

Reserve Bank of Fiji
Restricted Foreign Exchange Dealers and Money Changers
Supervision Policy Statement No: 2 (Revised 2010)

NOTICE TO RESTRICTED FOREIGN EXCHANGE DEALERS AND MONEY CHANGERS
LICENSED UNDER THE EXCHANGE CONTROL ACT

OPERATIONAL GUIDELINES

1.0 Introduction

- 1.1 This Policy outlines the operational guidelines for Restricted Foreign Exchange Dealers and Money Changers (FX Dealers). It aims to facilitate the daily transactions undertaken within the parameters set out by the Reserve Bank of Fiji (the Reserve Bank) and the conditions of the business licence. This Policy is issued under the Legal Notice 88 of 2002 Delegation of Powers and the Exchange Control Act 1985.
- 1.2 In line with the Financial Transactions Reporting Act (FTR) 2004 and FTR Regulation, FX Dealers are expected to maintain internal control and procedures aimed at preventing its use for money laundering practices.
- 1.3 This Policy Statement is applicable to the Restricted Foreign Exchange Dealers and Money Changers licensed under the Exchange Control Act 1985.

2.0 Scope of Operation

- 2.1 The following rules will apply to the types of transactions and limits that can be traded:
 - Transaction types as listed under the approved category of foreign exchange business.
 - Individual transactions for sales and purchases of foreign exchange are to be within the maximum limit of the paid up capital of the business.
 - Exchange Control approvals, including telephone approvals granted by the Reserve Bank of Fiji.
 - Overnight foreign exchange cash limit is 75% of the paid up capital.

3.0 Responsibilities of FX Dealers

- 3.1 Each FX Dealer must display its Licence¹ at its principal place of office in a conspicuous manner, and a copy of its licence at each of its branch.
- 3.2 Licence to conduct foreign exchange business expires on 31st December each year. Application for renewal of a licence must be submitted to the Reserve Bank annually on or before 30th September. The licence renewal application must contain all required documents/information as per the licence renewal checklist.
- 3.3 FX Dealers must seek written approval from the Reserve Bank before making any changes to:
- Its business name;
 - The address of any of its office;
 - The membership of its board of directors (if applicable); and,
 - Its shareholders and shareholding structure.
- 3.4 FX Dealers must quote fair market exchange rates for daily public display. In addition, transaction fees and charges must be also displayed in the business premises.
- 3.5 A copy of the receipt must be issued to customers for every transaction conducted.
- 3.6 For foreign currency purchase, the receipt shall contain the following details:
- The FX Dealer's name, address and telephone number;
 - The date of the transaction;
 - A serial number of the receipt that corresponds to an entry in the register;
 - The amount and type of currencies tendered by the customer;
 - The amount of Fiji currency to be issued to the customer;
 - The rate of exchange; and,
 - The customer's name and passport number or other types of ID, if the transaction amount is FJ\$5,000.00 and above.

¹ Licence refers to the current year licence issued by the Reserve Bank of Fiji to conduct transactions permitted under Supervision Policy Statement No. 1.

- 3.7 An authorised officer of the FX Dealer shall sign on the receipt and shall issue the original of the receipt to the customer. The FX Dealer shall retain the duplicate copy of the receipt together with copies of the documents provided by the customer in support of the transactions for a period not less than twenty-four months and shall produce it for inspection and copying on demand by the Reserve Bank or any person authorised by the Reserve Bank.
- 3.8 FX Dealers shall, before appointing a managing director² or any officer, who in any manner will have control of its foreign exchange business, obtain prior written approval from the Reserve Bank for the proposed appointment. The FX Dealer shall make reference to the minimum criteria of a 'fit and proper' person set out in Schedule 1 of this Policy Statement. If the Reserve Bank forms the opinion that an elected or appointed person is not fit and proper or failed to perform adequately the required responsibilities, Reserve Bank shall disqualify the appointed person.
- 3.9 FX Dealers at its own expenses shall appoint annually an auditor to carry out an audit of its foreign exchange business.
- 3.10 Identification and Verification of Customers: FX Dealers must identify and verify the identity of their customers in line with the requirements of the FTR Act, FTR Regulations and other guidelines issued by the Financial Intelligence Unit (FIU).

4.0 Documentary Requirements

- 4.1 FX Dealers must sight and retain (except for passports) original documents for all payments made. Photocopies are to be made in cases where original documents cannot be kept by the FX Dealer. All original documents that are returned must be stamped to avoid reproduction.
- 4.2 The following rules will apply when processing documentary evidence:
- All original tax clearance certificates are to be checked for validity and only the amount declared on the certificate is to be paid out by the company. All original certificates are to be retained.

² For the purpose of this Policy Statement, director refers to the person in charge of the daily operation of the foreign exchange business of the FX Dealer.

- Original customs import entries provided as a result of an advance payment made must be verified to ensure that the amount declared on the entry corresponds to the amount that was earlier paid.
- For goods that have arrived in Fiji, import payments must be made directly to the supplier on the customs entry and not to a third party.
- Valid passports and airline tickets of all travellers and emigrants (including family members) must be sighted and details³ must be recorded for these documents. Copies must be made for valid passport and airline ticket if the amount of travel fund is FJ\$5,000 and above. Fiji passports of travellers and emigrants must also be endorsed with the amount of funds issued on the last page of the passport.
- In the case of foreign passport holders on overseas travel with return ticket to Fiji, a Form TF must be completed and issued to the passport holder on issuance of travel funds.
- For service related payments, original invoices must be sighted (except for pro-forma invoices for advance import payments) and stamped.
- Payments must be made directly to the issuer of the invoice. Payments to third parties are not delegated to Foreign Exchange Dealers.

5.0 Applications outside the Delegated Authority

- 5.1 FX Dealers are expected to explain the exchange control regulations and assist their customers in preparing the applications. This includes referring applications, together with the relevant documents, that fall outside their authority to commercial banks and the Reserve Bank.
- 5.2 The company is also responsible for informing the commercial banks of its maximum transaction limit as approved by the Reserve Bank.
- 5.3 All cases referred to the commercial bank or the Reserve Bank for approval must be completed and signed by the customer (not the FX Dealer).

³ Details such as passport number and airline ticket information.

- 5.4 The business is not delegated to make its own company payments. These must be referred to the Reserve Bank together with proper documentation, and may be effected only when permission is granted.
- 5.5 All applications that fall outside the limits delegated to FX Dealers, including cases of insufficient documentation must be referred to the commercial bank or the Reserve Bank if outside the authority delegated to commercial banks.

6.0 Foreign Currency Accounts

- 6.1 Approval must be obtained from the Reserve Bank for the operation of foreign currency accounts. The accounts must operate within the approved limits set by the Reserve Bank. Any excess funds above the approved limits must be converted and transferred to the Fiji dollar resident account.
- 6.2 The accounts can be credited with funds from offshore, payments from other foreign currency accounts and local deposits from its operations.
- 6.3 Debits to the accounts will include offshore payments, transfers to other foreign currency and Fiji dollar accounts and local withdrawals to fund operation.

7.0 Settlement with Other Dealers and the Commercial Banks

- 7.1 FX Dealers are allowed to buy and sell foreign exchange with other Dealers including commercial banks.
- 7.2 Settlement must be made within dealing parameters.

8.0 Reporting Procedures

- 8.1 FX Dealers are required to provide reports on their operations. The reports must comply with the formats and accompanying notes provided by the Reserve Bank of Fiji.
- 8.2 The reports to be submitted by FX Dealers are highlighted as follows:

a. Overseas Exchange Transactions

- The OET report has two parts. The main part of the report contains the totals of all payments made and the receipts

recorded under the different codes. This main report is the standard batch header for the individual sales and purchases. Refer to Appendix 1.

- The second part consists of all the individual sales and purchases. Refer to Appendix 1(i) and 1(ii). The total of these must correspond to the main report.
- Transactions in foreign currencies between FX Dealers are not required to be reported on OET.

The weekly OET report must reach the Reserve Bank on the Tuesday following the reporting week.

b. Exposure

- FX Dealers will be required to keep record of its consolidated overnight foreign currency holdings. Each company will be required to report, in the monthly exposure return, the consolidated highest or 'peak' overnight foreign exchange cash holdings incurred on any day during the reporting month, in addition to the end of month foreign currency figures. The monthly Foreign Exchange Exposure Report form is attached as Appendix 2.
- The report must include settlement of sales and purchases of foreign currencies with other Dealers and commercial banks.
- The report must reach the Reserve Bank within 10 working days from the reporting month. The report must be accompanied by copies of bank statements.

c. Suspicious Transaction Report

- FX Dealers must ascertain the identity of their customers by conducting Customers Due Diligence and identify suspicious transactions as required under section 14 of the Financial Transactions Reporting (FTR) Act.
- A record must be kept of all suspicious transactions and report with full details to the FIU no later than 2 working days after forming the suspicion or the receipt of the information being reported on.

d. *Electronic Fund Transfer Report and Report for Cash Transaction of \$10,000 and above*

- FX Dealers must report (i) all electronic funds transfers coming into or going out of Fiji and (ii) any cash transaction of \$10,000 and above to the FIU as required under section 13 of the FTR Act.
- These reports must be submitted to the FIU within 5 working days from the date of the transaction and must be in the format required under the FTR Regulations.

e. *Annual Accounts*

- The financial accounts must be audited by a Chartered Accountant in public practice and acceptable to the Reserve Bank.
- The audited annual accounts of the business must be provided to the Reserve Bank within 4 months from end of financial year.

9.0 Records Management

9.1 To enhance proper record management of the FX business, FX Dealers are required to maintain two registers for Payments and Receipts to record all business transactions whether direct or indirect relating to the sales and purchases of foreign exchange.

9.2 The Payment Register must record the following details:

- i. date of transaction;
- ii. name of applicant and address;
- iii. name of beneficiary ;
- iv. OET payment code;
- v. Fiji dollar amount;
- vi. foreign currency amount;
- vii. purpose of payment;
- viii. RBF approval number; and
- ix. Details that original documents were sighted and recorded, copied and stamped.

9.3 The Receipts Register must record the following transaction details:

- i. date of transaction;
- ii. name of remitter and address;

- iii. name of beneficiary (in Fiji) and address;
- iv. OET receipt code;
- v. Fiji dollar amount;
- vi. foreign currency amount;
- vii. purpose of transfer;
- viii. confirmation that documentation was in order; and,
- ix. Individual cash purchases must be totaled under the heading "Cash Purchases" and include in the Receipts Register.

- 9.4 Correct OET codes are to be given for each transaction using the OET Classification Guide, set out in Schedule 2 of the Policy Statement.
- 9.5 The registers should be kept at the approved place of business and must be made available for inspection by the Reserve Bank on request.
- 9.6 The business shall retain all such records and registers until the expiry of seven years.

10.0 Oversight of the Reserve Bank of Fiji

- 10.1 The Reserve Bank of Fiji will assess the compliance of each FX Dealer with the requirements of this Policy in the course of its supervision. Non-compliance may result in revocation of licence.

11.0 Implementation Arrangement

- 11.1 This Policy applies to FX Dealers and will be effective from 1 December 2010.

Reserve Bank of Fiji
September 2002
October 2010 (Revised)

Attachments:

- i. Schedule 1- Minimum Criteria of a 'Fit and Proper' Person
- ii. Schedule 2- OET Classification Codes
- iii. Appendix 1,1(i) and 1(ii)- OET Report Forms
- iv. Appendix 2- Foreign Exchange Exposure Report Form

Schedule 1

Minimum Criteria of a 'Fit and Proper' Person

1. Pursuant to the Legal Notice 88 of 2002, Delegation of Powers and the Exchange Control Act 1985, a FX Dealer, in determining whether a person is 'fit and proper', to hold the position of a director, or officer, who in any manner has control of its foreign exchange business, shall consider the following matters:
 - a) His probity, competence and soundness of judgment for fulfilling the responsibilities of that position.
 - b) Any evidence that he has engaged in any business practices appearing to be deceitful or otherwise improper.
 - c) Whether he, or the foreign exchange company in which he holds a position of responsibility, has had its licence revoked.
 - d) Whether he has been a party to any action or decision of the board or management of a foreign exchange company which is detrimental to the interest of that company or its customers.
 - e) Whether he has held a position of responsibility in the management of any company which has been convicted of an offence under any written law during his tenure of office unless he proves that such offence was committed without his knowledge or consent and he was not in a position to prevent the offence.
 - f) Whether he has held a position of responsibility in the management of any company which during his tenure of office:
 - i. Has defaulted in payment of any judgment sum against it,
 - ii. Has suspended payment or has compounded with its creditor; or,
 - iii. Has had a receiver or manager appointed in respect of its property.
 - g) Whether he shall be available for full time employment, and shall not carry on any other business or vocation, except as a non-executive director or shareholder of another company.
2. A person is deemed not to be a 'fit and proper' person if:
 - a) He has been compounded or convicted; or
 - b) As a director, or an officer, who in any manner has control of the business of a foreign exchange company, has caused the company to be compounded or convicted.

Schedule 2

CLASSIFICATION GUIDE

PAYMENTS

CLASSIFICATION NUMBER (CODE)

NATURE OF PAYMENT

Merchandise Imports

- 01 CHEMICALS
- 02 MANUFACTURED GOODS
- 03 FOOD, BEVERAGE AND TOBACCO
- 04 MACHINES, MACHINERY AND ELECTRICAL EQUIPMENT and parts
(excluding vehicles and vehicle parts)
- 05 MINERAL FUELS (petroleum products, bottled gas, coal, etc.)
- 06 RAW MATERIALS
- 07 TEXTILES, CLOTHING AND FOOTWEAR
- 08 TRANSPORT EQUIPMENT (cars, buses, aircrafts, etc.)
- 09 OTHER IMPORTS
- 10 GOVERNMENT IMPORTS
- 11 MERCHANTED GOODS

Fares, Freight and Transportation

- 12 BUNKERING, SHIPPING, AIRCRAFT CHARGES, PORT DUES, etc.
- 13 FARES – tickets sold/earnings of foreign airlines and shipping companies
- 14 FREIGHT charges
- 15 REPAIR charges of domestic carriers or vessels
- 16 OTHER TRANSPORT PAYMENTS

Travel

- 17 FOREIGN CURRENCY, TRAVELLERS CHEQUES, letter of credit etc.
purchased by travellers including credit card reimbursement (e.g. Diners,
American Express, Visa, Mastercard)
- 19 TRAVEL AGENTS PAYMENTS for accommodation and other hotel and
motel charges, visitors surplus funds including swaps of Fiji notes from
abroad
- 20 OTHER TRAVEL PAYMENTS

Overseas Investment Income

- 21 DIVIDENDS, PROFITS remitted to companies and individuals
- 22 DIVIDENDS, INTEREST remitted to foreign holders of Government stock
- 23 INTEREST ON OVERSEAS LOANS and debts of companies and
individuals
- 24 INTEREST ON OVERSEAS LOANS and debts of Government and
Statutory Bodies

Other Current Transactions

- 25 ADVERTISING charges

- 26 COMMISSIONS, ROYALTIES, patents, brokerage and copyright charges
- 27 EDUCATION FUNDS for Fiji students overseas
- 28 EMIGRATION TRANSFERS and legacies
- 29 EXPENSES OF OFFICES, agencies, representatives and equivalent counterparts overseas by companies and organisations
- 30 EXPENSES OF EMBASSIES, high commissions and offices overseas of government and statutory bodies
- 31 FEES – examination, passport, visa, etc.
- 32 GIFTS AND CHARITABLE DONATIONS by government, individuals, organisations, etc.
- 33 INSURANCE premiums and claims
- 34 MAINTENANCE of dependants overseas by residents
- 35 MEDICAL expenses incurred overseas
- 36 MOVIE (CINEMA) FILMS, VIDEO TAPES – purchase and rental
- 37 NEWS SERVICE charges
- 38 NON-RESIDENT TRANSFER of funds upon or after departure from Fiji
- 39 NON-RESIDENT TRANSFER of funds overseas to meet commitments and expenses
- 40 PENSIONS AND SUPERANNUATION benefits including FNPF and superannuation contributions
- 41 PROFESSIONAL SERVICE CHARGES paid by individuals, companies for work done on their behalf for administration, management and know-how
- 42 PROFESSIONS SERVICE charges as for the above but paid by Government and Statutory Bodies
- 43 REFUNDS, all kinds
- 44 SUBSCRIPTIONS and contributions to clubs, professional organisations, international and regional bodies etc.

Capital Transactions

- 45 INVESTMENT OVERSEAS by Fiji residents, companies, societies, etc. and LOANS by resident companies to non-residents
- 46 REPAYMENTS OF OVERSEAS LOANS of individuals and companies
- 47 REPAYMENTS OF OVERSEAS LOANS of Government
- 48 REPAYMENT OF OVERSEAS LOANS of Statutory Bodies
- 49 WITHDRAWAL OF INVESTMENT in Fiji
- 50 OTHER – Indefinable, doubtful transactions

RECEIPTS

CLASSIFICATION NUMBER (CODE)

NATURE OF PAYMENT

Merchandise Exports

- 01 COPRA and copra products
- 02 FISH
- 03 GINGER
- 04 GOLD
- 05 MERCHANTED GOODS. Receipts by Fiji companies in respect of goods paid for by Fiji merchants to a non-resident supplier for goods forwarded to a party outside Fiji
- 06 SUGAR and molasses
- 07 TIMBER
- 80 EXPORT OF MINERAL WATER
- 81 TEXTILES, CLOTHING AND FOOTWEAR
- 82 OTHER EXPORTS of Fiji origin
- 09 RE-EXPORT of Mineral fuels
- 10 OTHER RE-EXPORTS

Fares, Freight and Transportation

- 11 BUNKERING, SHIPPING, AIRPORT charges
- 12 FARES – domestic airlines
- 13 FREIGHT CHARGES – domestic airlines
- 14 FREIGHT CHARGES - domestic shipping companies
- 15 PORT DISBURSEMENTS in Fiji by shipping companies
- 16 REPAIRS TO FOREIGN VESSELS or aircrafts
- 17 SALVAGE earnings
- 18 OTHER TRANSPORT

Travel

- 19 FUNDING OF ACCOUNT. Used for bank to bank funding for the sole purpose of travel related expenses for customers
- 20 NOTES AND TRAVELLERS CHEQUES deposited by duty free dealers or merchants
- 21 NOTES AND TRAVELLERS CHEQUES deposited by hoteliers
- 22 PRIVATE AND BUSINESS TRAVEL FUND covering foreign currency notes and coins, travellers cheques, overseas cheques, drawings by letters of credit, credit card reimbursement (eg. Diners, American Express, Visa , Mastercard) etc.
- 23 REPURCHASE of travellers cheques issued in Fiji
- 24 TRAVEL FIRMS and other tourism monies

Income from Overseas Investment

- 25 PROFITS RECEIVED by domestic companies and individuals
- 26 INTEREST RECEIVED by domestic companies
- 27 INTEREST RECEIVED by Government or Statutory Bodies

Other Current Transactions

- 28 COMMISSIONS AND ROYALTIES
- 29 EDUCATION FUNDS of overseas students studying in Fiji
- 30 FIJI GOVERNMENT receipts covering earnings by Government Departments such as Inland Revenue
- 31 FOREIGN GOVERNMENTS' REMITTANCES. Funds received on behalf of foreign agencies, Embassies, High Commissions, Consulates, Trade Promotion Offices, etc. in Fiji
- 32 GIFTS, MAINTENANCE, DONATIONS to individuals and SALARIES OF FIJI RESIDENTS WORKING ABROAD
- 33 GIFTS AND DONATIONS to Fiji Government and Statutory Bodies
- 34 GIFTS, DONATIONS by Foreign Governments and international agencies to Fiji Missions, religious and voluntary organisations, regional bodies or their equivalent counterparts
- 35 IMMIGRANTS TRANSFERS including legacies
- 36 INSURANCE receipts – premiums and claims by insurance companies and individuals
- 37 NON-RESIDENT TRANSFERS TO MEET EXPENSES IN FIJI. Funds received by non-residents in Fiji on a Visitor's Permit
- 38 OPERATING EXPENSES of international agencies in Fiji e.g. UNDP, WHO, ILO
- 39 OPERATING EXPENSES OF OVERSEAS COMPANIES. Branch operations expenses only. If temporary or short term loan for Fiji incorporated company, then use code (45)
- 40 OPERATING EXPENSES of mining, exploration and construction companies
- 41 PERSONAL RECEIPTS. Salaries and allowances of expatriates on a work permit, pensions for retirees
- 42 PROFESSIONAL SERVICE charges received
- 43 OTHER NON-CAPITAL TRANSACTIONS. Funds received for refunds or adjustments and cannot be classified under the above

Capital Transactions

- 44 EQUITY contribution. Funds for the purpose of purchasing shares in a company or capital contribution for a partnership or sole proprietorship
- 45 OVERSEAS BORROWING by individuals, companies. Receipt of funds as borrowing (shareholders' advance, offshore loan) by Fiji resident individuals and companies
- 46 OVERSEAS BORROWING by Government
- 47 OVERSEAS BORROWING by Statutory Bodies.
- 48 REAL ESTATE purchased in Fiji
- 49 WITHDRAWAL OF INVESTMENT. Funds received in respect of withdrawal of investment abroad by Fiji resident individuals and companies
- 50 OTHER – Indefinable, doubtful transactions