



RESERVE BANK OF FIJI

Banking Supervision Policy Statement No. 12

Minimum Guidelines on the Establishment of a Local Advisory Board

NOTICE TO BANKS LICENSED UNDER THE BANKING ACT 1995

1.0 Introduction

- 1.1 This Policy, issued under Sections 14(3) of the Banking Act 1995 (“Banking Act”) and 4(d) of the Reserve Bank of Fiji (“RBF”) Act Rev. 1985 (“RBF Act”), outlines RBF’s minimum guidelines for the establishment of a Local Advisory Board (“LAB”) by Foreign Bank Operations (“Bank(s)”) licensed under the Banking Act to conduct banking business in Fiji.
- 1.2 The Policy is applicable to Banks whose Board of Directors (“Board”) is based outside Fiji. The LAB shall provide advice and guidance to the Head of Foreign Bank Operations in Fiji (“Head”) on Fiji’s regulatory and supervisory environment, as well as national development objectives.
- 1.3 The LAB shall essentially be a collection of independent local individuals who bring unique knowledge and skills to complement that of the Senior Expatriate Management and the Head in order to assist the Banks gain a broader perspective and awareness of Fiji’s environment.
- 1.4 The minimum standards in this Policy have been aligned, where possible, to international standards and best practices, including the fit and proper requirements for responsible persons, and principles of corporate social responsibilities for Banks.
- 1.5 The Policy has been finalised following consultation with individual Banks in Fiji.

2.0 Objectives of this Policy

- 2.1 The LAB shall assist Banks to better understand, and align its strategies to Fiji’s regulatory and supervisory environment, as well as national development objectives, including those on the provision of financial services to the wider community.
- 2.2 The LAB shall provide advice and guidance to the Bank in relation to its roles and mandate as stated in paragraph 2.1 above and carry out any additional functions if required by the Board or its proxy.
- 2.3 The Board and Senior Management of each Bank shall take appropriate steps to ensure that the LAB is incorporated into their institutional and policy governance structures.

3.0 Minimum Requirements for the LAB

3.1 Membership and Eligibility

- 3.1.1 The Board of each Bank or its proxy is responsible for establishing its LAB, which should comprise of at least 5 members, 3 of whom shall be independent non-executive members. The remaining 2 members will include the Head, and 1 other senior official of the Bank, either from its Fiji or overseas operations. In addition, where possible, a local senior staff of the Bank should be appointed as a non-voting member of the LAB. Members’ appointments must be approved by the Board, or its proxy.
- 3.1.2 The non-executive LAB members must have sufficient knowledge and good understanding of Fiji’s business and socio-economic environment and the banking industry, as well as an awareness of the long term growth strategies of the Government.

- 3.1.3 The LAB members must meet the fit and proper requirements outlined in RBF's Banking Supervision Policy Statements 10 on "Fit and Proper Requirements for LFIs in Fiji", and 11 on "Minimum Requirements on Corporate Governance for LFIs in Fiji".
- 3.1.4 The Board, or its proxy, shall appoint a Chair from among the non-executive LAB members, who will be responsible for organising and driving LAB activities, and will be the point of contact with the Head, and the Board, or its proxy. In consultation with LAB members and the Head, the Chair may appoint, as necessary, office bearers of the LAB. All such appointments, including that of the Chair, should be approved by the Board, or its proxy.
- 3.1.5 The appointed non-executive LAB members shall be neither affiliated to the Bank whose LAB they are a member of, nor to any other Bank's LAB. Such members must inform the Board, in writing, prior to their appointment, of any potential conflict of interest, or to the Chair immediately, when such conflict arises.
- 3.1.6 Members of the LAB must serve for a minimum of 3 years unless retired earlier due to resignation, sickness, or any form of disability. Existing members would be eligible for reappointment for a further 2 terms of 3 years, after which time they must retire. Not all members are to retire at any one time.
- 3.1.7 A non-executive LAB member who serves a Bank for at least 6 months cannot serve on the LAB of another Bank unless a period of 3 years has expired from the date the member left the LAB of a Bank.
- 3.1.8 Details of the LAB members plus their curriculum vitae (CVs) must be provided to RBF within 10 working days from the date of appointment. In case of membership changes, an update shall be provided to the RBF within the same timeframe.
- 3.1.9 Each newly appointed non-executive LAB member will be given a formal induction by the RBF within 30 working days of appointment on the roles and responsibilities of the LAB, and general briefings on the economy, banking and financial sector and Government policies.

3.2 Roles and Responsibilities

- 3.2.1 The LAB shall ensure that its governance structure enables it to effectively carry out its roles and mandate, and also, adequacy of its own policies and practices in support thereof.
- 3.2.2 The LAB shall have a documented Board-approved Charter which clearly stipulates its Terms of Reference ("TOR"), including purposes, powers and key responsibilities.
- 3.2.3 Where appropriate, the LAB shall advice, and provide guidance and feedback to the Head on:
- (a) Fiji's regulatory and supervisory environment, national development objectives, and the Bank's potential role, initiatives and participation in it; and
 - (b) Community matters including cultural, economic, and social norms and needs, and the provision of financial services that are of mutual interest to Banks and the community.
- 3.2.4 The LAB shall provide advice on plans, policies and procedures pertaining to the implementation of national development objectives, where such implementation shall be the Senior Management's responsibility.
- 3.2.5 The LAB shall ensure that the Bank engages actively with relevant stakeholders regularly, and that such interaction is encouraged in developing a strong and sustainable relationship.

3.2.6 Each Bank shall provide its LAB with a regular update on the activities it carries out in relation to the execution of LAB's objectives.

3.2.7 The LAB members must ensure that they keep abreast with developments pertaining to Fiji's regulatory and supervisory environment and the long term national growth strategies.

3.2.8 The Chair of the LAB may communicate directly with the immediate supervisor of the Head of Fiji Operations on any matters that the non-executive members in their sole judgement feel require attention to effectively fulfil the roles and responsibilities of the LAB.

3.2.9 The LAB shall self-assess its effectiveness and that of its members in carrying out its roles and mandate annually. The self-assessment results should be submitted to the Board, or its proxy, or to the RBF for review if requested.

3.3 Meetings and Administration

3.3.1 The LAB should meet on a quarterly basis with a set agenda. A copy of the minutes should be provided for information to RBF within thirty calendar days of such meeting.

3.3.2 The LAB must be available to meet with the Bank's Senior Management including the Head, and/or its Board, or its proxy, and/or the RBF, as and when requested.

3.3.3 Each Bank should equip its LAB with necessary resources and facilities, to enable it to properly conduct its roles and mandate. Such resources and facilities shall include, but not be limited to financial, personnel and administrative.

3.3.4 All LAB activities and resources should be subject to audit.

3.3.5 Members of the LAB shall be remunerated at a reasonable rate, and shall include other necessary emoluments, or those that would be provided in the course of LAB duties in Fiji. If required, the RBF may provide indicative remuneration for non-executive LAB members.

4.0 Oversight by the RBF

4.1 The RBF shall monitor Banks compliance with this Policy through prudential consultations, including on-site examination and off-site supervision.

4.2 Should a Bank fail to comply with the requirements of this Policy, the RBF shall impose such sanctions as specified under Section 15 of the Act.

5.0 Implementation Arrangements

5.1 This Policy applies to Foreign Bank Operations that are licensed under the Act to conduct banking business in Fiji. The requirement for Foreign Bank Operations to establish a Local Advisory Board will become part of the licensing requirements for commercial Banks in Fiji.

5.2 This Policy comes into effect from 01 January 2010.

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 RBF's 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 RBF's Policy Statements shall, unless the context otherwise requires, be interpreted in accordance with generally accepted accounting principles.

2. In this Notice, unless the context otherwise requires:

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

‘Bank’ means a Bank with the meaning given to it by the Act.

‘Conflict of Interest’ means where a responsible person influences the Bank's decisions in ways that could result in their personal gain, benefit or advantage of any kind.

‘Corporate Social Responsibilities’ include the economic, legal, ethical and charitable responsibilities that Banks shall assume in their dealing with relevant stakeholders, including Government and the wider community. The Bank as a corporate citizen, with resources at its command and benefits derived from operating in the society, owes a duty to the less fortunate and under-privileged members of the same society.

‘Director’ means a person holding office as a director of the licensed financial institution 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 local incorporated licensed financial institution.

‘Fitness and Propriety Criteria’ for responsible persons, as a minimum, includes an assessment against a person's character, competence and capability and financial soundness.

‘Foreign Bank Operations’ includes Banks incorporated outside Fiji which has been licensed as a branch to conduct banking business in Fiji. The parent is also a Bank or a financial institution in its country of domicile, authorized, or licensed by the appropriate banking supervisory authority.

‘Head of Foreign Bank Operations in Fiji’ means a person holding office as a head of the licensed financial institution called the Managing Director, or the Chief Executive Officer, or any other name, and is appointed by the Board of Directors, and has the powers necessary for managing, and for supervising the management of, the business and affairs of the licensed financial institution in Fiji.

‘Senior Expatriate Management’ include those persons whose conduct is most likely to have a significant impact on the Bank's sound and prudent management, including Senior Managers, Senior Executives and the Head of Foreign Bank Operations in Fiji.