EURO	0.4244	0.4132
AUD	0.5421	0.5411
NZD	0.7125	0.7128
SDR	0.3578	0.3562

## 18. Financial risk management policies - *continued*

### (d) Market risks - continued

#### Sensitivity analysis

A 10% strengthening of the Fiji dollar against the above currencies at 31 December would have decreased equity by the amounts shown below.

	2011	2010
	\$000	\$000
USD	41,066	33,456
YEN	6,269	4,221
STG	6	13
EURO	9,471	9,113
AUD	46,131	40,433
NZD	29,931	24,647
SDR	15,160	19,719
	148,034	131,602

A 10% weakening of the Fiji dollar against the above currencies at 31 December would have had the equal but opposite effect.

### (e) Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than liquidity, credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Bank's operations.

Managing operational risk in the Bank is an integral part of day-to-day operations and oversight. This includes adherence to Bank-wide corporate policies. There is also an active internal audit function carried out on a quarterly basis.

To reduce operational risks in Foreign Reserves operations there is a clear separation of duties between the Front Office (dealing) and the Back Office (Settlements function). The Front Office comprises an authorised team of officers (dealers) who are duly authorised to transact on behalf of the Bank. The Back Office comprises officers who independently process and settle all the deals undertaken by the Front Office.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each business group. This responsibility is supported by the development of overall and business group specific policies and procedures. The Middle Office and Internal and External Audit functions also ensure that operational risk is effectively minimised and managed.

## 19. Fair values of financial assets and liabilities

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organised and liquid market that is able to absorb a significant transaction without moving the price against the trader.

The valuation of the Bank's financial assets and liabilities are discussed below:

### External reserves

The reported value of External reserves is considered to be its fair value due to the short-term nature of the financial assets. Bonds are valued at mark to market.

### Domestic securities

The fair value of the Bank's domestic securities is \$195.65m (2010: \$191.34m), based on quoted market prices.

### Statutory reserve deposits

The carrying value of statutory reserve deposits are considered to approximate their fair value as they are denominated in cash.

### Demand deposits

The carrying value of deposits are considered to approximate their fair value as they are payable on demand.

#### Reserve Bank of Fiji Notes

The carrying value of Reserve Bank of Fiji Notes are considered to approximate their fair value as they are redeemable on demand in accordance with the Bank's policy.

#### Currency in circulation

The carrying value of currency in circulation is considered to be its fair value as reported in the financial statements.

### Other financial assets and liabilities

The reported values of other financial assets and liabilities are considered to be its fair value.

#### Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active market for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

## 19. Fair values of financial assets and liabilities - *continued*

#### Valuation of financial instruments (continued)

• Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period.

31 December 2011	Level 1	Level 2	Level 3	Total
Foreign currency assets				
Available-for-sale financial assets at quoted				
market price	20,459	-	-	20,459
Fijian Government bonds	-	54,615	-	54,615
	20,459	54,615	-	75,074
Local currency assets				
Domestic securities				
- Underwritten Fijian Government bonds	-	-	-	-
- Fiji Sugar Corporation bonds	-	-	-	-
	-	-	-	-
	20,459	54,615	-	75,074

31 December 2010	Level 1	Level 2	Level 3	Total
Foreign currency assets				
Available-for-sale financial assets at quoted				
market price	45,163	-	-	45,163
Fijian Government bonds	-	30,393	-	30,393
	45,163	30,393	-	75,556
Local currency assets				
Domestic securities				
- Underwritten Fijian Government bonds	-	62,952	-	62,952
- Fiji Sugar Corporation bonds	-	23,520	-	23,520
	-	86,472	-	86,472
	45,163	116,865	-	162,028

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2011

## 19. Fair values of financial assets and liabilities - *continued*

During the year ended 31 December 2011, there were no transfers in and out of the fair value hierarchy levels mentioned above.

### 20. Related parties

### Identity of related parties

The Bank has related party relationships with the Board of Directors, the Executive Management and the Fijian Government.

The Board of Directors in office during the year were:

Barry Whiteside *(Chairman and Governor)* Iowane Naiveli Filimone Waqabaca *(Ex-officio member from 7 February 2011)* Robin Yarrow Adish Narayan Deo Saran

Filimone Waqabaca was appointed as the Permanent Secretary for Finance on 7 February 2011.

During the year the following persons were the executives identified as key management personnel with the greatest authority and responsibility for planning and controlling the activities of the Bank:

Barry Whiteside	Acting Governor until 4 May 2011: Governor
Inia Naiyaga	Acting Deputy Governor until 25 May 2011: Deputy Governor
Lorraine Seeto	Advisor to the Governors
Ariff Ali	Chief Manager Financial Markets
Esala Masitabua	Chief Manager Financial Institutions
Filimone Waqabaca	Chief Manager Financial Systems Development and Compliance until 4 February 2011
Razim Buksh	Director Financial Intelligence Unit
Caroline Waqabaca	Acting Chief Manager Economics until 1 May 2011: Chief Manager Economics
Susan Kumar	Acting Chief Manager Currency and Corporate Services until 1 May 2011: Chief Manager Currency and Corporate Services
Vereimi Levula	Acting Chief Manager Financial Systems Development and Compliance from 7 February 2011
Subrina Hanif	Secretary to Board

### Transactions with related parties

In the normal course of its operations, the Bank enters into transactions with related parties identified above. The transactions with the Board of Directors and Executive Management include the payment of board remuneration and salaries, respectively.

The transactions with the Fijian Government include banking services, foreign exchange transactions, registry transactions and purchase of Government securities. During the year, the Bank received \$17.74m (2010: \$17.38m) of interest income relating to their investments in Government securities. The Bank also paid \$47.79m (2010: \$38.91m) to the Government in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983. The balance of the Bank's investment in Government securities at year end amounted to \$214.84m (2010: \$204.57m).

## 20. Related parties - *continued*

The Bank also provides an overnight standby facility to the Fijian Government. At year end, the approved facility of \$20m (2010: \$20m) was not utilised.

The transactions with the respective related parties are carried out on normal trading terms.

During the year the following transactions were incurred with the related parties:

	2011	2010
	\$000	\$000
Board remuneration	48	52
Short-term employee benefits	1,600	1,335
Long-term employee benefits	281	178
	1,929	1,565

### 21. Commitments

Commitments not otherwise provided for in the financial statements and which existed at year end comprise:

	2011	2010
Foreign exchange transactions :	\$000	\$000
Commitments		
- Sales	11,496	17,558
- Purchases	28,443	-
Capital commitments	102	155

## 22. Lease receivable

The Bank leases out several floors of the Reserve Bank building. The operating lease rentals receivable are as follows:

	2011	2010
	\$000	\$000
Receivable not later than one year	493	406
Receivable later than one year but not later than five years	1,294	1,394
	1,787	1.800

### 23. Events subsequent to balance date

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that will significantly or may significantly affect the operations of the Bank, the results of those operations or state of affairs of the Bank in subsequent financial years.

## 24. Principal place of operations

The Bank's principal place of operations is located at 1 Pratt Street, Suva, Fiji.

## **SELECTED EVENTS IN 2011**

J. B. Proc.         Proc. Reserve: Automate Description and the Construct. Maxing:         Proc.           20 Jun.         Proc. Construct. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           20 Jun.         Data Construct. Construct. Maxing:         Proc. Construct. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           20 Jun.         Data Construct. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           21 Abs.         Data Construct. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           21 Abs.         Data Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           23 Abs.         Rescienct. Science. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           23 Abs.         Rescienct. Science. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           23 Abs.         Rescienct. Science. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           23 Abs.         Rescienct. Science. Construct. Maxing:         Proc. Construct. Maxing:         Proc. Construct. Maxing:           24 Abs.         Rescienct. Science. Construct. Maxing: <th></th> <th></th> <th></th> <th></th>				
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Dealer         Pair         Research Monteng         Pair         Research Monteng         Pair         Research Monteng         Pair           21 Isb.         Board Construct Committee Monteng         20 of Pair         Pair         Monteng Fulley - Histens Formal           23 Heb.         Monteng Fulley Meeting         20 of Pair         Press Research Monteng Fulley         Press Research Monteng Fulley <td< td=""><td>26 Jan.</td><td></td><td></td><td>Board Audit Committee Meeting</td></td<>	26 Jan.			Board Audit Committee Meeting
28 Jan.         Hoad Government Committee Meeting         17 Aug.         Hoad Addie Constructions           29 How         Land Addie Constructions         18 Aug.         Land Addie Constructions           29 How         Confinery Baser Meeting         23 Aug.         Output Data Meeting           29 How         Confinery Baser Meeting         23 Aug.         Output Data Meeting           29 Mar.         New Baser         Anternet Weet Meeting         Output Data Meeting           20 Mar.         New Baser         New Baser         Anternet Mark, Free and Meeting           16 Mar.         New Baser         New Baser         New Baser         New Baser           16 Mar.         New Baser         New Baser         New Baser         New Baser           16 Mar.         New Baser         New Baser         New Baser         New Baser           17 Mar.         New Baser         New Baser         New Baser         New Baser           17 Mar.         New Baser         New Baser         New Baser         New Baser           18 Mar.         New Baser         New Baser         New Baser         New Baser           17 Mar.         New Baser         New Baser         New Baser         New Baser           19 App.         Antethare Marken Baser			29 Jul.	
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Of Max     National Machematics Workshop       IS Mar.     Book Release: Microsoft promoter Paravial Inclusion in Marine asses press     23 Syr.     Prainable filly Halding Jin, Sum Parable in Marken in Marken in Pathink Increase Spreads       IS Mar.     Book Relaxe: - Commercial Banks to Pathink Increase Spreads     29 Syr.     Prainable filly Halding Jin, Sum Parable in Marken Book of Commercial Banks to Pathink Increase Spreads       IS Mar.     Book Addit Committee Meeting     29 Syr.     Press Relaxe: - Commercial Banks to Pathink Increase Bank to Pathink Increase Bank to Pathink Increase Spreads       IS Mar.     Book Addit Committee Meeting     20 Oct.     Press Relaxe: - Marken E- Researce Bank of Pathink Increase Bank to Pathink Increase Bank of Pathink Increase Missier for Parance Origination In Concernance Bank to Pathink Increase Bank of Pathink Increase Bank Data - Researce Bank of Pathink Increase Bank of Pathink Increas		Strategies	06 Sep.	Governor, Speaker at Networking Business Forum:
15 Mar.         Press Relater Regional Justice products Financial 16 Mar.         25 Sp.         Press Relater Financial Intelligence Unit Wares the Members of the PMEntal Workshop on Investment Paral Mark - Constitute Meeting           30 Mar.         Board Audit Committee Meeting 20 Okar         20 Sp.         Cipital Mark - Thorase Mark - Distance Meeting 20 Okar           30 Mar.         Board Audit Committee Meeting 20 Okar         20 Sp.         Cipital Mark - Thorase Mark Office Press Relater - Regional Constitute Meeting 20 Okar           01 Age.         Deard Audit Committee Meeting 20 Okar         20 Sp.         Cipital Mark - Thorase Mark Office Press Relater - State Paral Relater - Regional Constitute Meeting 20 Okar         20 Sp.         Cipital Mark - Thorase Mark Office Paral 20 Okar           01 Age.         Dear Audit Committee Meeting 20 Okar         20 Okar         Even Relater - Regional Constitute Meeting 20 Okar           17 Age.         Bealense - Regional Thorase Mark Office Paral 20 Okar         Committee Meeting 20 Okar         20 Okar         Capital Mark Meeting 20 Okar           17 Age.         Bealense - Regional Mark Meeting 20 Okar         20 Okar         Capital Mark Meeting 20 Okar         20 Okar           27 Age.         Bealense - Regional Mark Meeting 20 Okar         20 Okar         20 Okar         20 Okar           28 Age.         Regional Construct Meeting 20 Okar         20 Okar         20 Okar         20 Okar	04 Mar.	National Microfinance Workshop	1	
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17 Mm     Proce Relaxe - Communical Basis to Publish Intervet Race Synday     29 Sep.     Cipital Marter Strekels on Instances Marterial Basis Diffusion Distances Meeting       30 Mar.     Board Audie Committer Meeting     01 Orr.     Press Release - RBF Release DBF RELEAS	16 Mar			
Spreak         Partial Automatice Meeting           30 Mm.         Bourd Audi Committee Meeting         01 Cer.         Pres Relates - Recore Mark DF Relation New Current Strine S1 Coin Into Circuitation from 110 Cooker, 2011           31 Mm.         Bourd Governance Connities Meeting         04 Cer.         Pres Relates - Recore Mark DF Relation New Current Strine S1 Coin Into Circuitation from 110 Cooker, 2011           04 Ape         Pres Relates - Recore Mark DF Relation Partice Partenerg Partice Partice Partenerg Partice Partice Parti			20.0	
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51 Mar.     Onlinury Board Maering     Circulation from 11 Centers, 2011     Circulation from 11 Centers, 2011       64 Oct.     Description of Commence Committee Meering     Disc 2011       64 Oct.     Disc 2011     Statisfield of Filamon       64 Oct.     Disc 2011     Disc 2011       65 Apr.     Press Relaxe - Rescree Bask of Pill Reserve Bask of Disc 2011       71 Apr.     Basil Disc 2011     Disc 2011       72 Apr.     Basil Disc 2010     Disc 2011       73 Apr.     Disc 2010     Disc 2011       74 Apr.     Basil Abard Committee Over Bask of Pill       75 Apr.     Disc 2010     Disc 2010       74 Apr.     Bask Abard Disc 2011       74 Apr.     Bask Abard Disc 2011 <tr< td=""><td></td><td></td><td></td><td>Portfolio Management</td></tr<>				Portfolio Management
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3010 RBF Account and Annual Report to     15 Oct.     Press Relaxer - Reacter Bank of Fiji Rackases 2010       01 Apr.     Press Relaxer - Reacter Bank of Fiji Rackases 2010     Insurance Annual Report       06 Apr.     Press Relaxer - Reacter Bank of Fiji Rackases 2010     Insurance Annual Report       17 Apr.     Acting Depury Concords, Speckraft & Kall Chamber of     Board Overnance Containter Meeting       17 Apr.     Acting Depury Concords, Speckraft & Kall Chamber of     Board Overnance Containter Meeting       20 Apr.     Arting Concords, Speckraft & Kall Chamber of     Press Relaxer - Reacter Bank of Fiji Anounces I have Meeting       20 Apr.     Press Relaxer - Reacter Bank Applands Progress on EFTPOS     Press Relaxer - Reacter Bank Applands Progress on EFTPOS       27 Apr.     Board Overnance Committee Meeting     20 Oct.     Special Board Meeting       27 Apr.     Board Overnance Committee Meeting     20 Oct.     Special Board Meeting       28 Apr.     Streament by the Chairman of the Macrosconomic Policy     Special Board Meeting     20 Oct.     Special Board Meeting       29 Apr.     Press Relaxer - Reacter Bank Applands Progress on EFTPOS     Press Relaxer - Reacter Bank Applands Progress on EFTPOS     20 Oct.     Special Board Meeting       20 Apr.     Commerce and Acting Overnoor of the Reserv Bank of Fiji     Press Relaxer - Reacter Bank of Fiji Anounces Monetary Policy       29 Apr.     Press Relaxer - Reacter Bank Applement Policy <t< td=""><td></td><td>Board Governance Committee Meeting</td><td>04 Oct.</td><td></td></t<>		Board Governance Committee Meeting	04 Oct.	
Minister for Plance     Minister for Plance       01 Apr.     Press Release - Reserve Bask of Pji Transfer \$38.9 million to Comments       06 Apr.     Press Release - Reserve Bask of Pji Transfer \$38.9 million to Comments       17 Apr.     Construction Ppiker Structer Remains Unchanged       17 Apr.     Comments and Davies on Burgi       20 Apr.     Press Release - Reserve Bask Applicable Forgers on Poder Lannehouter       20 Apr.     Press Release - Reserve Bask Applicable Forgers on Poder Lannehouter       21 Apr.     Examines and Applicable Meeting       22 Apr.     Examines and Applicable Meeting       23 Apr.     Examines and Applicable Meeting       24 Apr.     Committee and Antige Commune Projections       25 Apr.     Examines and Applicable Meeting       28 Apr.     Committee and Applicable Meeting       29 Apr.     Francial Intelligence Unit Reserve Bask Applicable A		2010 RBF Accounts and Annual Report to		
01 Apr.       Press Release - Reserve Bank of Fiji Transfer 51.99 million to Green Team of Fiji Analysian Burnaros Supervision Policy Statement Number 10: The Kole of Insurance Autoria in Fiji Board Governance Committee Meeting         12 14 Apr.       Engened Units of Green State of the Fiji Economy'         17 Apr.       Aning Depury Governance Species at Nucleon-Insurance Product Landon by ULCI         17 Apr.       Aning Depury Governance Forders at Nucleon-Insurance Product Landon by ULCI         18 Apr.       Press Release - Reserve Bank Arghunds Progress on EPTPOS Interform Reserves and Analysis on The State of the Fiji Economy'         26 Apr.       Press Release - Reserve Bank Arghunds Progress on EPTPOS Interform Reserves Bank Arghunds Progress Reserves Bank Arghunds Progress Progress Reserves Bank Arghunds Progress Progress Reserves Bank Arghunds Progress Reserves Bank Arghunds Progress Reserves Bank Arghunds Progress Progress Reserves Bank Arghunds Progress Progress Reserves Bank Arghunds Progress Reserves Bank Arghunds Progress Progress Reserves Bank Arghunds Progress Progress Reserves Bank Arghunds Progress Reserves Bank Arghunds Progress Progress Reserves Bank Arghunds Prog			10 0.00	
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<ul> <li>12-14 Apr. Regional Onsite on Offsite Treatment Workshop on Non-banks for the other UP PTPI and RBF</li> <li>17 Apr. Acting Depuy Governor, Speaker at Nait Chamber of Commerce and Industry on The State of the Fiji Economy</li> <li>20 Apr. Acting Covernor, Speaker at Matter Jonanne of the Hig Economy</li> <li>26 Apr. Press Release - Rearve Bank Applicuk Progress on EFTPOS Interbank Interchanks Interchanks</li> <li>27 Apr. Bond Addit Committee Mesting</li> <li>28 Apr. Strenger Bank Applicuk Progress on EFTPOS Interbank Interchanks</li> <li>29 Apr. Press Release - Rearve Bank Applicuk Progress on EFTPOS Interbank Interchanks</li> <li>27 Apr. Bond Addit Committee Mesting</li> <li>28 Apr. Strenger Bank Announces Monetary Policy Changes</li> <li>29 Apr. Press Release - Reserve Bank Announces Monetary Policy Changes</li> <li>29 Apr. Strenger Bank Announces Monetary Policy Changes</li> <li>29 Apr. Strenger Bank Announces Monetary Policy Changes</li> <li>20 Amp Appointment of Mc. Scaroline Katering</li> <li>20 Amp Appointment of Mc. Scaroline Katering</li> <li>21 Atting Depuy Governon Speaker at the One-Day Banking Exp organized by ABF</li> <li>21 Atting Depuy Governon Speaker at the Chan-Day Banking Exp organized by ABF</li> <li>21 Atting Depuy Governon Speaker at the Chan-Day Banking Exp organized by ABF</li> <li>21 Atting Depuy Governon Speaker at the Film Interchant Comment Announces Monetary Policy Changes</li> <li>20 Amp Ontimer of Mc. Scaroline Master Class for Non Finneed Commits and Master Class for Non-Banker Distremational Intelligence Total Master Class for Non-Banker Distremational Intelligence Currence and Compare Distremational Intelligence Currence Annotation Film Prince Master Class for Non-Princed Mc. Scaroline Mc. Scaroline Master Class fo</li></ul>	04			Actuaries in Fiji
<ul> <li>Indust by PTIP and RBF</li> <li>Prove Mediase - Maring Deputy Governon Speaker at Main Chamber of the File Commune Pode Lanch by LICI</li> <li>Schulz - Resere Bank Applauds Progress on EFTPOS Interbank Interchange</li> <li>Prove Release - Reserve Bank Applauds Progress on EFTPOS Interbank Interchange</li> <li>Provember 2010 a Holdsyn Londering (AML) Conference, 9 November 2011 a Holdsyn Inn Swa</li> <li>Prove Release - Reserve Bank Applauds Progress on EFTPOS Interbank Interchange</li> <li>Provember 2010 a Holdsyn Inn Swa</li> <li>Prove Release - Reserve Bank Applauds Progress on EFTPOS Interbank Interchange</li> <li>Provember 2010 a Holdsyn Inn Swa</li> <li>Prove Release - Reserve Bank Applauds Progress on EFTPOS Interbank Interchange</li> <li>Prove Release - Reserve Bank Applauds Progress on EFTPOS Interbank Interchange</li> <li>Prove Release - Reserve Bank Applauds Progress on EFTPOS Interbank Interchange</li> <li>Prove Release - Reserve Bank Announces Monetary Policy Committee and Acting Governor of the Reserve Bank of Fiji - Reserve Bank Announces Monetary Policy Changes</li> <li>Prove Release - Reserve Bank A Fiji Announces Monetary Policy Changes</li> <li>Prove Release - Reserve Bank of Fiji - Reserve Bank of Fiji</li></ul>	•			Board Governance Committee Meeting
<ul> <li>Jarket Joy PTP and RBP</li> <li>Securities</li> <li>Jarket Joy PTP and RBP</li> <li>Securities</li> <li>Securities</li> <li>Jarket Joy PTP and RBP</li> <li>Jarket Joy PTP and Joy PTP and Joy PTP and And Competency Joy David Joy PTP and Joy PTP a</li></ul>	12-14 Apr.		20 Oct.	Capital Markets Workshop on Valuation of Unlisted
<ul> <li>17 Apr. Acting Deputy Governor, Speaker at Matic Chamber of Commerce and Instanty on The State of the Fij Economy. Acting Covernor, Speaker at Meco-Insurance Product Launch (1999) LCL</li> <li>26 Apr. Press Rolase - Reserve Bank Applauls Progress on EFTPOS Interchard. Interchand: Interchards. I</li></ul>		Hosted by PFIP and RBF		
Commerce and Industry on "The Stare of the Figi Economy"         this Housing Overnor, "Physicar Mikers Instance Product Launch by LC1           26 Apr.         Press Relax = Reserve Bank Applauds Progress on EFTPOS Interhank Interchange         24 of Nov.         IMF Article IV Consultation Mission           27 Apr.         Board Adult Committee Meeting         20 of Consultation Mission         20 of Consultation Mission           28 Apr.         Statement by the Chainman of the Macroconomic Policy Committee and Acting Governon of the Reserve Bank & Piji- Revised Economic Policy Consultation Mission         20 of Consultation Mission           29 Apr.         Statement by the Chainman of the Macroconomic Policy Committee and Acting Governon of the Reserve Bank & Piji- Revised Economic Policy Consultation Mission         20 of Consultation Mission           29 Apr.         Statement by the Chainman of the Macroconomic Policy Consultation Projections Reserve Bank of Fiji Announces Monetary Policy Consultation Projections Reserve Bank of Fiji Announces Monetary Policy Consultation Projections         20 Nov.         21 Adm: Monetary Conserve Sank More Fiji Announces Monetary Policy Changes           20 May         Appointment of Mrs. Caroline Wapabea as Chief Manager Economics and Mrs. Suan Kumara a Chief Manager Currency and Corporate Boalds and Company Davies Machines         20 Nov.         Pres Release - Reserve Bank Maching Pres Release - Piji Strengthenes International Intelligence Stating Framework Release - Reserve Bank of Fiji Announces Monetary Policy Change Sant Maching Press Release - Reserve Bank of Fiji Maintatias Current Monetary Policy State         20 Nov.	17 Apr.	Acting Deputy Governor, Speaker at Nadi Chamber of	24 Oct	
20 Apr.       Acting Governor, Speaker at Micro-Insurance Poduct Lainch       Numenber 2011 at Holiday Irm in Sum (1990)         26 Apr.       Press Release - Reserve Bank Applands Progress on EFTPOS         27 Apr.       Board Governance Committee Meeting       50 cc.         28 Apr.       Statiment by the Cohiman of the Macroeconomic Policy Committee and Acting Governance Committee Meeting       20 cc.         28 Apr.       December 2010 Quarterly Review issued       20 cc.         29 Apr.       Fannaci I Macharos Committee Meeting       20 cc.         29 Apr.       Fannaci I Macharos Committee Meeting       20 cc.         29 Apr.       Fannaci I Macharos Committee Meeting       20 cc.         29 Apr.       Fannaci I Macharos Commentee Bank of Fiji Announces Monetary Policy Changes       Pross Release - Reserve Bank of Fiji Announces Monetary Policy Changes         29 Apr.       Fannaci I Macharos Changes Interve to Assess Financial Conference, Holiday Inn. Swam Interve to Assess Financial Comparess Process Interve to Assess Financial Intelligence Unit Wars the Meeting Interve to Assess Financial Intelligence Unit Wars the Meeting Inte		Commerce and Industry on "The State of the Fiji Economy"	21000	
<ul> <li>26 Apr. Pos Relace - Reserve Bank Applauds Progress on EFTPOS Interhank Interchange</li> <li>27 Apr. Board Audi Committee Meeting</li> <li>28 Apr. Committee Meeting Committee Meeting</li> <li>28 Apr. Committee Meeting Committee Meeting</li> <li>28 Apr. Committee Meeting Committee Meeting</li> <li>29 Apr. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>29 Apr. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>29 Apr. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>29 Apr. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>29 Apr. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>29 Apr. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>20 May Paper Bank Affij</li> <li>20 May Capital Meeting</li> <li>21 Aug. Approxem as Chief Manager Currency and Corporate Services and Corporate Services</li> <li>21 Nov. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>21 Nov. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>21 Nov. Press Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>22 Nov. Capital Markets Directors Minimation Materia</li> <li>23 May Capital Markets and Directors and Precision</li> <li>24 May Reserve Bank Announces Monetary Relace - Reserve Bank Applanter Annual Report Sections</li> <li>24 May Reserve Bank Announces Monetary Policy Changes</li> <li>25 May Board Governance Committee Meeting</li> <li>26 May Board Governance Committee Meeting</li> <li>27 May Press Relace - Reserve Bank of Fiji Announced France</li> <li>27 May Press Relace - Reserve Bank A Fiji Announced Meeting</li> <li>27 Jul Overnand Meeting</li> <li>28 Dec Committee Meeting</li> <li>29 Now Otheray Board Meeting</li> <li>20 May Board Governance Committee Meeting</li> <li>20 Jun Deputy Governand Papeary Announces Mantere</li></ul>	20 Apr			
<ul> <li>26 Apr. Press Release - Reserve Bank Applauds Progress on EFTPOS December 2010 Quarterly Review issued</li> <li>27 Apr. Board Audic Committee Meeting</li> <li>28 Apr. Statement by the Macroconomic Policy Committee and Acting Covernor of the Reserve Bank of Fiji-Review Ease - Reserve Bank Amounces Monetary Policy Changes Ordinary Board Meeting.</li> <li>29 Apr. Financial Intelligence Unit released its 2010 Annual Report To Meeting.</li> <li>29 Apr. Financial Intelligence Unit released its 2010 Annual Report To Meeting.</li> <li>20 May Appointment of Me. Sarup Whiteside as Governor of the Reserve Bank of Fiji Romounces Automatics. Acting Conference, Holday Ion, Suar Auto Statement by the World Bank Science Ansate Changes</li> <li>07 May Appointment of Me. Sarup Whiteside as Governor of the Reserve Bank of Fiji Approxem Decice - Fiji Strengton Decice - Fiji Approxem Approxem - Reserve Bank of Fiji Approxem Approxem - Reserve Bank of Fiji Approxem</li></ul>	2011.			
<ul> <li>Interhank Interchange</li> <li>Procende 2010 Quarterly Review issued</li> <li>27 Ort.</li> <li>Porende 2010 Quarterly Review issued</li> <li>28 Apr.</li> <li>Statement by the Chairman of the Macroeconomic Policy Changes</li> <li>Onlinury Board Meeting</li> <li>29 Apr.</li> <li>Prancial Intelligence Unit released in 2010 Annual Report</li> <li>29 Apr.</li> <li>Prancial Intelligence Unit released in 2010 Annual Report</li> <li>20 May</li> <li>Appointment of Mr. Barry Whiteside as Governor of the Reserve Bank Announces Monetary Policy Changes</li> <li>Of May</li> <li>Appointment of Mr. Barry Whiteside as Governor of the Reserve Bank Announces Annual Report</li> <li>Of May</li> <li>Appointment of Mr. Susan Kumar as Chief Manger Currency and Corporate Services</li> <li>Acting Decuy Governor, Speaker at the One-Day Banking Expo organised by ABIF</li> <li>Tabia Machae Committee Meeting</li> <li>Acting Decuy Governor, Speaker at the One-Day Banking Expo organised by ABIF</li> <li>Tabia Machae Committee Meeting</li> <li>Yais by the World Bank &amp; International Finance Corporation</li> <li>Press Release - Reserve Bank Annual Report to Comparia Barchy annual Report and Company Directors</li> <li>Press Release - Report on the Third AMI, Conference Heid at Flabia Financial Intelligence Unit Warns the Members of the Pable and Company Directors under the Cimes Darial Markets and Directors and End Fiji Announced the Company Bord Meeting</li> <li>Yais by the World Bank &amp; International Finance Corporation (IPC) Technical Assistance on Payments Systems</li> <li>Yais by the World Bank &amp; International Finance Corporation</li> <li>Press Release - Reserve Bank A fiji Announced the Company Directors and the fiji Announced the Signature of the Carenter Annual Report to Company Directors and Fiji Announced the Engineers 2-Day Sympositum on "Diaster Rikk Reduction &amp; Conting Band Meeting</li> <li>Yais Martineer</li>     &lt;</ul>	26 Apr			IMF Article IV Consultation Mission
27 Apr.     December 2010 Quarterly Review issued     27 Oct.     Promotes System Decree       27 Apr.     Board Addit Conventive Meeting     28 Oct.     Ordinary Board Meeting       28 Apr.     Review Economic Policy:     21 Oct.     Press Relace - Reserve Bank Announces Monetary Policy:       Committee and Arting Governor of the Reserve Bank Announces Monetary Policy:     21 Oct.     Press Relace - Reserve Bank of Fiji Announces Monetary Policy:       Committee and Arting Governor of the Reserve Bank Announces Monetary Policy:     Ordinary Board Meeting     09 Nov.       29 Apr.     Press Relace - Reserve Bank of Fiji     Announces Monetary Policy:       06 May     Appointment of Mis. Earol Whiteside as Governor of the Reserve Bank of Fiji     09 Nov.       06 May     Appointment of Mis. Carolice Waphace as Chief Manager Currency and Corporate Service:       07 May     Arting Dypury Governor, Speaker at the One-Day Banking Economic and Mar. Susan Kumar as Chief Manager Currency and Corporate Service:       07 May     Capital Markets - Dopury Governor, Speaker at the One-Day Banking Caporate Service:       26 May     Board Governance Committee Meeting       27 May     Press Relace - Reserve Bank do Fiji Announced the Clines Decrement Monetary Boird Meeting       27 May     Press Relace - Reserve Bank do Fiji Announced the Reserve Bank do Fiji Announced the Reserve Bank of Fiji Announced the Relace - Reserve Bank Reserve Bank Dec	20 Api.		25 Oct.	Special Board Meeting
<ul> <li>27 Apr. Board Audit Committee Meeting</li> <li>28 Oct. Originate Board Governance Committee Meeting</li> <li>28 Oct. Originate Board Meeting</li> <li>28 Oct. Originate Board Meeting</li> <li>29 Apr. Fress Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>29 Apr. Fress Relace - Reserve Bank Announces Monetary Policy Changes</li> <li>29 Apr. Fress Relace - Reserve Bank Of Pij</li> <li>29 Apr. Fress Relace - Reserve Bank Of Pij</li> <li>20 Apr. Fress Relace - Reserve Bank Of Pij</li> <li>20 Apr. Fress Relace - Reserve Bank Of Pij</li> <li>20 Apr. Fress Relace - Reserve Bank Of Pij</li> <li>20 Apr. Appointment of Mr. Barry Whiteside as Governor of the Reserve Bank Of Pij</li> <li>20 Ayr. Appointment of Mr. Suara (Marina &amp; Chief Manager Currency and Corporate Services</li> <li>21 Nov. Press Relace - Reserve Bank Of Pij</li> <li>21 May. Appointment of Mr. Suara (Marina &amp; Chief Manager Currency and Corporate Services</li> <li>24 Nov. 2010 Capital Markets - 2 Days Finance Master Class for Non Financed Incetting</li> <li>25 May. Board Governance Committee Meeting</li> <li>27 May. Press Relace - Reserve Bank Of Pij Announce Corporation (IFC) Technical Assistance on Payments Systems</li> <li>24 Nov. 2010 Capital Markets - Days Finance Master Class for Non Financed Incetting</li> <li>27 May. Press Relace - Reserve Bank Of Pij Announced the Crimes Dates - 2 Days Finance Meeting</li> <li>27 May. Press Relace - Reserve Bank Of Pij Announced the Crimes Dates - Committee Meeting</li> <li>27 May. Press Relace - Reserve Bank Of Pij Announced the Crimes Dates - Competence of the Capital Markets Annual Report Issued</li> <li>29 Jun. Ordinary Board Meeting</li> <li>27 Jun. Board Aduatic Committee Meeting</li> <li>30 Jun. Ordinary Board Meeting</li> <li>30 Jun. Ordinary</li></ul>			27 Oct.	World Bank Technical Assistance - Workshop on Draft
<ul> <li>27 Ap: Board Audit Committee Meeting</li> <li>28 Apr. Statement by the Chairman of the Macroconomic Policy Changes Committee and Acting Governor of the Reserve Bank Announces Monetary Policy Changes - Neerve Bank Announces Monetary Policy Changes - Northerny Board Meeting</li> <li>29 Apr. Francial Intelligence Unit released its 2010 Annual Report</li> <li>29 Apr. Francial Intelligence Unit released its 2010 Annual Report</li> <li>29 Apr. Francial Intelligence Unit released its 2010 Annual Report</li> <li>20 May Appointment of Mr. Barry Whiteside as Governor of the Everve Bank of Fiji.</li> <li>21 Nov. Press Release - Reserve Bank Announces Monetary Policy Changes</li> <li>20 Nov. Reserve Bank of Fiji Minimiting Conference, Holday Inn, Swa Board November 2011</li> <li>21 Nov. Press Release - Report on the Unit Macro Comparison of the S. Suan Kuman at Chief Manager Currency and Corporate Services</li> <li>22 Nov. Capital Markets - Dravy Banking Expo organised by ABIF</li> <li>23 May Board Governance Committee Meeting</li> <li>24 Nov.</li> <li>25 Nov. Press Release - Reserve Bank of Fiji Announces Monetary Policy Changes - Reserve Bank of Fiji Announces Monetary Policy Changes - Reserve Bank of Fiji Announces Monetary Policy Changes - Reserve Bank of Fiji States</li> <li>24 Nov.</li> <li>25 Nov. Press Release - Reserve Bank of Piji Announced the Crimes Decise - Tower 11, RBF Press Release - Reserve Bank of Fiji Announced the Crimes Decise - Tower 11, RBF Press Release - Reserve Bank of Fiji Announced the Crimes Decise - Tower 11, RBF Press Release - Reserve Bank of Fiji Announced the Covernon Nuclease Preserve Bank of Fiji Announced the Covernon Nuclease Reserve Bank of Fiji Announced the Coverno Nuclease Preserve Bank of Fiji Announced the Coverno Nuclease Preserve Bank of Fiji Announced the Release Changer Banad Scanse Under States Preserve Bank of Fiji Announced the Release Changer Banada Statese V Market Statese Banad Scanse Under Statese Presere Bank of Fiji Announced the Release Changer Banada Scans</li></ul>				Payments System Decree
<ul> <li>Board Governance Committee Meding</li> <li>28 Apr. Statement by the Macrosconomic Policy Committee and Acting Governor of the Reserve Bank of Fiji - Anonunces Monetary Policy Changes</li> <li>Ordinary Board Meeting</li> <li>29 Apr. Financial Lengingence Unit relaxed its 2010 Annual Report</li> <li>60 May Appointment of Mrs. Caroline Wapbace as Chief Manager Currency and Corporate Services</li> <li>60 May Appointment of Mrs. Caroline Wapbace as Chief Manager Currency and Corporate Services</li> <li>60 May Appointment of Mrs. Caroline Wapbace as Chief Manager Currency and Corporate Services</li> <li>61 Nov. Press Release - Reserve Bank of Fiji Appointment of Mrs. Caroline Wapbace as Chief Manager Currency and Corporate Services</li> <li>62 May Capital Markets - 2 Days Pinance Mater Class for Non Financial Journaling Mathematics and Directors</li> <li>64 Hyay Wist by the Wold Bank &amp; International Finance Corporation (UFC) Technical Assistance on Payments Systems</li> <li>26 May Board Governance Committee Meeting</li> <li>27 May Press Release - Reserve Bank of Fiji Anintians Current Monetary Policy Stance Reserve Bank of Fiji Instinute of Press Release - Nearery Bank data Statuse of Popting Governor for the Policy of Laws and Laws and Unalised Trusts in a Directors</li> <li>26 May Board Governance Committee Meeting</li> <li>27 May Press Release - Reserve Bank of Fiji Instinute of Reserve Bank of Fiji Anintains Current Monetary Policy Stance Resing 1 Novel Board Aduation (Mund Engioneting) at Novel Deputy Governor, Mater Statuse barring the Signature of the Governon, Mater Statuse barring the Signature of the Governon, Mater Statuse Popting Statuse Constanter Monetary Policy Stance Remains Unchanged</li> <li>27 May Press Release - Nearcer Bank of Fiji Anintains Current Monetary Policy Stance Remains Unchanged</li> <li>29 Jun. Deputy Governor, Guest Speeker at the Fiji Institute of Corporation (Frig) Signate Material Statuse Popting Statuse Statuse Popting Statuse Statuse Popting Statuse Statuse Popting Stat</li></ul>	27 Apr.	Board Audit Committee Meeting	28 Oct.	
28 Apc.       Statement by the Charman of the Macrosconome Policy Committee and Acting Governor of the Reserve Bank of Fiji-Announces National Survey to Assess Financial Competence, of Low Income Households         29 Apr.       Francula Intelligence Unit released its 2010 Annual Report       Press Release - Reserve Bank of Fiji-Announces National Survey to Assess Financial Competence, of Low Income Households         29 Apr.       Francula Intelligence Unit released its 2010 Annual Report       01 Nov.       3rd Anti-Monry Laundering Conference, Holiday Im, Sur- RBF Win Category A Statustry Anthrities, Government Bodies and Unitset Truss in the 2011 SPSE Annual Report Competition         06 May       Appointment of Mr. Barry Whiteside as Governor of the Reserve Bank of Fiji.       10 Nov.       3rd Anti-Monry Laundering: Conference Heid at Holday Ian in Swa on 9 November 2011 Opening of BSP Branch, Lautoks by Governor and Corporate Services         07 May       Acting Deputy Governor, Speaker at the One-Day Banking Expo organised by ABIF       10 Nov.       Capital Markets Annual Report instructions and Directors         12-13 May       Capital Markets - 2 Days Finance Master Class for Non Press Release - Reserve Bank of Fiji Announced the Release - Moneral Junciligence Unit Warns the Members of the Public of Internet hacking and Email Stating R Amperins Systems         26 May       Governance Committee Meeting       24 Nov.       Capital Markets Annual Report issed         27 May       Press Release - Reserve Bank of Fiji Institute of Engineers 2-Days Synposition on To Dissetter Risk Reduction & Climare Board Adult Committee Meeting       24		Board Governance Committee Meeting		
<ul> <li>Committee and Acting Governor of the Reserve Bank of Figh-Menomees National Servey to Assess Financial Competency of Low Income Households</li> <li>O1 Nov.</li> <li>Press Release - Reserve Bank of Figh Announces Monetary Policy Contingence Unit released its 2010 Annual Report</li> <li>Of May Appointment of Mr. Barry Whiteside as Governor of the Reserve Bank of Figh Announces Acting Deputy Whiteside as Governor of the Reserve Bank of Figh Annual Report</li> <li>Of May Appointment of Mr. Scanoline Waqabaca as Chief Manager Currency and Corporate Services</li> <li>Of May Appointment of Mr. Scanoline Waqabaca as Chief Manager Currency and Corporate Services</li> <li>Of May Appointment of Mr. Scanoline Waqabaca as Chief Manager Currency and Corporate Services</li> <li>Of May Acting Deputy Governor, Speaker at the One-Day Banking Expo organised by ABIF</li> <li>12-13 May Control Reserve Bank of Figi Appoints Mr. Inia R. Nayaga as the Deputy Governor Press Release - Reserve Bank of Figi Appoints Mr. Inia R. Nayaga as the Deputy Governor Press Release - Reserve Bank of Figi Appoints Mr. Inia R. Nayaga as the Deputy Governor Press Release - Reserve Bank of Figi Appoints Mr. Inia R. Nayaga as the Deputy Governor, Press Release - Reserve Bank of Figi Appoints Mr. Inia R. Nayaga as the Deputy Governor, Press Release - Reserve Bank and Figi Maintains Current Monetary Policy Stance</li> <li>Of Jun. March 2011 Quarterly Review issued</li> <li>Of Jun. March 2011 Quarterly Review issued</li> <li>Or Jun. March 2011 Quarterly Review issued</li> <li>Or Jun. March 2011 Review States at the Figi Institute of Engineers 2-104 Sy Sympositum on "Disster Risk Reduction &amp; Climate Change Adaptation (Wind Engineering)" at Noveel</li> <li>Or Jun. March 2011 Quarterly Review issued</li> <li>Or Jun. March 2011 Quarterly Review issued</li> <li>Or Jun. March 2011 Review States at the Figi Institute of Engineers Adavards Night, Novotel, Lamit Of Sympose Future Investment and</li></ul>	28 Apr.	Statement by the Chairman of the Macroeconomic Policy	51 000.	
Revised Economic Projections     101 Not.     1180 Methods Financial Competency of Low Income HouseNetWork Services       29 Apr.     Financial Intelligence Unit released its 2010 Annual Report     100 Nov.     108 Mary Appointment of Mr. Barry Whiteside as Governor of the Report       05 May     Appointment of Mr. Caroline Waphaca as Chief Manager Economics and Mrs. Susan Kumar as Chief Manager Currency and Corporate Services     10 Nov.     108 Nov.       07 May     Acting Deputy Governor, Speaker at the One-Day Banking Economics and Mrs. Susan Kumar as Chief Manager Currency and Corporate Services     11 Nov.     10 Nov.       12 13 May     Capital Markets - 2 Days Finance Master Class for Non Financial Economities and During Services     11 Nov.     Press Release - Fiji Strengthens International Intelligence       26 May     Board Governance Committee Meeting Orollinary Board Meeting     21 Nov.     21 Nov.     Capital Markets Annual Report issued       26 May     Board Governance Committee Meeting Orollinary Board Meeting     21 Nov.     21 Nov.     21 Nov.     21 Nov.       26 May     Board Governance Committee Meeting Orollinary Board Meeting     21 Nov.     21 Nov.     21 Nov.     21 Nov.       27 May     Press Release - Reserve Bank of Fiji Institute of Engineers 2-Day Symposition on Dissetser Risk Reduction & Current 207 Deging Series 32, 53 and 510 Banard Governance Committee Meeting     21 Nov.     21 Nov.       02 Jun.     Deputy Governor, Market Supervision, Tanonal Report Stand Stands     21 No		Committee and Acting Governor of the Reserve Bank of Fiji -	01 N	5
Press Release - Reserve Bank Announces Monetary Policy Changes       Onlinary Board Meeting         29 Apr.       Francial Intelligence Unit released its 2010 Annual Report       OP Nov.       3rd Ant-Money Laundering Conference, Holiday Ian, Suva RB Wins Category A Statutory Authorities, Covernment Bodies and Unlisted Trusts in the 2011 SPSE Annual Report Competition         06 May       Appointment of Mrs. Barry Whiteside as Governor of the Reserve Bank of Fiji Conomics and Mrs. Susan Kumar as Chief Manager Coronors: and Mrs. Susan Kumar as Chief Manager Currency and Corporate Services       10 Nov.       Press Release - Report on the Third AML Conference Hisd at Holiday Inn i Suva on 9 November 2011 Opening of BSP Branch, Lautoka by Governor Francial Executives and Directors         12-13 May       Capital Markets J Days Finance Master Class for Non Financial Executives and Directors       11 Nov.       Press Release - Report on the Third AML Conference Hisd at Holiday Inn i Suva on 9 November 2011 Opening of BSP Branch, Lautoka by Governor Financial Executives and Directors         16-19 May       Visit by the World Bank & Itamational Finance Corporation (IFC) Technical Asistance on Payments Systems       24 Nov.       Capital Markets Innumal Report issued         20 May       Board Governor Guest Speaker at the Fiji Institute of Engineers 2-Pay Sympositum on Disaster Risk Reduction & Climare Change Adaptation (Wind Engineering)* at Novrel       24 Nov.       24 Nov.         20 Jun.       Deputy Governor, Guest Speaker at the Fiji Institute of Engineers 2-Pay Sympositum on Disaster Risk Reduction & Climare Change Adaptation (Wind Engineering)* at Novrel       24 No			01 Nov.	
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06 May       Appointment of Mrs. Caroline Waqabaca as Chief Manager Economics and Mrs. Susan Kumar as Chief Manager Currency and Corporate Services       Held at Holiday Inn in Suva on 9 November 2011         07 May       Acting Deputy Governor, Speaker at the One-Day Banking Expo organised by ABIF       22 Nov.       Press Release - Fiji Strengthens International Intelligence Sharing Framework         16-19 May       Capital Markets - 2 Days Finance Master Class for Non Financial Executives and Directors       Press Release - Days Finance Master Class for Non Financial Executives and Directors         16-19 May       Visit by the World Bank & Ku International Finance Corporation (IFC) Technical Assistance on Payments Systems       24 Nov.       Capital Markets Directors' Seminar on Legal Responsibilities of Corporate Bodies and Company Directors under the Crimes Decerce Tower 11, RBF         27 May       Press Release - Reserve Bank of Fiji appoints Mr. Inia R. Naiyaga as the Deputy Governor Press Release - Reserve Bank of Fiji Maintains Current Monetary Policy Stance       24 Nov.       2010 Capital Markets Annual Report issued         02 Jun.       Deputy Governor, Guest Speaker at the Fiji Institute of Engineers 2-Day Symposium on "Disaster Risk Reduction & Climate Change Adaptation (Wind Engineering)" at Noveel Suva, Lami Bay       03 Doc.       Fiji Institute of Bankers Awards Night, Nowotel, Lami         04 Jun.       Governor spoke at the FIA Congress on "Puture Investment and Growth"       05-09 Dec.       Fiji Institute of Bankers Awards Night, Nowotel, Lami         04 Jun.       Governor spoke at the FIA Congress o	05 May	Appointment of Mr. Barry Whiteside as Governor of the	10 Nov	
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# FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

	2007	2008	2009	2010	2011
I. GROSS DOMESTIC PRODUCT					
GDP at Market Price (\$ Million)	5,483.2	5,722.2(r)	5,636.4(r)	6,087.4(p)	6,846.3(6
Per Capita GDP at Current Factor Cost (\$)	5,583.4	5,848.5(r)	5,760.5(r)	6,153.6(p)	6,750.2(
Constant Price GDP Growth Rate (%)	-0.9	1.0(r)	-1.3(r)	-0.2(p)	2.0(
II. LABOUR MARKET					
Labour Force	326,988	329,755	332,582	335,400	338,300(
Wage and Salary Earners (mid-year)	128,700	130,600	132,600	134,600	136,600(
III. INFLATION (year-on-year % change)					
All Items	4.3	6.6	6.8	5.0	7
IV. GOVERNMENT FINANCE (\$ Million)					
Total Revenue and Grants	1,391.3	1,454.9	1,415.9	1,537.8	1,723.6(
Total Expenditure (excluding loan repayments)	1,504.1	1,426.8	1,644.7	1,668.7	1,961.7(
V. EXTERNAL TRADE					
Current Account Balance (\$ Million)	-699.6(r)	-1,033.6(r)	-429.0(r)	-643.8(r)	-682.3(
Capital Account Balance (\$ Million)	56.0(r)	74.8(r)	80.0(r)	74.9(p)	103.1(
Financial Account Balance (\$ Million)	-590.4(r)	-714.8(r)	-489.9(r)	-246.7(r)	-80.6(
Current Account Balance (% of GDP)	-12.8(r)	-18.1(r)	-7.6(r)	-10.6(r)	-10.0(
VI. FOREIGN EXCHANGE RESERVES (\$ Million)					
Foreign Reserves	804.6	558.7	1,090.6	1,302.7	1,512
VII. MONEY AND CREDIT (year-on-year % change)					
Narrow Money	43.47	-19.67	-2.79	12.30	40.7
Currency in Circulation	-1.32	8.40	12.93	7.89	5.6
Quasi-Money	-9.79	5.58	14.96	-1.40	-0.7
Domestic Credit <sup>1</sup>	3.16	4.85	4.08	-1.70	6.2
VIII. INTEREST RATES (% per annum)					
RBF Overnight Policy Rate <sup>2</sup>	n.a.	n.a.	n.a.	2.50	0.5
Lending Rate	8.46	7.72	7.52	7.42	7.4
Savings Deposit Rate	0.64	0.64	0.92	1.02	0.9
Time Deposit Rate	4.45	3.00	5.83	4.73	2.9
91-day RBF Note Rate <sup>3</sup>	4.25	n.i.	n.i.	n.i.	n
Minimum Lending Rate	9.25	6.32	3.50	3.00	1.0
IX. EXCHANGE RATES (mid rates, F\$1 equals: end of period)					
United States dollar	0.6447	0.5669	0.5185	0.5496	0.549
Real Effective Exchange Rate (January 1999 = 100)	104.34	107.45	91.65	94.26	99.2
Sources: Commerical Banks, Fiji Bureau of Statistics, Ministry of Finance, Macroeconomic Policy Con	nmittee and Reserve Bank of	Fiji			
Notes: 'Credit to the private sector is adjusted for AMB's non-performing loans and advances. 'The RBF Overnight Policy Rate came into effect in 2010. 'In 2007, the rate is for June. There were no issues of 91-day RBF notes in December of 2007, 2008	and 2009.				

Key: (e): estimate (f): forecast (p): provisional (r): revised n.a.: not available n.i.: no issue

# ABBREVIATIONS

ABIF	Association of Banks in Fiji	IT	Information Technology
ADB	Asian Development Bank	ITSC	Information Technology Steering Committee
AFI	Alliance for Financial Inclusion	KDS	Key Disclosure Statement
AMB	NBF Asset Management Bank	KPI	Key Performance Indicator
AML	Anti-Money Laundering	LAB	Local Advisory Board
APG	Asia Pacific Group on Money Laundering	LFI	Licensed Financial Institution
APRA	Australian Prudential Regulation Authority	LICI	Life Insurance Corporation of India
ATM	Automated Teller Machine	MC	Money Changer
BRS	Business Resumption Site	MFI	Microfinance Institution
BSP	Bank of South Pacific	MNO	Mobile Network Operator
CMF	Christian Mission Fellowship	MOA	Memorandum of Agreement
CNB	Colonial National Bank	MPC	Macroeconomic Policy Committee
CTR	Cash Transaction Report	NBFI	Non-Bank Financial Institution
ECB	European Central Bank	NEC	National Employment Centre
EFTPOS	Electronic Funds Transfer at Point of Sale	NEER	Nominal Effective Exchange Rate
EFTR	Electronic Funds Transfer Report	NFIT	National Financial Inclusion Taskforce
EMEs	Emerging Market Economies	OHS	Occupational Health & Safety
FBFSEU	Fiji Bank and Finance Sector Employees Union	OMO	Open Market Operations
FBOS	Fiji Bureau of Statistics	OPR	Overnight Policy Rate
FDB	Fiji Development Bank	P2P	Person to Person
FFF	Future Forests Fiji	PFIP	Pacific Financial Inclusion Programme
FFIMSO	FIU Financial Information Management System Online	PFTAC	Pacific Financial Technical Assistance Centre
FGP	Foster's Group Pacific Limited	RBF	Reserve Bank of Fiji
FHRI	Fiji Human Resources Institute	REER	Real Effective Exchange Rate
FIA	Fiji Institute of Accountants	RFED	Restricted Foreign Exchange Dealers
FIB	Fiji Institute of Bankers	RRA	Revaluation Reserve Account
FIU	Financial Intelligence Unit	RTGS	Real Time Gross Settlement
FNPF	Fiji National Provident Fund	SDR	Special Drawing Rights
FNU	Fiji National University	SEACEN	South East Asian Central Banks
FTR	Financial Transactions Reporting	SME	Small and Medium Enterprise
GDP	Gross Domestic Product	SPSE	South Pacific Stock Exchange
GFC	Global Financial Crisis	STR	Suspicious Transaction Report
HSC	Higher Salaries Commission	US	United States
IMF	International Monetary Fund	USP	University of the South Pacific
ISEFF	Import Substitution and Export Finance Facility	VAT	Value Added Tax



Reserve Bank of Fiji

The great double-hulled, ocean-going canoes (drua) of the ancient Fijians were remarkable crafts, capable of long voyages. The tagaga (pronounced **"tanganga"**) or masthead, was crucial for holding in place the sails, woven from the leaves of the pandanus tree. It was the tagaga which enabled the navigators to keep their drua sailing towards their destinations.

For the Reserve Bank of Fiji, a logo based on the tagaga masthead, symbolises the Bank's role in contributing towards a sure and steady course for Fiji's economy.

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