

**Reserve Bank of Fiji**  
**Banking Supervision Policy Statement No: 8A** *(Revised 2011)*

NOTICE TO BANKS LICENSED UNDER THE BANKING ACT 1995

**ACCOUNTABILITY AND DISCLOSURE GUIDELINES ON INTEREST RATES,  
FEES AND CHARGES FOR LICENSED BANKS 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 commercial banks (banks) 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 banks. 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 banks' products and services offered in the market;
- (b) Standardisation of disclosure of fees and charges;
- (c) Effective comparison of banking products offered by banks; and
- (d) Full justification for new or increases in fees and charges for banking 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 banking customers are able to make useful comparisons and shop around for banking 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.<sup>1</sup>
- 3.2 This Policy has been developed in consultation with banks and the advocates for consumer protection. The 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 banking customers to make informed and prudent decisions. The informed use of banking products and services by banking 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 bank's obligation 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 exists between banks 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 Banks**

- 4.1 Each bank is responsible for the full and effective disclosure of interest rates, fees and charges on all the banking products and services they offer to members of the public.
- 4.2 Banks shall charge to a customer only the fees and charges disclosed in its product brochures and fees and charges brochures. 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, banks must disclose and notify customers of the third party fee or charge, including (where possible) the amount.

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<sup>1</sup> 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.

- 4.4 Each bank must notify the Reserve Bank of any new fee or charge and an increase in the existing fee or charge for any product or service and provide details on how this was determined. Banks must ensure that all fees and charges are reasonably priced based on the costs associated with the respective banking products and services, and may take into account any cross subsidies. With the full details provided, the Reserve Bank shall raise any objections within **30 calendar days**.
- 4.5 Banks shall not introduce new fees or charges or increase existing fees & charges before a written notice through acceptable media<sup>2</sup> has been made available to all customers at least **30 calendar days** before the effective date.
- 4.6 Any increase to interest rates 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, banks must provide a written notice through acceptable media to all 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, banks must ensure to disclose the length of time the promotional rates will apply after a product is sold.
- 4.9 Further to the above responsibilities, banks engaging in foreign exchange business are also required to quote fair market exchange rates for daily public display.
- 4.10 Banks must also ensure that all material disclosures required under this Policy are in conspicuous font type and size.

## **5.0 Reporting Requirements**

- 5.1 Each bank 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 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 months and each time changes are made to the list of products and services and the list of fees and charges.
- 5.2 Each bank must inform the Reserve Bank in writing of its intention to introduce a new product or service at least **30 calendar days** before it is introduced. This notice must be accompanied by the applicable RBF Forms. Each bank must also inform the Reserve Bank in writing of the

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<sup>2</sup> Acceptable media include written letter, newspaper advertisement, email and SMS.

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, bank 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 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 net returns they may get from deposits.

- 6.2 Each bank shall ensure that a customer is offered a product that suits the expressed need. To assist a potential customer, the suite of products that meet the expressed need should also be discussed and disclosed to the customer.

- 6.3 When opening new accounts<sup>3</sup> for customers, the bank 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 bank is required to provide a pre-contractual document setting out, at a minimum the following items:

**(i) For Open-End Credit:**

- (a) The name and address of the bank;
- (b) Description and function of the Credit Contract;
- (c) Amount of Credit Limit;
- (d) Annual Interest Rate, Base Lending Rate and Effective Interest Rate;
- (e) Fees and Charges (including explanation on how and when the fees and charges apply);
- (f) Calculation of Interest Charges;
- (g) Default Interest Rate/Loan Arrear Fee;
- (h) Changes to Interest Rates, Fees and Charges, and Terms and Conditions of the Contract;
- (i) Statement of Accounts;
- (j) Payment Obligations including due date of payments and amounts;
- (k) Default, Subsequent bank's Actions & Consequences, Cancellation and Termination;

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<sup>3</sup> This includes both Open-End Credits and Closed-End Credits, and all savings accounts.

- (l) Error and Dispute/Complaints Resolution; and,
- (m) Glossary- Definition of Words in Relation to the Credit Contract.

**(ii) For Closed-End Credit:**

- (a) The name and address of the bank;
- (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, Base Lending Rate and Effective Interest Rate;
- (g) Calculation of Interest Rate;
- (h) Fees and Charges (including explanation on how and when the fees and charges apply);
- (i) Default Interest Rate/Loan Arrear Fee;
- (j) Total Payments- this includes the principal credit, interest payable and any fees and charges;
- (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 Bank's 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; and
- (s) Glossary- Definition of Words in Relation to the Credit Contract; and,
- (t) Credit Contract Cancellation.

**(iii) For Deposits:**

6.5 Each bank is required to disclose, at the minimum, the following for deposit accounts:

- (a) Rate Information - rate of interest of the deposit product
- (b) Compounding & Crediting - the frequency with which interest is compounded and credited and the balance on which interest is

calculated. Each bank must disclose the effect of closing an account before accrued interest is credited.

- (c) Balance Information - information on the minimum balance required to open an account, balance to be maintained to avoid the imposition of a fee (or not); and required balance to obtain the annual yield must be disclosed.
- (d) Fees and Charges - list the applicable fees and charges for the deposit accounts and explain when and how these fees will apply.
- (e) Transaction Limits - transaction limits include any limitations on the number of free withdrawals or deposits.
- (f) Time Deposit Accounts - For time deposit accounts, the maturity date and early withdrawal penalties must be disclosed.
- (g) Frequency of Interest Payment . details on the frequency of interest payment during the period of the term deposits.
- (h) Renewal Policies . explain how the bank will inform the customers on maturity of term deposits.
- (i) Bonuses - For accounts with bonus interest rates, the disclosure of bonuses must be disclosed including the amount or type of any bonus, when the bonus will be provided, and any minimum balance and time requirements to obtain the bonus.
- (j) Glossary- Definition of Words in Relation to Deposits.

## **7.0 Requirement for Subsequent Disclosure**

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

- (a) Periodic Statement;
- (b) Renewal Disclosures; and,
- (c) Repayment Changes Disclosures.

### **Requirement for Periodic Statements**

7.2 Each bank must provide their customers with a periodic statement<sup>4</sup> in the intervals specified below (or less frequent at the discretion of the customers). The periodic statement must disclose, at minimum, the following items:

#### **(i) For Open End Credit (Monthly)**

- (a) Statement Period;
- (b) Opening and Closing Balance;
- (c) Identification of transactions that occurred during the Billing Period;
- (d) Credit amounts of each transaction;
- (e) Amount of Finance Charges for the Billing Period and the balance on which the Finance Charge is computed;

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<sup>4</sup> Statement in the form of printed copy and/or electronic statement.

- (f) Annual Percentage Rate;
  - (g) Other Charges - charges other than financial charges, eg. Cash Advance Fee, Late Fee, Over-The-Limit Fee, etc;
  - (h) Closing Date of Billing Cycle;
  - (i) The date by which payment must be paid to avoid additional financial charges;
  - (j) In the case of an open end credit contract that requires a minimum monthly payment and has an interest free period, the following statement, located on the front of the billing statement, should disclose clearly and conspicuously: "*Minimum Payment Warning: Making only the minimum payment will increase the interest you pay and the time it takes to repay your balance*".
  - (k) Payoff timing disclosures for credit card contracts that require minimum monthly payments must be included in the periodic statement, including repayment information that applies to the outstanding balance. This would include:
    - The number of months (rounded to the nearest month) that it would take to pay the entire amount of that balance, if the customer pays only the required minimum payments and if no further advances are made; and,
    - The total cost to the customer, including interest and principal payments, of paying that balance in full, if the customer pays only the required minimum monthly payments and if no further advances are made.
  - (l) Banks must ensure that periodic statements for credit card transactions must contain at a minimum the items listed in 7.(1) (a) (i), and must be mailed to the customers no later than **21 calendar days** before the payment due date.
- (ii) For Closed End Credit (Quarterly)**
- (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;
  - (f) Interest Rate of the Statement Period;
  - (g) Payment to or from Account;
  - (h) Insurance Payments; and
  - (i) Alterations.
- (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 Renewal Disclosures**

7.3 For time deposit accounts, banks must provide disclosures at least **30 calendar days** before maturity of the existing account. The disclosure includes the following:

- (a) The date the existing account matures and provides options to the account holder whether to renew the time deposit account upon maturity or to withdraw the deposit;
- (b) For renewal options, the disclosure shall provide details of the new terms and conditions, that includes the new annual interest rate and the time period of the time account; and,
- (c) For withdrawal options, banks must provide options on how the account holder may redeem the principal amount and interest earned on the existing time deposit account. Any applicable fee must also be disclosed.

### **Requirement for Repayments Changes Disclosure**

7.4 Changes in repayment for Close-end Credit must be communicated to all affected customers in written notice setting out the particulars of the changes no later than **30 calendar days**; 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. Banks 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 Application of Over Limit Fee**

9.1 Over limit fees can only be charged on an extension of credit, rather than a fee or interest charge, that causes the credit to exceed the limit.



## **10.0 General Disclosure Format for Interest Rates, Fees and Charges**

- 10.1 Banks fees and charges shall be generally disclosed under the three main business operations i.e. Customer Banking Services, Lending & Credit Cards and International outlined in **Appendix B, C, and D**. These disclosures shall be according to the products and services.
- 10.2 The format of summary disclosure for interest rates undertaken by banks 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 and minimum operating balance requirements; and,
  - (4) other requirements which the Reserve Bank may require by written notice to the banks.
- 10.3 Banks 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.
- 10.4 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 bank's operations and the bank's website. It is a contravention of this Policy to not make available this information.

### **PART III: OVERSIGHT AND IMPLEMENTATION ARRANGEMENTS**

## **11.0 Oversight by the Reserve Bank of Fiji**

- 11.1 Each bank must provide to the Reserve Bank the initial list of products and services and the fees and charges for each product and service (Form S-FPS) no later than **30 calendar days** after the implementation date of this Policy.
- 11.2 Each bank must adhere to the requirements of this Policy and submit to the Reserve Bank a Declaration of Compliance with the requirements of this Policy at the **beginning of each calendar year**. The Declaration of Compliance Form is attached as **Appendix E**.
- 11.3 The Reserve Bank will assess the compliance of each bank with the requirements of this Policy in the course of its supervision. A bank that fails to comply with the requirements of the Policy will be subject to other sanctions under Section 15 of the Banking Act 1995.

## **12.0 Implementation Arrangements**

12.1 This Policy applies to all banks licensed under the Banking Act 1995 and will be effective as set out below:

- (a) Non system related changes will be effective from 01 January 2012; and,
- (b) The requirements which entail related changes to information technology system<sup>5</sup> will be effective from 01 June 2012.

### **Reserve Bank of Fiji September 2011 (Revised)**

#### Attachments:

Schedule I: Interpretation

Schedule II: IT System Related Changes Requirements

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

Appendix B: Disclosure on Fees and Charges- Customer Banking Services

Appendix C: Disclosure on Fees and Charges- Lending and Credit Card Fees & Charges

Appendix D: Disclosure on Fees and Charges- International Fees and Charges

Appendix E: Declaration of Compliance

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<sup>5</sup> These requirements are listed in Schedule 2. Requirements which are not listed under this Schedule will be effective from 01 January, 2012.

## 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.

**'Base Lending Rate'** as determined by the Reserve Bank of Fiji.

**'Billing Cycle or Cycle'** means the interval between the days or dates of regular period statements.

**'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 banking services of the banks, including any walk-in customer that does not hold an account with the bank but using the banks' 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 rate and  $n$  is the number of times in a year interest is compounded.

**'Finance Charge'** refers to the cost of credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit.

**'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 bank and 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".

## **SCHEDULE 2**

### **IT System Related Changes Requirements**

- 1) Section 7.2(1)(e)**
- 2) Section 7.2(1)(k)**
- 3) Section 8.1**
- 4) Section 9.1**