

Reserve Bank of Fiji
Banking Supervision Policy Statement No: 5B

NOTICE TO CREDIT INSTITUTIONS
LICENSED UNDER THE BANKING ACT 1995

DISCLOSURE REQUIREMENTS FOR CREDIT INSTITUTIONS

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 credit institutions in Fiji including the form of information that is to be published for the general public. Under the policy, credit institutions are required to publish specific information in their audited financial statements. These guidelines are 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"¹, 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 credit institutions on 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 and credit institutions activities and their risk exposures.
- 2.2 One of the functions of the Reserve Bank of Fiji is to "promote a sound financial structure." One way of carrying this out is to require public disclosures by banks and other deposit taking institutions, 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

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

supervisory efforts by rewarding 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 as with the one for banks (refer to Banking Supervision Policy Statement No. 5A), the Reserve Bank of Fiji's objectives have been to :

2.4.1 Promote sound banking practices

In this regard our intention has been to standardise the various forms of disclosure, in use currently, to make more transparent the financial condition and risk profile of banks and other deposit taking institutions. The market will be better placed to monitor these institutions' financial performance and risk management strategies, and compare one institution with another. It is expected that such monitoring will enhance market discipline on these institutions, 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 directors

Under the guidelines, the directors of credit institutions 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 institution.

2.4.3 Promote public education and awareness

The disclosure statements are expected to provide improved information to depositors and other investors which they may use to assess the financial soundness of credit institutions and to compare one institution's performance with another as well as with banks.

2.5 Like banks, credit institutions play an essential role in mobilising savings for investment in various sectors of the economy. Through the process of intermediation, credit institutions actually compete with banks for surplus savings by offering returns that are attractive to savers. In this regard, it is the Reserve Bank of Fiji's role to ensure that all such competition is fair and that there is a level playing field.

2.6 Under these guidelines, all credit institutions operating in Fiji are firstly required to comply with the International Financial Reporting Standard (IFRS) No. 7 "Financial Instruments: Disclosures"² and to prepare a summary of pertinent financial and prudential information that will be published in the Fiji Republic Gazette and a local newspaper. As with banks, the information that is to be published by credit institutions is in

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

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

3.1 Subject to the Act, every credit institution 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 credit institution shall publish in the Fiji Republic Gazette, and prominently display, the credit institution's most recent Key Disclosure Statement at each of the credit institution's branches and offices. [The contents of the Key Disclosure Statement is explained further in paragraph 5.5 below];
- (b) every credit institution shall publish in a daily newspaper a summary of the credit institution's most recent Key Disclosure Statement. [The contents of this summary statement is explained further in paragraph 5.6 below];
- (c) every credit institution shall make available for inspection at its branches and offices the credit institution'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 credit institution 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 credit institution 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 5.5, as at the end of the credit institution'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 5.5, information and explanations that will make the Key Disclosure Statement not false or misleading shall also be stated under the relevant heading.
- 5.3 Where applicable, the information contained in the Key Disclosure Statement shall be taken from the information contained in the General Disclosure Statement.
- 5.4 The Key Disclosure Statement may contain additional information, to which the information stated pursuant to paragraph 5.5 may refer by way of note, provided that such information is set out after the information required to be disclosed pursuant to paragraph 5.5.
- 5.5 The Key Disclosure Statement shall contain:
- 5.5.1 **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 credit institution. 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". The terms used in the brochure are also applicable to credit institutions. The brochure can be obtained from the Reserve Bank of Fiji. Other information can be viewed at all branches of (insert name of credit institution)."
- 5.5.2 **Corporate information** –
- (i) the name of the credit institution;
 - (ii) if applicable, the name of the company that is the ultimate parent company of the credit institution and its country of domicile; and
 - (iii) the names of the directors of the credit institution.
- 5.5.3 **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.

5.5.4 **Size –**

- (i) total assets at the end of the financial year; and
- (ii) the percentage change in total assets over the financial year.

5.5.5 **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.

5.5.6 **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; and
- (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.

5.5.7 **Peak credit exposure concentrations –**

The number of individual counterparties or groups of closely-related counterparties to which the credit institution has a peak end-of-day aggregate credit exposure which equals or exceeds ten percent of the institution's total capital, in ranges of ten percent to twenty percent, twenty percent to twenty five percent and greater than twenty five percent.

5.5.8 **Peak connected persons credit exposures –**

For all connected persons:

- (i) the peak end-of-day credit exposure;
- (ii) the peak end-of-day credit exposure expressed as a percentage of total capital; and
- (iii) the maximum peak end-of-day credit exposure as a percentage of total capital.

5.5.9 **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.

5.5.10 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.

5.5.11 Ranking of Local Creditors in a Winding up –

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

“that in the event that the credit institution 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 credit institution’s operations outside Fiji, the assets of the credit institution in Fiji shall be available to meet the credit institution’s deposit liabilities and claims of creditors in Fiji, in priority to all other liabilities of the credit institution.”

5.5.12 Availability of Disclosure Statements –

The Key Disclosure Statement shall contain a statement:

- (i) that (insert name of credit institution)’s most recent Key Disclosure Statement is available at all (insert name of credit institution) branches and offices;
- (ii) that (insert name of credit institution)’s most recent General Disclosure Statement is available at all (insert name of credit institution) branches and offices; and
- (iii) that the most recent audited balance sheet and profit and loss statements and other publicly available financial information of any “associated person” of the credit institution is available for inspection at our head office located at (describe location of head office).

5.5.13 Auditor’s Report –

The Key Disclosure Statement shall contain an auditor’s report, set out after the information disclosed in accordance with paragraph 5.5 and any information disclosed in accordance with paragraph 5.4, 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.

5.6 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, exposure concentration to individual counterparties and to connected persons and the balance sheet and income statement.

5.7 Two-year comparisons

The financial information that are required to be disclosed under paragraphs 5.5.3 to 5.5.10 and in the summary of the Key Disclosure Statement as described in paragraph 5.6 shall include comparisons of performance in these areas for the current financial year and the financial year immediately preceding.

**PART III
GENERAL DISCLOSURE STATEMENT**

6. Content of the General Disclosure Statement

6.1 All credit institutions 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, credit institutions 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 .

**PART IV
IMPLEMENTATION ARRANGEMENTS**

7. Implementation Arrangements

7.1 All credit institutions 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' and any other terms that relate to the impaired nature of a credit institution's assets in Fiji shall have the meaning given to them under Reserve Bank of Fiji's Banking Supervision Policy Statement No. 3 : "Guidelines for Loan Classification and Provisioning for Impaired Assets".

'Associated Person' has the meaning given to it by the Act.

'Credit institution' means a credit institution with the meaning given to it by the Act.

'Capital' unless otherwise specified, capital will be as defined under Reserve Bank of Fiji's Policy Statement No. 1 "Capital Adequacy Requirements for licensed financial institutions in Fiji".

'Director' means a person holding office as a director of the credit institution 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 credit institution.

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

'General Disclosure Statement' means that part of a disclosure statement, which contains the information, prescribed in Part III of this Notice.

'Generally Accepted Accounting Practices' 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.

'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.