

**Reserve Bank of Fiji**  
**Banking Supervision Policy Statement No: 5A**

NOTICE TO BANKS  
LICENSED UNDER THE BANKING ACT 1995

**DISCLOSURE REQUIREMENTS FOR BANKS**

**PART I**  
**PRELIMINARY**

**1. Introduction**

- 1.1 This Notice sets out the Reserve Bank of Fiji's requirements with regard to the form and content of audited annual financial statements of licensed banks in Fiji including the form of information that is to be published for the general public. Under the policy the banks are required to publish specific information in their audited financial statements. These guidelines have been issued under sections 14(3) and 28 of the Banking Act 1995.
- 1.2 These disclosure requirements have been developed taking account of the International Accounting Standard 30: "Additional Disclosure by Financial Institutions<sup>1</sup>", Australian Accounting Standard 32: "Specific Disclosures by Financial Institutions" and the Reserve Bank of New Zealand's Disclosure Orders in Council. Compliance with relevant International Accounting Standards, Fiji Institute of Accountants' FAS30, the Companies Act, and other relevant statutes are also required.
- 1.3 The policy has also been finalised after taking into account comments received from banks and financial institutions on three earlier drafts that were sent to them.

**2. Background and Outline of the Approach**

- 2.1 The Reserve Bank of Fiji, as with other central banks around the world, has an interest in promoting public disclosure of financial and other relevant prudential information to foster market discipline and strengthen financial stability by promoting transparency of banks activities and risk exposures.
- 2.2 One of the functions of the Reserve Bank of Fiji is to "promote a sound financial structure." A way of carrying this out is to require public disclosures by banks, which will enable market forces to work. The interest of banking supervisors in bank transparency is based on the recognition that markets contain disciplinary mechanisms that, under appropriate conditions, reinforce supervisory efforts by rewarding

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<sup>1</sup> IFRS 7 *Financial Instruments: Disclosures*; supersedes IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*.

banks that manage risk effectively and penalising those whose risk management is weak or ineffective.

2.3 The development of these disclosure guidelines is a step taken by the Reserve Bank of Fiji in working towards a sound market based financial system, which is one of its statutory functions.

2.4 In developing these disclosure guidelines for banks, the Reserve Bank of Fiji's objectives are to :

2.4.1 Promote sound banking practices;

In this regard our intention is to standardise the various forms of disclosure, in use currently, to make more transparent the financial condition and risk profile of banks. The market, as a result, will be better placed to monitor banks' financial performance and risk management, and to compare one bank with another. This can be expected to sharpen market disciplines on banks, given that they will have strong incentives to manage their affairs in such a way as to avoid the need to disclose adverse developments.

2.4.2 Strengthen the role of bank directors

The bank directors are required to sign the disclosure statements, certifying that the information contained in the statements is not false or misleading. This reinforces the role of directors in overseeing, and taking ultimate responsibility for the prudent management of their bank. For a foreign incorporated bank, the general manager for the Fiji operations may sign the disclosure statements required under these guidelines. However, this does not relieve the directors of their responsibilities under the guidelines.

2.4.3 Promote public education and awareness

The disclosure statements are expected to provide improved information to depositors and other investors with which to assess the financial soundness of banks and enable them to compare one bank's performance with another. This is an area that a lot of time and effort will be required.

2.5 The Reserve Bank of Fiji's requirements include: firstly, that banks operating in Fiji will comply with the requirements of the International Financial Reporting Standard (IFRS) No. 7 "Financial Instruments: Disclosures"<sup>2</sup> and secondly, that each bank will prepare a summary of pertinent financial and prudential information that will be published in the Fiji Republic Gazette and a local newspaper. In regards to the latter, the information that is to be published is in two forms, a detailed form for the Fiji Republic Gazette and a summary form for a local newspaper.

### **3. Form, Frequency and Distribution of Disclosure Statement**

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<sup>2</sup> This IFRS supersedes IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*.

- 3.1 Subject to the Act, every bank shall prepare not later than four months after the end of each financial year, a disclosure statement that shall contain the information that is prescribed in Parts II and III of this Notice.
- 3.2 Disclosure statements shall be prepared in the following manner:
- (a) every bank shall publish in the Fiji Republic Gazette, and prominently display, the bank's most recent Key Disclosure Statement at each of the bank's branches and offices. [The contents of the Key Disclosure Statement is explained further in paragraph 5.6 below];
  - (b) every bank shall publish in a daily newspaper a summary of the bank's most recent Key Disclosure Statement. [The contents of this summary statement is explained further in paragraph 5.7 below];
  - (c) every bank shall make available for inspection at its branches and offices the bank's most recent General Disclosure Statement which (or as that part of which, as applicable) shall be made available to any person requesting a copy; and
  - (d) every bank shall deliver a copy of its most recent Key Disclosure Statement and General Disclosure Statement to the Reserve Bank of Fiji 30 days prior to publication.

**4. General Issues Relating to Content of the Disclosure Statement**

- 4.1 In addition to the information which is required by this Notice, a disclosure statement:
- (a) shall contain such other information, including matters coming to attention since the balance date, as in the opinion of the directors it is necessary or desirable to include so as to ensure that any information contained in the disclosure statement is not false or misleading in any material particular; and
  - (b) subject to any express provision to the contrary in this Notice, may contain such other information as the directors consider appropriate.
- 4.2 Subject to the Act and this clause, nothing in this Notice shall limit the provisions of any other enactment.
- 4.3 A bank shall disclose the currency used where financial statements, or information drawn from financial statements, are disclosed in a currency other than Fiji dollars.
- 4.4 A definition of terms used in the Notice is provided in the attached Schedule.

**PART II  
KEY DISCLOSURE STATEMENT**

**5. Content of Key Disclosure Statement**

- 5.1 Subject to paragraph 5.2, the Key Disclosure Statement shall contain, in the same order and under the same headings, the information required to be disclosed pursuant to paragraph 5.6, as at the end of the bank's financial year.
- 5.2 If a Key Disclosure Statement would be false or misleading as a result of stating the information required to be disclosed pursuant to paragraph 5.6, information and explanations that will make the Key Disclosure Statement not false or misleading shall also be stated under the relevant heading.
- 5.3 The information required to be disclosed pursuant to paragraphs 5.6.3 to 5.6.6 shall:
- (a) relate to the Fiji operations of all banks; and
  - (b) for foreign incorporated banks, also include information relating to their global consolidated operations.
- 5.4 Where applicable, the information contained in the Key Disclosure Statement shall be taken from the information contained in the General Disclosure Statement.
- 5.5 The Key Disclosure Statement may contain additional information, to which the information stated pursuant to paragraph 5.6 may refer by way of note, provided that such information is set out after the information required to be disclosed pursuant to paragraph 5.6.
- 5.6 The Key Disclosure Statement shall contain:
- 5.6.1 **Introductory information** – the following statement:  
"The purpose of this disclosure statement is to provide customers and potential customers with information about the financial condition of their bank. The terms used in the Key Disclosure Statement are explained in the Reserve Bank of Fiji publication "Your Bank's Disclosure Statement – What's In It for You", which can be obtained from the Reserve Bank of Fiji."
- 5.6.2 **Corporate information** –
- (i) the name of the bank;
  - (ii) if applicable, the name of the company that is the ultimate parent bank of the bank and its country of domicile; and
  - (iii) if applicable, the name of the company that is the ultimate holding company of the bank and its country of domicile.
- 5.6.3 **Profitability** –
- (i) net profit or loss after tax for the financial year; and
  - (ii) net profit or loss after tax for the financial year, expressed as a percentage of the average of total assets.
- 5.6.4 **Size** –
- (i) total assets at the end of the financial year; and
  - (ii) the percentage change in total assets over the financial year.

#### 5.6.5 **Capital adequacy –**

- (i) tier one capital as at the end of the financial year;
- (ii) tier one capital expressed as a percentage of risk weighted assets;
- (iii) total capital as at the end of the financial year; and
- (iv) total capital expressed as a percentage of risk weighted assets.

Please note that the definition of capital adequacy terms referred to are those stipulated under Reserve Bank of Fiji's Banking Supervision Policy Statement No. 1. In reporting the capital adequacy ratios for their global consolidated operations, foreign incorporated banks should use the capital adequacy guidelines applicable in their country of incorporation.

#### 5.6.6 **Asset quality –**

- (i) total impaired assets (before provisions and net of interest held in suspense) as at the end of the financial year;
- (ii) total impaired assets expressed as a percentage of total assets;
- (iii) total individually assessed provisions as at the end of the financial year;
- (iv) total collectively assessed provisions as at the end of the financial year;
- (v) total provisions expressed as a percentage of total impaired assets; and
- (vi) total general reserves for credit losses as at the end of the financial year.

Please note that the definitions for asset quality terms referred to are those stipulated under Reserve Bank of Fiji's Banking Supervision Policy Statement No. 3.

#### 5.6.7 **Balance Sheet**

The Balance Sheet for the Fiji operations as prepared under the IFRSs, in tabular form, showing amounts that provide a true and fair view of the results and state of affairs at the end of the financial year, which shall include but shall not be limited to the following:

Cash and liquid assets

Balances with the Reserve Bank of Fiji

Receivables due from other financial institutions

Securities held

Loans (including advances to customers and similar facilities)

Provision for doubtful debts

Fixed assets

Total assets

Deposits and promissory notes of statutory bodies

Payables due to other financial institutions

Deposits and borrowings

Amounts owed to other depositors

Certificates of deposits

Promissory Notes and other liabilities evidenced by paper

Other borrowed funds  
Issued and paid up or assigned capital  
Capital reserves  
Revaluation reserves  
General reserves for credit losses  
Other reserves  
Retained earnings.

#### **5.6.8 Income Statement**

The Income Statement for the Fiji operations as prepared under the IFRSs, in tabular form, showing amounts that provide a true and fair view of the results and state of affairs for the financial year, which shall include, but shall not be limited to the following:

Interest and similar income  
Interest and similar expense  
Dividend income  
Fee and commission revenue  
Fee and commission expense  
Other revenues arising from financial instruments  
Gains less losses arising from dealing securities  
Other expenses arising from financial instruments  
Gains less losses arising from investment securities  
Gains less losses arising from dealing in foreign currencies  
Other operating revenue  
Bad and doubtful debts (including provisions for impairment)  
Recoveries of bad and doubtful debts  
General administration expense  
Other operating expense  
Net profit or loss before tax  
Net profit or loss after tax

#### **5.6.9 Ranking of Local Creditors in a Winding up –**

The Key Disclosure Statement shall have a declaration made by the bank, as provided for under section 29(1) of the Banking Act 1995, as follows :

“that in the event that the bank becomes unable to meet its obligations or suspends payments to depositors and creditors in Fiji, or in the event of liquidation, dissolution or bankruptcy of the bank’s operations outside Fiji, the assets of the bank in Fiji shall be available to meet the bank’s deposit liabilities and claims of creditors in Fiji, in priority to all other liabilities of the bank.”

#### **5.6.10 Financial Statements of the global consolidated operations of a foreign incorporated bank**

The Key Disclosure Statement shall contain a statement that a copy of the most recent publicly available audited financial statements of the foreign incorporated bank and foreign incorporated banking group are available for inspection at all branches and offices in Fiji;

#### **5.6.11 Availability of Disclosure Statements –**

The Key Disclosure Statement shall contain a statement:

- (i) that additional information on the bank's financial condition is available for inspection at the bank's main branch (describe location) and other branches and offices;
- (ii) that copies of (insert name of bank)'s Key Disclosure Statement are available at all branches and offices; and
- (iii) that copies of (insert name of bank)'s most recent General Disclosure Statement on the bank's Fiji operations is available for inspection at all the bank's branches and offices copies of which may be obtained.

#### **5.6.12 Auditor's Report –**

The Key Disclosure Statement shall contain an auditor's report, set out after the information disclosed in accordance with paragraph 5.6 and any information disclosed in accordance with paragraph 5.5, which shall state:

- (a) that the auditor has examined the Key Disclosure Statement;
- (b) whether the Key Disclosure Statement has been completed in accordance with this Notice and whether the information contained in it has been properly taken, where applicable, from the information contained in the General Disclosure Statement; and
- (c) the nature of the audit examination conducted in respect of information drawn from the General Disclosure Statement, and whether a qualified or unqualified opinion has been given in respect of that information.

#### **5.7 Summary of the Key Disclosure Statement–**

A summary of the Key Disclosure Statement is to be published in any of the local newspapers no later than 4 months after the end of the financial year to which they relate. This summary shall include : corporate information, profitability, size of the operations, capital adequacy, and the balance sheet and income statement relating to a bank's operations in Fiji, and where applicable for foreign incorporated banks, also include information relating to the global consolidated operations of the bank.

#### **5.8 Two-year comparisons**

The financial information that are required to be disclosed under paragraphs 5.6.3 to 5.6.8 and in the summary of the Key Disclosure Statement as described in paragraph 5.7 shall include comparisons of performance in these areas for the current financial year and that immediately preceding.

### **PART III GENERAL DISCLOSURE STATEMENT**

#### **6. Content of the General Disclosure Statement**

- 6.1 All banks in Fiji are required to comply with, and prepare reports in accordance with, the IFRSs and with generally accepted accounting practice.
- 6.2 In as far as asset quality requirements are concerned, banks are required to comply with the Reserve Bank of Fiji's Banking Supervision Policy Statement No. 3 : Guidelines for Loan Classification and Provisioning for Impaired Assets .
- 7. **Implementation Arrangements**
- 7.1 All banks are required to comply with this Policy Statement Notice for financial years ending on or after 31 December 1999. Minor changes were made to the provisioning terms in March 2009 due to changes in Banking Supervision Policy Statement No: 3 on Guidelines for Loan Classification and Provisioning for Impaired Assets.

**Attachments:**

**Schedule:** Interpretation

**Reserve Bank of Fiji  
Revised March 2009**



## SCHEDULE

### 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's 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.

### **'Asset Quality' :**

- (a) and any other terms that relate to the impaired nature of a bank's assets in Fiji shall have the meaning to them under Reserve Bank of Fiji's Banking Supervision Policy Statement No. 3 : "Guidelines for Loan Classification and Provisioning for Impaired Assets".
- (b) For foreign incorporated banks, when reporting the asset quality requirements for their global consolidated operations, terms used will be as defined under the appropriate prudential policies applicable in their country of incorporation.

**'Bank'** means a bank with the meaning given to it by the Act.

### **'Capital' :**

- (b) unless otherwise specified, capital will be as defined under Reserve Bank of Fiji's Policy Statement No. 1 "Capital Adequacy Requirements".
- (b) For foreign incorporated banks, when reporting the capital requirements for their global consolidated operations, capital will be as defined under the appropriate prudential policies applicable in their country of incorporation.

**'Director'** means a person holding office as a director of the bank and the foreign incorporated bank by whatever name called who whether by himself or herself, or in conjunction with other directors acting as a board of directors, has the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the foreign incorporated bank.

**'Disclosure Statement'**, in relation to a bank, means a General Disclosure Statement and the Key Disclosure Statement as required to be prepared under this Policy Statement Notice.

**'Fiji Operations'** means all business, operations, or undertakings conducted in or from Fiji.

- ‘Foreign incorporated bank’** means a bank incorporated outside Fiji which has been licensed as a branch to conduct banking business in Fiji. The parent may also be a bank in its country of domicile, authorised, registered or licensed by the appropriate banking supervisory authority.
- ‘Foreign incorporated banking group’** means a foreign incorporated bank and all other entities included in the group for the purposes of public reporting of group financial statements in the country of domicile of the foreign incorporated bank.
- ‘General Disclosure Statement’** means that part of a disclosure statement, which contains the information, prescribed in Part III of this Notice.
- ‘Generally Accepted Accounting Practice’** are those practices and standards promulgated by the Fiji Institute of Accountants and includes disclosure requirements as set out in the Companies Act; and where there are no standards issued by the Institute and where considered necessary include standards issued as International Financial Reporting Standards.
- ‘Global Consolidated Operations’** means all business, operations, or undertakings of the foreign incorporated banking group conducted internationally and includes the Fiji operations.
- ‘Key Disclosure Statement’** means that part of a Disclosure Statement, which contains the information, prescribed in Part II of this Notice.
- ‘Reserve Bank of Fiji Policy Statements’** means the banking supervision policy statements issued by the Reserve Bank for licensed financial institutions.
- ‘Summary Key Disclosure Statement’** means that part of a Disclosure Statement, which contains the information, prescribed in Part II of this Notice, which will be published in any of the local newspapers.