



SUPPLEMENTARY INFORMATION TO THE CHECKLIST OF REQUIREMENTS

1. The Reserve Bank of Fiji seeks to ensure that only applicants of sound standing and repute are licensed as financial institutions with respect to the provisions of Part II of the Banking Act, 1995.
2. The Reserve Bank recognizes the importance of competition in Fiji's financial system and the benefits such competition garners for the users of financial products and services offered by licensed financial institutions. Thus, the Reserve Bank aims to keep impediments to entry as minimal as possible.
3. When determining the suitability of an applicant, the Reserve Bank is required to have regards to the following criteria:
 - (i) Primary licensing requirements under the Banking Act, 1995; and
 - (ii) Other primary licensing requirements specified by the Reserve Bank of Fiji under Section 8, Sub-section 2(x).

Primary Licensing Requirements as per the Banking Act, 1995

4. The following matters are requirements listed in the Banking Act, 1995. The said requirements are taken to be an integral part of submissions to the Reserve Bank of Fiji when applying for a license to establish a financial institution in Fiji.
 - (i) **Application Letter-Letter of Intent**
 5. The application letter acts as a manifestation of intent to conduct banking business in Fiji. It is a formal written notice and is attached to an appropriate resolution from the applicant's Board.
 6. An application received without an application letter cannot be processed.
 - (ii) **Ownership Structure**
 7. The RBF aims to ensure that a prospective financial institution is in the hands of individuals who collectively have incentives to closely monitor and influence its operations and activities in order to maintain and improve its viability and soundness.

8. Section 7(1) of the Banking Act, 1995, permits the ownership of a financial institution by an individual or his relatives within a second degree of consanguinity or affinity to be at most 15%. If this ownership is via a company or a group of companies controlled by an individual and his relatives, then these may hold at most 30% of the voting rights within the applicant financial institution. Control over voting shares by an individual and his relatives may be extended to 50% upon the consent of the Minister.
9. Control over a financial institution by a single shareholder is not permitted, except where the financial institution is a branch or subsidiary incorporated in Fiji of 100% non-resident owned financial institution.
10. Sufficient channels to ensure adequate Board oversight. There should be a clear separation of duties and responsibilities between directors and managers and a methodology of clear corporate governance. Management should be able to keep clear and effective control over the operations of the applicant.
11. Section 7 of the Banking Act regarding ownership shall be strictly adhered to.

(iii) Capital

12. Every financial institution must maintain capital in the following forms:
 - (i) if incorporated in Fiji, paid up capital and unimpaired reserves; and
 - (ii) if incorporated outside Fiji, assigned capital and unimpaired reserves in Fiji;in such proportions as specified by the Reserve Bank of Fiji from time to time. (Refer to Section 6(1) of the Banking Act, 1995)
13. Section 6, sub-section 2 of the Banking Act, 1995, gives the Reserve Bank, the authority to specify the minimum amount of capital to be held in Fiji for a grant of a license.
14. The minimum amount of paid-up or assigned capital and unimpaired reserves required to be held with respect to the provisions of Section 6, sub-section 3 of the 1995 Banking Act, must not be less than:
 - (i) in the case of a credit institution, be not less than \$500,000;
 - (ii) in the case of a bank, be not less than \$2,000,000.
15. The computation and forms of capital held in Fiji are determined by the Reserve Bank. (Refer to Section 6(4) of the 1995 Banking Act)

(iv) Business of the Applicant

16. The applicant's business must be "banking business" as per the Banking Act, 1995. Business of the applicant must at no time involve any prohibited activities outlined in Part III of the Banking Act, 1995, or other activities as the Reserve Bank may specify.
17. The objectives of the applicant determine the applicant's future goals and activities the applicant will conduct in the financial system. Alignment of the applicant's objectives with Reserve Bank policies and proposals for the financial system is important. The full particulars of business and its objectives must be attached to the Information Sheets.

(v) Financial Reports

18. The financial reports of the parent company are analysed to determine the ability to finance the applicant and provide any future finance, if required.
19. Financial reports form the basis of determinations into the capability to meet expenses and pay off debts and provides insight into the liquidity and solvency positions, resource allocation efficiency, profit generation capacity, capital adequacy and the ability to maintain a sound financial standing.
20. In the event that a new company is formed to provide "banking business," the financial statements of the incorporators, principal officers and directors are utilized for such determinations.

(vi) Overseas Incorporated Applicants

21. Reserve Bank must be able to adequately supervise the individual and consolidated business of the applicant and its subsidiaries. Assurance from the home country supervisor as to no objection for an overseas-incorporated applicant to operate in Fiji is necessary.
22. The Reserve Bank must have regards to the laws and regulatory requirements in the home country. These must not impact unfavorably on the operations of the applicant in Fiji. The Reserve Bank may require the applicant to incorporate locally if these adversities are significant.
23. The parent company must be willing to provide additional financial support if required. With regards to funding, the necessary funds must be accessible to cover all obligations and liabilities incurred by the applicant in its operations in Fiji.

Additional Primary Licensing Requirements Specified by the Reserve Bank of Fiji under Section 8, Sub-section 2(x)

(i) Capital

24. There should be adequate evidence to prove ability to maintain a minimum unencumbered capital for the applicant's operations in Fiji. This can usually be verified via a credit balance held in a resident account in Fiji.

(ii) Qualifications of Controlling Shareholders, Directors and Officers

25. Qualifications and experience are an important factor. Controlling shareholders, directors and officers should have the relevant experience and business acumen to facilitate competence and competitiveness with existing financial institutions. The qualifications, experience and reputation of the above are a crucial factor in evaluating an application.

(iii) Economic Justification

26. The effects of the proposed financial institution shall be assessed. The impact, particularly on the community and competition will be carefully determined. An applicant who can establish its role in meeting identified needs for a particular area to be served, via a carefully conceived plan shall be seriously considered. Feasibility studies conducted should be attached.

(iv) Future Earnings Prospects

27. The overall business strategy of the applicant must be coherent and organized. Success in the market and the commencement of such success must be adequately forecasted seeing as there is probability of losses in the initial commencement period.
28. Forecasts should take into account projected activities, existing and potential competitors, anticipated business problems, possible remedies in business coverage and scope and other activities or events that may effect the growth, profitability and future performance of the applicant.

(v) Overseas Incorporated Applicants

29. Only those financial institutions that are displaying the ability to carry out business in a prudent manner will be permitted to operate in Fiji.
30. The home country supervisor must testify that the parent company has a history of compliance with existing laws, accounting standards and audit standards in its home country, is operating within their jurisdiction and most importantly, must hold the status of a bank in its country of incorporation.

Points to Note

31. It is recommended that application fees are paid in either cash or bank cheque. Personal cheques will not be accepted.
32. A licence application is processed over a period of 90 days, as per Section 9(2) of the Banking Act, 1995. Should additional information be added to a licence application, the 90 days commences from the receipt of such information.
33. A conference may be called with the Reserve Bank on the initiative of the applicant for clarification and further information pertaining to the licence application and the licensing process.
34. In the event of approval of an application to conduct banking business in Fiji, the newly licensed must commence operations within six months of receipt of advice of approval from the Reserve Bank.
35. For further queries please contact the Reserve Bank of Fiji on telephone: 331 3611, fax: 330 1688 or e-mail: rbf@reservebank.gov.fj

**Financial Institutions Group
Reserve Bank of Fiji**

