

Reserve Bank of Fiji
Banking Supervision Policy Statement No: 8B *(Revised 2012)*

NOTICE TO CREDIT INSTITUTIONS LICENSED UNDER THE BANKING ACT 1995

**ACCOUNTABILITY AND DISCLOSURE GUIDELINES ON INTEREST RATES,
FEES AND CHARGES FOR LICENSED CREDIT INSTITUTIONS IN FIJI**

PART I: PRELIMINARY

1.0 Introduction

1.1 This Notice is issued under Section 14(3) of the Banking Act, 1995 as part of the Reserve Bank of Fiji's (Reserve Bank) standards governing the conduct of banking business in Fiji. This Policy sets out the Reserve Bank's minimum requirements for the accountability of licensed credit institutions for the full and effective disclosure of interest rates, fees and charges for their products and services and the form and content of disclosure.

2.0 Objective of the Policy

2.1 The objective of this Policy is to promote the informed use of credit and savings options offered by Credit Institutions (CIs). By setting out the requirements in the Policy, the Reserve Bank aims to achieve the following objectives:

- (a) Complete and effective disclosure of interest rates, fees and charges relating to credit institutions' products and services offered in the market;
- (b) Standardisation of disclosure of fees and charges;
- (c) Effective comparison of products offered by credit institutions; and,
- (d) Full justification for new or increases in fees and charges for credit institutions' products and services.

2.2 By promoting full and effective disclosure and standardising the disclosure format of fees and charges, the Policy seeks to ensure transparency and comparability. This Policy also seeks to increase competition by ensuring that CI customers are able to make useful comparisons and "shop around" for products and services that are affordable and meet their individual needs. A competitive banking industry will support a robust and efficient banking system.

3.0 Background to the Approach

- 3.1 This Policy is a review of the 2002 Policy on Disclosure Guidelines on Fees and Charges for Banks and Credit Institutions and supersedes the minimum requirements issued in July 2002.¹
- 3.2 This Policy has been developed in consultation with the credit institutions. The revised requirements take into account the public's current level of financial literacy, the need to improve the effectiveness of the initial 2002 Policy, the developments in disclosure requirements and best practices of other banking jurisdictions.
- 3.3 In preparing this Policy, reference has been made to the Reserve Bank's function to "promote a sound financial structure". The effective disclosure of the full cost of banking products and services is essential for customers to make informed and prudent decisions. The informed use of financial products and services by customers contributes to financial stability.
- 3.4 As the business of banking continues to evolve, it is essential that the interests of its customers are not disregarded. The credit institutions' obligations to provide its customers with accurate and relevant information, ensuring transparency of fees and charges, considering the suitability of customers' needs and avoiding unwarranted discrimination etc are ongoing issues of contention for regulators and consumer advocates. However, where disclosure and transparency exist between credit institutions and customers, it is envisaged that compliance with such regulations will be a consequence of good business, not a constraint. Such practices support the objective of the Policy to promote the informed use of credit and savings options.

PART II: REQUIREMENTS OF THE POLICY

4.0 Accountabilities of Credit Institutions

- 4.1 Each credit institution is responsible for the full and effective disclosure of interest rates, fees and charges on all the products and services they offer to members of the public.
- 4.2 Credit institutions shall charge to a customer only the fees and charges disclosed in its fees and charges brochures and is replicated in their product brochures². It is a contravention of this Policy to charge an undisclosed fee or charge and sanctions will apply.
- 4.3 Where fees or charges are payable to external parties, e.g. solicitors' fees, valuation fees etc, credit institutions must disclose and notify

¹ The 2002 Disclosure Guidelines on Fees and Charges for Banks and Credit Institutions was to implement the recommendations regarding fees and charges outlined by the Committee of Inquiry into Financial Services. The Report of the Committee of Inquiry into Financial Services in Fiji was released in February 1999.

² CIs are to publish product brochures for each product it offers.

customers of the third party fee or charge, including (where possible) the amount.

- 4.4 Each credit institution must notify the Reserve Bank of any new fee or charge and an increase in any existing fee or charge for any product or service and provide details on how this was determined. Credit institutions must ensure that all fees and charges are reasonably priced based on the costs associated with the respective products and services. With the full details provided, the Reserve Bank shall raise any objections within **30 calendar days**.
- 4.5 Credit institutions shall not introduce new fees or charges or increase existing fees and charges before a written notice through acceptable media³ has been made available to all customers at least **30 calendar days** before the effective date.
- 4.6 Any increase in interest rates for loans or decrease in interest rates for deposits must be disclosed to the general public in the form of an advertisement in a local newspaper that is circulated throughout Fiji at least **7 calendar days** prior to the effective date.
- 4.7 For any increment on variable interest rates on existing credit contracts, credit institutions must provide a written notice through acceptable media to all affected customers at least **30 calendar days** prior to the effective date. The new interest rates shall apply to transactions that occur on or after the effective date of the new interest rates.
- 4.8 For marketing promotions which offer promotional rates, credit institutions must ensure to disclose the length of time the promotional rates will apply after a product is sold.
- 4.9 Credit institutions must also ensure that all material disclosures required under this Policy are in conspicuous font size not less than the equivalent size of Arial 8.

5.0 Reporting Requirements

- 5.1 Each credit institution is required to provide to the Reserve Bank, **30 calendar days after implementation of this Policy**, a list of all products and services offered at that point in time, along with the applicable fees and charges of each product and service. The list must be provided in the form and content outlined in RBF CI Forms S-FPS-1, S-FPS-2, S-FPS-3 and S-FPS-4. These Returns must be updated and submitted to the Reserve Bank every six months⁴ and each time changes are made to the list of products and services and the list of fees and charges.
- 5.2 Each credit institution must inform the Reserve Bank in writing of its intention to introduce a new product or service at least **30 calendar days**

³ Acceptable media include written letter, email and SMS.

⁴ At the end of June and December.

before it is introduced. This notice must be accompanied by the applicable RBF Forms. Each credit institution must also inform the Reserve Bank in writing of the withdrawal of any existing product or service within **30 calendar days** after the product or service is withdrawn and the rationale for this.

- 5.3 The Reserve Bank reserves the right to use and replicate the information provided on each product and service for the objectives of this Policy.

6.0 Requirement for Pre-Contractual Disclosure

- 6.1 In selling a particular product or service, credit institution personnel must ensure that before a decision is reached, the customer is made fully aware of the terms and conditions, interest rates (interest rates include fixed interest rates, variable rates, default rates, nominal and effective interest rates), and the associated fees and charges before acquiring a product or service. The rationale of full disclosure is to ensure that potential customers are fully aware of the total costs of borrowings, and the net returns they may get from deposits.

- 6.2 Each credit institution shall ensure that a customer is offered a product that suits the expressed need. CI personnel must advise a potential customer on the products available that are comparable to the expressed need.

- 6.3 When opening new accounts⁵ for customers, the CI personnel must clearly explain to the customers the terms and conditions of the products and services and all information on interest rates, fees and charges associated with the respective financial product and service.

- 6.4 Each credit institution is required to provide a pre-contractual document setting out, at a minimum the following items:

(i) For Closed-End Credit:

- (a) The name and address of the credit institution;
- (b) Description and Function of the Credit Contract;
- (c) Required Deposit (amount or percentage);
- (d) Amount of Credit;
- (e) Acceptance Expiry Date;
- (f) Annual Interest Rate, and Effective Interest Rate;
- (g) Calculation of Interest ;
- (h) Fees and Charges (including explanation on how and when the fees and charges will apply);
- (i) Default Interest Rate/Loan Arrear Fee;
- (j) Total Payments- this includes the principal credit, interest payable and any fees and charges;

⁵ This includes both credit and deposit products.

- (k) Payment Schedule- specify the total costs (interest and fees) and repayment of principal loan for each year, the number of years, amounts of each payment and timing of payments scheduled to repay the obligation;
- (l) Frequency of Statement of Account;
- (m) Changes to Interest Rates, Fees and Charges, and Terms and Conditions of the Contract;
- (n) Payment Obligations;
- (o) Default, Subsequent Credit Institutions' Actions & Consequences, Cancellation and Termination;
- (p) Error and Dispute/Complaints Resolution;
- (q) Enforcement expenses;
- (r) Mortgage/Security and Guarantee - relevant information about the terms and conditions on Mortgage/Security and Guarantee; Relevant information include the item(s) placed under mortgage/security and the consequences to the mortgage/security in the event of default in repayment by the borrower. State the rights and liabilities of the Guarantor and Mortgagor; and,
- (s) Glossary- Definition of Words in Relation to the Credit Contract

(ii) For Open-End Credit (if offered by CI):

- (a) The name and address of the CI;
- (b) Description and function of the Credit Contract;
- (c) Amount of Credit Limit;
- (d) Annual Interest Rate and Effective Interest Rate;
- (e) Fees and Charges (including explanation on how and when the fees and charges will apply);
- (f) Calculation of Interest Charges;
- (g) Default Interest Rate/Loan Arrear Fee;
- (h) Explanation on how the CI will inform the customer on changes to Interest Rates, Fees and Charges, and Terms and Conditions of the Contract;
- (i) Frequency of Statement of Accounts;
- (j) Payment Obligations including due date of payments and amounts;
- (k) Default, Subsequent Credit Institutions' Actions & Consequences, Cancellation and Termination;
- (l) Error and Dispute/Complaints Resolution; and,
- (m) Glossary- Definition of Words in Relation to the Credit Contract.

6.5 **For Deposits:**

Each credit institution is required to disclose, at the minimum, the following information for deposit accounts:

- (a) Rate Information - rate of interest of the deposit product.
- (b) Compounding & Crediting- state the frequency the interest is compounded and credited to the account, also indicate the amount which the interest is calculated on.
- (c) Minimum Amount Requirement - information on the minimum amount required to open an account.
- (d) Fees and Charges - list the applicable fees and charges for the deposit accounts and explain when and how these fees will apply.
- (e) Maturity and Early Withdrawal - specify the maturity date and early withdrawal penalties.
- (f) Frequency of Interest Payment - details on the frequency of interest payment during the period of the term deposits.
- (g) Renewal Policies - explain how the credit institution will inform the customers on maturity of the term deposits.
- (h) Glossary- Definition of Words in Relation to Deposits.

7.0 **Requirement for Subsequent Disclosure**

7.1 Each credit institution is required to provide at a minimum, during the period of the contract, the following disclosures:

- (a) Periodic Statement;
- (b) Term Deposit Maturity Disclosure; and,
- (c) Repayment Changes Disclosures.

Requirement for Periodic Statements

7.2 Each credit institution must provide their customers with a periodic statement⁶ in the intervals specified below (or less frequently at the discretion of the customers). The periodic statement must disclose, at minimum, the following items:

(i) For Closed End Credit (Six Monthly)

- (a) Statement Period;
- (b) Opening and Closing Balance;
- (c) Amount of Interest Charges;
- (d) Amount of Default Interest Charges- if applicable;
- (e) Amount of Fees and Charges;

⁶ Statement in the form of printed copy and/or electronic statement.

- (f) Interest Rate of the Statement Period;
- (g) Debit and Credit Entries of all transactions that occurred during the Statement period; and,
- (h) Alterations.

(ii) For Open End Credit (Monthly)

- (a) Statement Period;
- (b) Opening and Closing Balance;
- (c) Interest Rate;
- (d) Identification of each transaction and the amount;
- (e) Amount of Interest;
- (f) Amount of Fees and Charges;
- (g) Payment Due Date;
- (h) Minimum/Fixed Repayment Amount (if applicable)

(iii) For Deposits (Six Monthly)

- (a) Statement Period;
- (b) Opening and Closing Balance;
- (c) Amount of Interest Earned;
- (d) Amount of Fees and Charges;
- (e) Interest Rate of the Statement Period;
- (f) Debit and Credit Entries of all transactions that occurred during the Statement period; and,
- (g) Glossary- Definition of Words in Relation to the Deposit Accounts.

Requirement for Term Deposit Maturity Disclosure

7.3 For term deposit accounts, credit institutions must provide disclosures at least **30 calendar days** before maturity of the existing account. The disclosure must include the following:

- (a) The date the existing term deposit will mature with options to the account holder for renewal or withdrawal of deposit upon maturity. If the option to renew is not offered by the credit institution, then the credit institution must inform the customer that the term deposit will be kept in their custody until it is collected.
- (b) For renewal option - the disclosure shall provide details of the new terms and conditions, that includes the new annual interest rate and the time period of the term deposit account; and,
- (c) For withdrawal option - credit institutions must provide options on how the account holder may redeem the principal amount and

interest earned on the existing term deposit account. Any applicable fee must also be disclosed.

Requirement to Disclose Changes to Loan Repayments

- 7.4 Changes in loan repayments must be communicated to all affected customers through acceptable media setting out the particulars of the changes at least **30 calendar days** before the changes take effect; particulars include increase in the amount, frequency or time of repayment, changes in the method of calculation and installment minimum repayment requirement under the credit contract.

8.0 Application of Default Interest Rate

- 8.1 The default interest rate on default in payment must be disclosed in the pre-contractual agreement. Credit institutions must ensure that this default interest rate is imposed only on the amount of loan in default during the period of default. The annual interest amount on loan and the default interest amount must be clearly stated as separate items on the periodic statement.

9.0 General Disclosure Format for Interest Rates, Fees and Charges

- 9.1 Credit Institutions' fees and charges shall be generally disclosed in a manner as outlined in Appendix B. These disclosures shall be according to the products and services.
- 9.2 The format of summary disclosure for interest rates undertaken by credit institutions is entirely its choice as long as all relevant information of the financial products is disclosed and is approved by the Reserve Bank of Fiji. Relevant information include:
- 1) the names of the financial products;
 - 2) the rates of interest (nominal and effective interest) offered on the financial products;
 - 3) minimum opening amount requirements; and,
 - 4) other requirements which the Reserve Bank may require by written notice to the credit institutions.
- 9.3 Credit institutions are required to prepare a glossary of terms in relation to loans and deposits in the Fijian and Hindi languages consistent with the English version and print the glossary of terms as an explanatory brochure.
- 9.4 All disclosure brochures and product brochures must be made available to members of the public at all times. The brochures must be clearly displayed in a manner noticeable to all customers at each location of the credit institution's operations and the credit institution's website. It is a contravention of this Policy to not make available this information.

PART III: OVERSIGHT AND IMPLEMENTATION ARRANGEMENTS

10.0 Oversight by the Reserve Bank of Fiji

- 10.1 Each credit institution must provide to the Reserve Bank the initial list of products and services and the fees and charges for each product and service (RBF CI Form S-FPS) no later than **30 calendar days** after the implementation date of this Policy.
- 10.2 Each credit institution must adhere to the requirements of this Policy and submit to the Reserve Bank a Declaration of Compliance with the requirements of this Policy by 31st January of **each calendar year**. The Declaration of Compliance Form is attached as **Appendix C**.
- 10.3 The Reserve Bank will assess the compliance of each credit institution with the requirements of this Policy in the course of its supervision. A credit institution that fails to comply with the requirements of the Policy will be subject to sanctions under Section 15 of the Banking Act 1995.

11.0 Implementation Arrangements

- 11.1 This Policy applies to all credit institutions licensed under the Banking Act 1995 and will be effective as set out below:
- (a) Non system related changes will be effective from 1 January 2013; and,
 - (b) The requirements which entail related changes to information technology system⁷ will be effective from 1 October 2013.

Reserve Bank of Fiji **August 2012 (Revised)**

Attachments:

Schedule I: Interpretation

Schedule II: IT System Related Changes Requirements

Appendix A: RBF CI Form S-FPS Disclosure of Products and Services

Appendix B: Disclosure on Fees and Charges- Credit Institutions' Fees and Charges

Appendix C: Declaration of Compliance

⁷ These requirements are listed in Schedule 2. Requirements which are not listed under this Schedule will be effective from 1 January 2013.

SCHEDULE 1

Interpretation-

- (1) Any term or expression used in this Notice that is not defined in this Notice:
 - (a) which is defined in the Act, shall, unless the context otherwise requires, have the meaning given to it by the Act;
 - (b) which is not defined in the Act and which is defined in any of the Reserve Bank of Fiji Policy Statements shall, unless the context otherwise requires, have the meaning given to it by those policy statements; and,
 - (c) which is not defined in the Act or in any of the Reserve Bank of Fiji Policy Statements shall, unless the context otherwise requires, be interpreted in accordance with generally accepted accounting practice.

- (2) In this Notice, unless the context otherwise requires:

‘Act’ means the Banking Act 1995 unless otherwise specified.

‘Annual Percentage Rate’ refers to the annual equivalent rate of return on loan or investment in which the rate of interest specified is chargeable or payable more frequently than annually.

‘Closed-End Credit’ refers to a loan for a specific amount of money that requires full repayment of principal and interest by a predetermined date.

‘Customer’ means any person using the financial services of the credit institutions, including any walk-in customer that does not hold an account with the credit institutions but using the credit institutions’ services to conduct financial transactions.

‘Default’ refers to the omission or failure to perform a legal or contractual duty; to observe a promise or discharge an obligation or to perform an agreement.

‘Effective Annual Rate/Effective Interest Rate’ refers to (1) the total interest paid or earned in a year expressed as a percentage of the principal amount at the beginning of the year. (2) The interest rate on a loan or a deposit that takes into account the effects of compounding. The formula is: $r = [(1 + i/n)^n] - 1$, where r is the effective interest rate, i is the nominal interest rate⁸ and n is the number of times in a year interest is compounded.

‘Interest Rate’ refers to the percentage of an amount of money which is paid for its use for a specified time. Commonly expressed as an annual percentage rate (APR).

‘Open-End Credit’ means pre-approved loan between a CI and a borrower that may be used repeatedly up to a certain limit and can subsequently be paid back prior to payments coming due. The pre-approved amount will be set out in the agreement between the lender and the borrower. Open-end credit is also referred to as a "line of credit" or "revolving line of credit".

⁸ Refers to the definition of Interest Rate under this Schedule.

SCHEDULE 2

IT System Related Changes Requirement

- 1) Section 8.1**

**RESERVE BANK OF FIJI
PRIVATE MAIL BAG
SUVA**

CONFIDENTIAL

Summary Disclosure of Financial Products and Services

(Name and Address of Credit Institution)

As at _____, 20____

Deadline: 6 Monthly (June and December). 10 working days after month end.

I declare that the information set forth are obtained from the records of the Credit Institution and to the best of my knowledge and belief are correct.

[Signature of Authorised Officer]

[Name & Designation]

[Company Stamp]

[Date]

Person to contact for queries: _____

**RESERVE BANK OF FIJI
PRIVATE MAIL BAG
SUVA**

List of Products and Services

Name of Institution: _____

Deadline: 10 working days after month end

No.	Deposit Products:	Credit Products:	Financial Services:

I declare that the above information are obtained from the records of the Credit Institution and that to the best of my knowledge and believe are correct.

[Company Stamp]
Person to contact for queries: _____

RESERVE BANK OF FIJI
PRIVATE MAIL BAG
SUVA

Summary Disclosure of Credit Products

Name of Institution: _____

Deadline: (1) 30 calendar days before product launch or after product withdrawal.
(2) 10 working days after month end (existing products)

	Disclosure Information for Fees, Charges & Interest Rates	Name of Credit Product A	Name of Credit Product B	Name of Credit Product C	etc
1	Interest Rate				
	Fixed Interest Rate				
	Variable Interest Rate				
	Effective Interest Rate				
	Calculation Method of Interest Rate (daily, monthly etc.) Frequency of Compounding for Interest Charged				
2	Registration Search Fee				
3	Company Search Fee				
4	Bill of Sale Fee				
5	Titles Search Fee				
6	Bailiff Fee				
7	Solicitors Fee				
8	Discharge of Bill of Sale/Security				
9	Loan Arrear Fee/Interest				
10	LTA Search				
11	FNPF Housing Transfer Fee				
12	Portability Fee				
13	Property Inspection Fee				
14	Loan Service Fee				
15	Holding Fee/ Commitment Fee				
16	Mortgage Discharge Fee				
17	Overdraft and Commercial Loan Establishment Fee				
18	Overdraft and Commercial Loan Service Fee				
19	Other Fees (Specify in each line)				

I declare that the above information are obtained from the records of the Credit Institution that to the best of my knowledge and believe are correct.

[Company Stamp]

Person to contact for queries: _____

**RESERVE BANK OF FIJI
PRIVATE MAIL BAG
SUVA**

Summary Disclosure of Deposit Products

Name of Institution: _____

Deadline: (1) 30 calendar days before product launch or after product withdrawal.
(2) 10 working days after month end (existing products)

	Disclosure Information for Fees, Charges & Interest Rates	Name of Deposit Product A	Name of Deposit Product B	Name of Deposit Product C	etc
1	Minimum Opening Deposit				
2	Interest Rate				
	Base Interest Rate				
	Effective Interest Rate				
	Calculation of Interest Rate (daily, monthly etc)				
	Frequency of Interest paid				
3	Break Fee				
4	Other Fees (Specify in each line)				

I declare that the above information are obtained from the records of the Credit Institution and that to the best of my knowledge and believe are correct.

[Company Stamp]

Person to contact for queries: _____

**RESERVE BANK OF FIJI
PRIVATE MAIL BAG
SUVA**

Name of Institution: _____

Deadline: (1) 30 calendar days before product launch or after product withdrawal.
(2) 10 working days after month end (existing products)

	Financial Services	(\$)
1	Hire Purchase	
2	Indemnity Guarantee	
3	Asset Finance	
4	Other Fees (Specify in each line)	

I declare that the above information are obtained from the documents of the Credit Institution and that to the best of my knowledge and believe are correct.

[Company Stamp]

Person to contact for queries: _____

Disclosure of Fees and Charges

Important Customer Notice

**Prior notice of 30 days would be given on any
changes in or new fees or charges**

Date of Publication:

Credit Institutions' Fees and Charges

Name of CI:
Address:
Phone Contact:
CI's Logo:

FEE DESCRIPTION **AMOUNT**

LENDING FEES (PERSONAL LOAN)

(including Hire Purchase Agreements, Bill of Sales and Leases)

Outline Each Product

- Registration Search Fee
 - Company Search Fee
 - Bill of Sale
 - Titles Search Fee
 - Bailiff Fee
 - Solicitors Fee
 - Discharge of Bill of Sale/Security
 - Loan Arrear Fee/Interest
 - LTA Search
 - Mortgagee Sale Administration Fee
- (List down any other applicable fees)*

LENDING FEES (HOUSING LOAN)

Outline Each Product

- FNPF Housing Transfer Fee
 - Switch Fee (Switching from one product to another or changing interest rates)
 - Portability Fee (continues with loan but switch securities)
 - Property Inspection Fee
 - Loan Service Fee
 - Mortgage Discharge Fee
 - Loan Arrear Fee/Interest
 - Mortgagee Sale Administration Fee
- (List down any other applicable fees)*

FEE DESCRIPTION **AMOUNT**

LENDING FEES (COMMERCIAL LOAN)

Outline Each Product

- Overdraft
- Establishment Fee
 - Service Fee
- Term Loan
- Establishment Fee
 - Service Fee
- (List down any other applicable fees)*

HOLDING FEES

- Progressive Drawn – loan not fully drawn down within a grace period by Credit Institution from date of acceptance of offer letter
- (List down any other applicable fees)*

TERM DEPOSIT

- Minimum opening balance
 - Break Fee
 - Maturity withdrawal
 - By transfers to a nominated account
 - By bank cheque
 - Partial interest payment
 - By transfers to a nominated account
 - By bank cheque
- (List down any other applicable fees)*

FEE DESCRIPTION **AMOUNT**

OTHER LOAN FEES

- Audit confirmation letter
 - Advertising & miscellaneous cost
 - Client Statement of Account
 - Repeat statements
 - Computer printout
 - Consent fee
- (List down any other applicable fees)*

**Declaration of Compliance with the Reserve Bank of Fiji's Supervision Policy
Statement No. 8B: Accountability and Disclosure Guidelines on Interest Rates,
Fees and Charges for Licensed Credit Institutions in Fiji, issued under section
14(3) of the Banking Act 1995**

I, _____ in my capacity as the [Managing Director/
General Manager/Officer in Charge] of _____,
hereby declare that I have carefully read and understood the named Policy issued by
the Reserve Bank of Fiji, and will take every reasonable step to ensure that our
organization fully comply with it.

I am also aware that failure to comply with the requirements of the named Policy may
be subject to sanction under section 15 of the Banking Act 1995.

Dated at _____, this _____ day of _____, 20_____.

Signature: _____

Designation: _____

Company Stamp: