

RESERVE BANK OF FIJI



PRESS RELEASE

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RESERVE BANK OF FIJI ANNOUNCES POLICY CHANGES

The Reserve Bank of Fiji today put in place various policy measures to protect Fiji's foreign exchange reserves in light of the current political situation. These are:

1. The tightening of capital controls **on various foreign exchange transactions**. Transaction limits have been reduced in several categories, documentary requirements have been increased, and some delegations to commercial banks to approve certain foreign exchange transactions have been rescinded.
2. The introduction of a **credit ceiling** on individual banks. From today, commercial banks' loans and advances to the private sector must be held at or below levels prevailing on 30 November 2006. The credit limit is an aggregate limit, not a limit on lending to individual commercial banks' customers. Commercial banks are free to lend to individual customers, as long as they manage their total lending within the overall limit. The ceiling on bank lending applies to their average lending over one month.
3. An increase in **interest rates charged to banks** that use Reserve Bank of Fiji lending facilities:
 - (a) **Repurchase Facility Rate**: The latest weighted average overnight interbank rate plus 10 percentage points.
 - (b) **Secured Advances**: The latest weighted average overnight interbank rate plus 10.5 percentage points.
 - (c) **Unsecured Advances**: The latest weighted average overnight interbank rate plus 15 percentage points.
 - (d) **Rediscount Facility**: The Reserve Bank will rediscount RBF Notes and Treasury Bills with a 10 percentage points margin above the current market yield on the remaining term to maturity of the security.

The Reserve Bank however is also mindful of the practical implications of the credit ceiling. To ensure that genuine transactions are not affected, deserving cases can be referred by commercial banks to the Reserve Bank of Fiji for consideration and approval.

These strong measures are necessary to ensure that reserves are safeguarded under the current circumstances. The measures will be reviewed regularly and it is hoped that some relaxation will be possible once the political situation normalises and financial pressures abate.

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